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# SENATE COMMITTEE ON GOVERNMENTAL ORGANIZATION

Senator Bill Dodd

Chair

2021 - 2022 Regular

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<b>Bill No:</b>	SB 576	<b>Hearing Date:</b>	4/6/2021
<b>Author:</b>	Archuleta		
<b>Version:</b>	3/11/2021 Amended		
<b>Urgency:</b>	No	<b>Fiscal:</b>	No
<b>Consultant:</b>	Felipe Lopez		

**SUBJECT:** Gambling: local moratorium

**DIGEST:** This bill extends the gambling moratorium related to the expansion of gaming and the issuance of new gambling licenses from January 1, 2023, to January 1, 2028. Additionally, the bill authorizes a city, county, or city and county, to amend its ordinance to increase the number of gambling tables that may be operated in a gambling establishment by two tables each calendar year, up to a maximum of 10 additional tables, as specified.

## ANALYSIS:

Existing law:

- 1) Provides, under the Gambling Control Act (Act), for the licensure and regulation of various legalized gambling activities and gambling establishments by the California Gambling Control Commission (CGCC) and the investigation and enforcement of those activities and establishments by Bureau of Gambling Control (Bureau), under the Department of Justice (DOJ).
- 2) Prohibits the CGCC, until January 1, 2023, from issuing a gambling license for a gambling establishment that was not licensed to operate on December 31, 1999, unless an application to operate that establishment was on file with the Bureau prior to September 1, 2000.
- 3) Prohibits, until January 1, 2023, an ordinance in effect on January 1, 1996, that authorizes legal gaming within a city, county, or city and county from being amended to expand gaming in that jurisdiction beyond that permitted on January 1, 1996, with minor exceptions.
- 4) Requires any amendment to any ordinance that would result in an expansion of gambling, as defined, in the city, county, or city and county, to be approved by

the voters in that jurisdiction, unless that amendment results in an increase of less than 25% with respect to specified matters, including the number of gambling tables or the hours of operation of a gambling establishment in the city, county, or city and county.

This bill:

- 1) Extends the gambling moratorium related to the expansion of gaming and the issuance of new gambling licenses from January 1, 2023, to January 1, 2028.
- 2) Authorizes a city, county, or city and county, to amend its ordinance to increase the number of gambling tables that may be operated in a gambling establishment by two tables each calendar year, up to a maximum total of 10 additional tables, above the number of tables authorized in the ordinance on January 1, 2022.
- 3) Provides that a city, county, or city and county's jurisdictional limit may expand to accommodate the increase of gaming tables pursuant to this section.

## Background

*Purpose of the bill.* According to the author's office, "California card clubs are fundamental assets in many local economies, serving as the largest single source of total tax revenue for several city general funds. Cardroom taxes fund numerous services like public safety, public health, and parks to name just a few. Cardrooms also generate significant employment and secondary business activity in many communities. The Legislature has an established history of keeping a moratorium on the expansion of local gambling in card club. In turn, SB 576 will extend the current moratorium to January 1, 2028 and allow a modest increase in tables at existing card clubs. This will provide predictability and needed financial stability to local governments that rely on revenue from licensed gambling."

*Gambling regulation/enforcement in California.* The Act created a comprehensive scheme for statewide regulation of legal gambling under a bifurcated system of administration involving the Bureau within DOJ and the five-member CGCC by the Governor. The CGCC is authorized to establish minimum regulatory standards for the gambling industry and to ensure that the state gambling licenses are not issued to, or held by, unsuitable or unqualified individuals.

The Bureau monitors the conduct of gaming operations to ensure compliance with state gambling laws and conducts extensive background investigations of

applicants seeking a state gambling license. The Bureau also conducts background checks for all key employees and state gambling licensees and vendor applications.

The Bureau inspects premises where gambling is conducted, examines gambling equipment, audits papers, books, and records of the gambling establishment, investigates suspected violations of gambling laws, and is ultimately responsible for enforcing compliance with all state laws pertaining to gambling.

The Bureau is also responsible for the approval of games that cardrooms are allowed to offer. This requires cardrooms to submit the rules of the games they are planning to offer to the Bureau. If approved, the cardroom is then allowed to offer that game at their gambling establishment.

