


# SB-654 Local moratorium: gambling tables.(2017-2018)

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**BILL START**

CALIFORNIA LEGISLATURE— 2017–2018 REGULAR SESSION

**SENATE BILL**

**No. 654**

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**Introduced by Senator Dodd**

**February 17, 2017**

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An act to add Section 19961.07 to, and to add and repeal Sections 19831 and 19961.05 of, the Business and Professions Code, relating to gambling.

## LEGISLATIVE COUNSEL'S DIGEST

SB 654, as introduced, Dodd. Local moratorium: gambling tables.

Existing law, the Gambling Control Act, provides for the licensure and regulation of various legalized gambling activities and establishments by the California Gambling Control Commission and the investigation and enforcement of those activities and establishments by the Department of Justice. The act prohibits, until January 1, 2020, 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. Existing law 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 submitted for approval to the voters of the city, county, or city and county and to be approved by a majority of the electors voting thereon in order to be valid, except that an ordinance may be amended without the approval of the electors to expand gambling by a change that 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 would, until January 1, 2024, authorize a city, county, or city and county to amend its ordinance to increase the operating hours of a gambling establishment to up to 24 hours a day, 7 days a week.

Existing law authorizes a city, county, or city and county to amend an ordinance to increase the number of gambling tables that may be operated in a gambling establishment by an increase of 3 or 4 tables if the ordinance in effect on July 1, 2007, provided for 5 to 8 tables or 9 to 12 tables, respectively. Existing law also authorizes a city, county, or city and county, without needing voter approval, to amend its ordinance to increase by 2 the number of gambling tables that may be operated in a gambling establishment in the city, county, or city and county, above the number of tables authorized in the ordinance in effect on January 1, 2010, or January 1, 2013, as specified.

This bill would, if, before January 1, 2018, a city, county, or city and county has not amended an ordinance to increase the number of authorized gambling tables that may be operated in a gambling establishment pursuant to the above-mentioned authorizations, authorize the city, county, or city and county to amend the ordinance to increase the number of gambling tables that may be operated in a gambling establishment, as specified.

Existing law establishes the Bureau of Gambling Control within the Department of Justice.

This bill would, until July 1, 2019, require the Attorney General to establish a review panel to advise him or her in assessing the efficiency of the Bureau of Gambling Control's mission, processes, and procedures, and considering the bureau's organization and need for specialized expertise, goals, timetables, and relationships within the Department of Justice, including, but not limited to, legal services and law enforcement. The bill would require the review panel to, among other things, meet publicly at least 4 times each calendar year and to submit a report to the Attorney General and to post a report on its Internet Web site as often as necessary, but at least annually, on its findings and recommendations, as specified.

## DIGEST KEY

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: no

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## BILL TEXT

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS  
FOLLOWS:

### SECTION 1.

The Legislature finds and declares all of the following:

(a) Since its enactment in 1997, the Gambling Control Act, which provides broad oversight and regulation of California's gambling establishments, also known as cardrooms, has remained largely unchanged while state and local government and the cardroom industry have been required to adapt to periods of great

economic recession, advances in technology, and major demographic shifts with changes in public and private business practices and in the services offered to customers and constituents.

(b) In 1997, there were 233 cardrooms with 1,945 tables operating throughout California in more than 100 local jurisdictions, and the Legislature determined the need to place strict statewide limits on the expansion of gambling that would result from permitting local jurisdictions unlimited authority to allow more hours of play or additional tables. A strict gambling expansion moratorium was enacted in 1997, and has been renewed at least four times since then.

(c) In 2016, there were 89 cardrooms with 1,879 tables operating throughout California in 72 local jurisdictions. This represents not an expansion, but a significant contraction in the number of cardrooms and the number of tables currently in operation statewide over the last two decades. The reasons for consolidation and contraction among California's cardroom businesses mostly result from the impact of economic and competitive circumstances, but the original public policy concerns about the rampant expansion of cardroom gambling in California appear to be no longer warranted or of any urgency.

(d) Given these changes, it is now possible and would be appropriate for the state to restore to local governments the ability to make adjustments in hours of operation and the number of tables while still maintaining an overall statewide ceiling on expansion as the Legislature continues to review the effects of the 20-year moratorium on expansion, and the extent to which further modification would be appropriate in the future.

(e) In the meantime, cardrooms continue to provide a significant, steady, and reliable revenue stream for those local jurisdictions that are allowed under current law to authorize gambling, and fees paid to the State of California by cardroom owners and other licensees have resulted in the significant growth of cash reserves in the Gambling Control Fund.

(f) Nevertheless, actual staffing levels and relevant experience and training levels for both the Gambling Control Commission and the Bureau of Gambling Control positions have dropped significantly in recent years, resulting in lengthy delays, including a unilaterally imposed administrative freeze for reviewing and authorizing new games and routine backlogs of many months, and sometimes years, in the processing of background checks and licensing recommendations for industry owners and key employees.

