

**GAMBLING CONTROL COMMISSION**

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May 21, 2009

Honorable Christine Kehoe, Chair
Senate Appropriations Committee
State Capitol, Room 2206
Sacramento, CA 95814

Subject: SB 213 (Florez) - OPPOSE

Dear Senator Kehoe:

The California Gambling Control Commission has a position of "Oppose" on SB 213 (Florez) related to gambling establishments (cardrooms). We believe that the bill, as amended on May 18, 2009, is unnecessary and problematic.

There is no rationale for extending the cardroom moratorium from 2015 to 2020. The moratorium simply preserves the existing monopoly that benefits large cardrooms. The author suggests that the cardroom moratorium and the 1999 Tribal-State Gaming Compacts should have the same end date of 2020, so that decisions on Tribal and cardroom gaming could be addressed on an equal playing field. We note that many of these 1999 Compacts have already been renegotiated and have terms beyond 2020, so this is not a valid reason to extend the moratorium date. Furthermore, capping the number of licenses that can be issued by the Commission to those cardrooms in operation as of January 1, 2010, would nullify the Commission's pending regulations that will determine the license status of 48 closed cardrooms. These regulations are not expected to be effective until after January 1, 2010. Therefore, the Commission's regulations regarding the status of the 48 "dormant" licenses would be circumvented by the bill and would be precluded from reopening.

The bill will also have significant fiscal implications. By extending the moratorium for five years and capping the number of cardroom licenses to those in operation as of January 1, 2010, the bill will result in forgone revenues to the Gambling Control Fund, to the extent that additional cardroom licenses would have been issued without the bill. Because cardrooms also pay fees to local jurisdictions, we believe that the bill will also result in forgone revenues to local jurisdictions. These forgone revenues are unknown, but could be in the millions of dollars each year, from FY 2009-10 through FY 2014-15.

We note that California's 91 cardrooms generated revenues of approximately \$870 million in FY 2007-08. The Budget estimates that these cardrooms will generate \$13.4 million in revenues to the Gambling Control Fund, which is an average of about \$147,000 per year for each cardroom. Cardrooms also generate revenues and jobs for local jurisdictions.

SB 213 would add post-employment restrictions on the Commission and pre-employment restrictions on local jurisdictions that regulate and enforce gambling. There is no basis for these employment restrictions. To ensure integrity in decision-making, the Commission has already gone the extra mile to adopt regulations for post-employment restrictions on all staff that have had access to privileged information or have had duties and responsibilities that generally involve making recommendations or decisions as it relates to the Commission's administrative actions or proceedings. These regulations preclude those staff from representing any client before the Commission, for compensation, for a period of 3 years after leaving the Commission. This three-year restriction also applies to the Commissioners and the Executive Director pursuant to the Gambling Control Act. The Commission's post-employment restriction goes beyond the standard one-year "revolving door" provision in the Political Reform Act that applies to other State and local agencies and the Legislature.

The additional post-employment restriction in SB 213 treats Commission employees differently than other employees within the State, local government and the Legislature. We also note that the post-employment restrictions may not be legally enforceable. In addition, the bill would require the Commission to promulgate new regulations related to post-employment restrictions. We estimate that we would incur costs of approximately \$30,000 to the Gambling Control Fund for new workload to promulgate these regulations.

SB 213 also adds a new provision to Section 19984 of the Business and Professions Code to specify that the duration of an agreement, contract, or arrangement between a gambling establishment and a third-party provider of proposition player services shall not exceed three years. We believe that this provision is unnecessary. Issues related to "third-party" contracts have been addressed via the regulatory process and the Commission is amending these regulations to provide for two-year contracts.

Overall, we believe that SB 213 is unnecessary and problematic. I respectfully request your "no" vote when the bill is heard before the Senate Appropriations Committee on May 26, 2009.

Please contact Anna Carr, Deputy Director of Legislation and Public Affairs, at 916-263-0494 if you have any questions.

Sincerely,

Terresa A. Cia
Executive Director

cc: Members, Senate Appropriations Committee
Honorable Dean Florez
Mr. Aaron Maguire, Office of Governor Arnold Schwarzenegger
Ms. Maureen Ortiz, Senate Appropriations Committee
Mr. Matt Osterli, Senate Republican Fiscal Office