

Stand Up For California!

“Citizens making a difference”

www.standupca.org

P. O. Box 355
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July 13, 2015

Honorable Cristina Garcia
California State Assembly Woman
State Capitol Room 2013
Sacramento, CA 95814
Attn: Ashley Medina
Ashley.median@asm.ca.gov

RE: OPPOSITION TO AB 701

AB 701 is a statewide expansion of gaming without a fortified regulatory infrastructure.

Dear Assembly Woman Garcia,

*Stand Up For California!*¹ (“Stand Up”) writes to formally withdraw prior support of AB 701 due to the new amendment allowing for Card Clubs to partner with out-of-state gaming interests. The amendment cites the Little Hoover Commission report from 2002 as justification for this amendment. That hearing debated whether or not California Card Clubs should be publicly traded, to invest-in or invest-with gaming interests from out-of-state.

The Little Hoover Report conclusions were then and are now contrary to California’s long standing public policy of limited gaming. Moreover, the new amendment to AB 701 cannot be supported by the statements in your background information: Which states: “*Today, the state has both an expanding gambling industry and fortified regulatory infrastructure.*” True, we have an expanding gaming industry, some of which continues to expand in the *void of regulation*, but fortified regulatory infrastructure, not by a long shot!

AB 701 is a statewide expansion of gaming without a fortified regulatory infrastructure. This amendment will create mega-Card Clubs in urban communities upsetting the balance between state commercial gaming interests and tribal interests resulting in a gaming arms race. The unintended consequence of this bill allows California Card Clubs to partner with out-of-state gaming interests.

The amendment does not consider the work load or need for additional funding and personnel to execute background checks and licensing of U.S. Casino companies that have expanded

¹ *Stand UP For California!* (“Stand Up”) is a nonprofit public corporation that focuses on gambling issues and policy affecting California. Our organization is recognized as an important information resource for local, state and federal policy makers on gambling issues. Our organization advocates for well-reasoned regulatory reforms and gaming policy.


internationally and will be drawn to invest with California Card Clubs. In a recent Assembly hearing on the State of Gaming in California, Division Chief Stacy Luna-Baxter testified that the Bureau of Gambling Control is behind 2400 investigations of Card Clubs due to the lack of personnel positions and bureau funding. The Gambling Control Commission which AB 701 recognizes as important in developing enforcement policies to protect consumer interests has yet to develop stringent regulations for the industry of Third Party Proposition Players or regulations relating to the approval of transaction enforcement of security interests. The State of California cannot keep up with the gaming we have at this time.

The California Gambling Control Commission is currently dysfunctional.² The former Chairman of the Commission and Executive Director have stepped down during recent news reports of their relationships to Mr. Robert Lytle former Director of the Bureau of Gambling Control, and a yet unnamed senior special agent for allegations of unethical behavior and public corruption in an Accusation filed by the Attorney General of California. In addition to the Lytle Accusation, there have been 3 high-profile Accusations of large Card Clubs, 2 FBI Card Club raids, a Federal Grand Jury investigation with indictments pending of a Card Club and federal indictments of an individual that was seeking licensing of a Card Club to expand his money laundering enterprise. The California Department of Justice has closed one Card Club for violation of gambling statutes. One partner of the Matrix Casino involved in the Lytle Accusation has paid the largest fine ever in California's history, 1.75 million dollars for violation of State gaming statues *with a promise* to continue to cooperate with the state investigations.

It is time for the State Legislature to take the industry of gaming seriously and promote legislation that assists state regulators in protecting the welfare of the public, consumers and keeps government free from corruption. **AB 701 facilitates and promotes the expansion of gaming without well-reasoned regulatory oversight.** The new amendment to AB 701 will only increase the public's loss of confidence in the integrity of the States' gaming industry.

Stand Up requests that you reconsider this amendment and drop the language.

Sincerely,



Cheryl Schmit, Director
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² Mr. Jim Evans was recently appointed to the Commission as the Chairman by the Governor's Office. The Commission still lacks one Commissioner and an Executive Director.