*Moratorium.* Though the gaming moratorium is often discussed as a single entity, there are actually two statutory moratoriums that restrict the growth of gambling establishments in California. One moratorium prohibits the state from issuing licenses for new gaming establishments. The other limits gambling establishments from expanding gaming at their establishments, including additional tables. Both of these moratoriums are set to expire on January 1, 2023. This bill would extend both of these moratoriums to January 1, 2028.

The moratorium restricting the expansion of existing gambling establishments and licensing of new establishments began in 1995. A five-year moratorium was put in place by the enactment of SB 100 (Maddy, Chapter 387, Statutes of 1995). Since this initial moratorium, legislation continuing both moratoriums has been continually enacted. Most recently, AB 1168 (Gipson, Chapter 744, Statutes of 2018), extended the moratorium by three years, from January 1, 2020, to January 1, 2023.

Since the enactment of the moratorium in 1995, the Legislature has also passed several laws allowing gambling establishment to expand the number of tables in a licensed establishment. Most local jurisdictions have modified their local ordinances to realize the maximum amount of growth authorized by law. This bill would allow gambling establishment the ability to increase the number of tables at their establishments by two tables per calendar year, up to a maximum of 10 tables.

*Author Amendments.* The author has agreed to take the following amendment in committee to clarify that cardrooms can increase the number of tables that may be operated in their establishments by *up to* two tables each calendar year.

Notwithstanding Sections 19961, 19961.05, and 19962, commencing on January 1, 2022, a city, county, or city and county may amend an ordinance

to increase the number of gambling tables that may be operated in a gambling establishment by *up to* two tables each calendar year, up to a maximum total of 10 additional tables, above the number of tables authorized under the ordinance that was in effect on January 1, 2022. A city, county, or city and county's jurisdictional limit may expand to accommodate the increase of gaming tables pursuant to this section.

### **Prior/Related Legislation**

AB 1321 (Lackey, 2021) would exclude an increase in the number of tables authorized in existing gambling establishments from the prohibition on expansion of gaming and would explicitly authorize a city, county, or city and county to expand, by ordinance, the number of tables permitted in a gambling establishment. (Pending in the Assembly Governmental Organization Committee)

SCA 6 (Dodd, 2020) would have authorized sports betting, including online or mobile sports betting, by horse race tracks and federally recognized Indian tribes, as specified. Additionally, the bill would have incorporated into the California Constitution the authority of a licensed gambling establishment to offer games with cards or tiles in which participants wager against each other, including games in which a participant known as the player-dealer wagers against the other participants, and would clarify that games played in this manner at a licensed gambling establishment are not banking or percentage games. (Never Heard in the Senate Appropriations Committee)

AB 1168 (Gipson, Chapter 744, Statutes of 2018) extended the gambling moratorium related to the expansion of gaming and the issuance of new gambling licenses from January 2, 2020, to January 1, 2023.

SB 654 (Dodd, 2017) authorizes a city, county, or city and county to amend its local ordinance to increase the operation of hours of a gambling establishment to up to 24 hours a day, seven days a week. (Pending in Assembly Appropriations Committee)

AB 779 (Burke, 2017) modifies the definition of a "gambling enterprise employee" to no longer include an employee whose duties do not involve gaming activities, including, but not limited to, a cocktail server, bartender, janitorial worker, or other person engaged exclusively in preparing or serving food or beverages. (Pending in Senate Governmental Organization Committee)

AB 1039 (Hall, Chapter 745, Statutes of 2013) allowed a city, county, or city and county to amend its local ordinance in order to increase by two the number of tables above the number of tables authorized by local ordinance that was currently in effect on January 1, 2013.

AB 241 (Hall, Chapter 316, Statutes of 2011) extended the gambling moratorium related to the expansion of card rooms and the issuance of new card room licenses from January 1, 2015, to January 1, 2020.

AB 441 (Hall, Chapter 530, Statutes of 2010) allowed a city, county, or city and county to amend its local ordinance in order to increase by two the number of tables above the number of tables authorized by local ordinance that was currently in effect by January 1, 2010.

AB 2193 (Hall, 2010) would have extended the gambling moratorium related to the expansion of cardrooms and the issuance of new cardroom licenses from January 1, 2015, to January 1, 2020. (Vetoed by Governor Schwarzenegger)

AB 163 (Mendoza, Chapter 647, Statutes of 2008) authorized a city or county, without voter approval, to amend an ordinance to increase the number of gambling tables that may be operated in a gambling establishment by three tables if the ordinance in effect on July 1, 2007, provided for five to eight tables, and by four tables if the ordinance in effect on July 1, 2007, provided for nine to 12 tables.