(g) Moreover, the commission has funding for 35 employees and an operating budget of nearly \$7 million per year. The bureau has funding for 185 positions and an operating budget of over \$30 million per year. Together, these two state agencies spend nearly \$40 million to oversee 88 cardrooms, of which only 74 are currently in active operation. By contrast, the State of Nevada has 2,458 licensed gambling businesses. The Nevada Gaming Control Board and the Nevada Gaming Commission have a combined annual operating cost of \$44 million.

(h) The commission and bureau in tandem oversee the licensing approval and processes, which now results in significant duplication of efforts and well-documented delays and service backlogs that continue to create unreasonable and unwarranted hardship and costs for the cardroom industry, businesses, and employees. It is time to consider whether a better statutory division of labor may be needed to better and more timely serve the industry and protect the public, and to determine if there are other improvements in the regulation of the cardroom business that would satisfy the need to improve business practices, protect consumers, increase security, and permit innovation in business practices, transparency, and technology that will aid law enforcement and regulators in maintaining a California industry that is scrupulously free of criminal or corruptive elements and also free of unnecessary and punitive regulatory burdens to the extent possible.

## **SEC. 2.**

Section 19831 is added to the Business and Professions Code, to read:

**19831.**

(a) The Attorney General shall establish a review panel to advise him or her in assessing the efficiency of the Bureau of Gambling Control's mission, processes, and procedures, and considering the bureau's organization and need for specialized expertise, goals, timetables, and relationships within the Department of Justice, including, but not limited to, legal services and law enforcement.

(b) The review panel shall be composed of the following seven members:

(1) Four stakeholders from lists recommended by industry trade associations.

(2) Two representatives from local government recommended by the League of California Cities and California State Association of Counties.

(3) One member of the public.

(c) The review panel shall consider all of the following:

(1) The individual licensing process, recommendations for reducing delays, and progress and consideration of circumstances in which multiple licensing may be in the best interest of the state.

(2) The background review process for owners and employees, and whether it would be appropriate to permit the use of an individual license at multiple licensed gambling establishments.

(3) The game and promotion approval process and improvements to reduce current processing delays and eliminate administrative moratoria or all-encompassing freezes on the approval of new games and promotions.

(4) The training process at the bureau and whether there are problems with policy consistency, advice, and direction to licensees and industry stakeholders.

(5) The gambling establishment renewal process to determine whether gambling establishment reviews should be ministerial and if renewals are consistently and equitably administered.

(d) (1) The review panel shall meet publicly at least four times each calendar year, and submit a report to the Attorney General and post a report on its Internet Web site as often as necessary, but at least annually, on its findings and recommendations.

(2) The review panel shall meet publicly at least once each calendar year with the Gambling Policy Advisory Committee to discuss recommendations for clarifying responsibilities and eliminating unnecessary duplication of effort between the bureau and the commission.

(e) Upon appropriation by the Legislature, the Attorney General shall use funds from the Gambling Control Fund for staffing and necessary expenses for the review panel.

(f) The bureau shall provide annual public reports to the Attorney General in specific metrics, including, but not limited to, game and promotion approvals, licensing background, and suitability reviews.

(g) This section shall become inoperative on July 1, 2019, and as of January 1, 2020, is repealed.

**SEC. 3.**

Section 19961.05 is added to the Business and Professions Code, to read:

**19961.05.**

(a) Notwithstanding Sections 19961 and 19962, a city, county, or city and county may amend its ordinance to increase the operating hours of a gambling establishment to up to 24 hours a day, 7 days a week.

(b) This section shall remain in effect only until January 1, 2024, and as of that date is repealed.

**SEC. 4.**

Section 19961.07 is added to the Business and Professions Code, to read:

**19961.07.**

(a) Notwithstanding Sections 19961 and 19962, 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 as follows:

(1) If, before January 1, 2018, the city, county, or city and county has not amended an ordinance pursuant to paragraph (2) of subdivision (a) of Section 19961 with respect to the number of authorized gambling tables, the city, county, or city and county may amend the ordinance to allow an increase in the number of gambling tables that is equal to less than 25 percent of the number of tables authorized in the ordinance that was in effect on January 1, 1996.

(2) If, before January 1, 2018, the city, county, or city and county has not amended an ordinance pursuant to Section 19965, the city, county, or city and county may amend the ordinance to allow an increase of three or four tables, as specified in subdivisions (a) and (b) of Section 19965.

(3) If, before January 1, 2018, the city, county, or city and county has not amended an ordinance pursuant to subdivision (a) of Section 19961.06, the city, county, or city and county may amend the ordinance to allow an increase of two tables.

(4) If, before January 1, 2018, the city, county, or city and county has not amended an ordinance pursuant to subdivision (b) of Section 19961.06, the city, county, or city and county may amend the ordinance to allow an increase of two tables.

(b) (1) A city, county, or city and county that is eligible to amend an ordinance to increase the number of gambling tables that may be operated in a gambling establishment pursuant to more than one paragraph under subdivision (a) may amend an ordinance according to every paragraph that provides eligibility.

(2) The authority provided in subdivision (a) shall be in addition to any authorization under any other law for a city, county, or city and county to increase the number of gambling tables that may be operated in a gambling establishment in the city, county, or city and county.