SB 730 (Florez, Chapter 438, Statutes of 2007) among other things, authorized CGCC to issue licenses for a two-year period and required CGCC to establish a portable key employee license program.

AB 1973 (Bermudez, Chapter 854, Statutes of 2006) among other things, extended the moratorium on the expansion of gambling from January 1, 2010, to January 1, 2015.

SB 1198 (Florez, Chapter 181, Statutes of 2006) deleted "wagering limits" from the list of items that are considered expansion of gambling pursuant to the moratorium on the expansion of existing gaming in a locality.

AB 635 (Bermudez, Chapter 694, Statutes of 2005) permitted local governments to revise their ordinances limiting the number of tables in card rooms by 24.99 percent or two tables, whichever is greater, as compared with the level or number operated or authorized on January 1, 1996, without voter approval.

AB 864 (Firebaugh, Chapter 872, Statutes of 2004) permitted cities and counties to adopt ordinances permitting the expansion of gambling that result in less than a 25 percent increase, without voter approval.

SB 814 (Vincent, Chapter 799, Statutes of 2003) authorized CGCC to renew gambling licenses for a period of up to two years and specified that for any license issued for more than one year the licensee shall continue to pay the annual gambling license fee. The bill also extended the moratorium on the expansion of gambling from January 1, 2007, to January 1, 2010.

SB 100 (Maddy, Chapter 387, Statutes of 1995) established the original moratorium on card room expansion, prohibiting the creation of new card rooms until January 1, 1999.

**FISCAL EFFECT:** Appropriation: No Fiscal Com.: No Local: No

**SUPPORT:**

California Cardroom Alliance (Source)  
California Cities of Self-Reliance JPA  
California Club Casino  
California Gaming Association  
Citrus Heights Police Department  
Commerce Casino & Hotel  
Communities for California Cardrooms  
Delta C, LP  
Elevation Entertainment  
Hawaiian Gardens Casino  
Hollywood Park Casino  
Knighted Ventures  
Limelight Cardroom  
Livermore Casino  
Parkwest Casinos  
PT Gaming  
Stars Casino  
Turlock Poker Room and Casino

**OPPOSITION:**

Bay 101 Casino  
California Cities Gaming Authority  
City of Gardena

City of San Jose  
City of Oceanside  
League of California Cities  
Yocha Dehe Wintun Nation

**ARGUMENTS IN SUPPORT:** According to the California Cardroom Alliance, “California card clubs are fundamental assets in many local economies, serving as the largest single source of total tax revenue for several city general funds. Cardroom taxes fund essential public safety and health services, parks, water delivery, youth services, gang prevention and transportation systems. They also pay millions of dollars in state licensing fees. Card clubs also generate significant employment and secondary business activity in many communities.”

In addition, supporters argue that, “these cities also have millions of dollars in long-term debt service that is financed in large part by club revenues. If the licensing moratorium were to expire, it would be quickly followed by expanded gaming activities in adjacent areas and would negatively impact the fiscal health across the state.”

**ARGUMENTS IN OPPOSITION:** According to Cities Gaming Authority, “SB 576 is a devastating blow to approximately 64 cities with small and medium card rooms who want and need additional tables now and/or will need gaming tables within the next seven years. There are small and medium card room owners who want and need 15-20 additional gaming tables immediately for their economic survival as well as to accommodate patron demand. This measure threatens real physical harm to cities that are host to card rooms and other legal gaming operations, by denying local governments the ability to fully manage them and the revenue streams they represent for seven years.”

According to the Yocha Dehe Wintun Nation, “for almost ten years now, California gaming tribes have fought to stop the illegal gaming that occurs daily in California cardrooms. This illegal gaming includes the play of blackjack, which Penal Code section 330 expressly prohibits, and ‘banked’ games, which are constitutionally impermissible. Only Indian tribes that have negotiated a compact with the State have the right to play those games. The cardrooms not only infringe directly on the tribe’s hard-won gaming rights – which costs the tribes many millions every year that should go to support tribal governments and their citizens – but they get to do so in urban areas, whereas the tribes’ gaming is limited to their mostly remote tribal lands.”