

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: June 12, 2007
POSITION: Neutral, note concerns

BILL NUMBER: SB 152
AUTHOR: D. Florez

BILL SUMMARY: Gambling: Local Gambling Ordinances

This bill would authorize local governments to amend their cardroom gambling ordinances, without voter approval, to increase the number of tables that may be operated in an establishment by up to 45 percent, as specified.

FISCAL SUMMARY

The California Gambling Control Commission (CGCC) indicates that its costs related to this measure would be minor and absorbable.

The Department of Justice (DOJ) estimates that this bill would result in minor and absorbable costs of approximately \$25,000 to its Division of Gambling Control (Division). To the extent that other bills are passed that would result in a fiscal impact on the Gambling Control Fund (GCF), the cumulative effect of those bills could result in a need for additional resources. DOJ staff estimate that this bill could result in up to \$136,000 in revenue to the GCF, due to fees from the additional tables that would be authorized by this measure. We note that these fees would be collected by the CGCC, not the DOJ. Because this bill does not include an urgency clause, it would not take effect until January 1, 2008; therefore, additional revenues in 2007-08 would be for one half of the fiscal year only.

The GCF recently had a solvency problem that Chapter 721, Statutes of 2006 attempted to resolve by increasing license renewal fees on cardrooms. While the fund condition statement as of the January 10 Governor's Budget (Budget) projects a stable and increasing fund balance based on the increased fees, we note that Chapter 721 did not take effect until January 1, 2007 and that insufficient fee revenue data is available to determine whether the assumptions in the Budget will be proven correct.

SUMMARY OF CHANGES

Amendments to this bill since our analysis of the March 14, 2007 version include the following significant amendment which does change our position:

- Increasing the percentage by which a local government may increase the number of tables that may be operated in a licensed gambling establishment from 35 percent to 45 percent. This amendment would increase the number of cardrooms that could be affected from 6 to 22.

COMMENTS

We note the following concerns with this bill:

- It would circumvent the current moratorium on the expansion of gambling within California by allowing local governments to authorize expansion within a significant number of existing licensed

(Continued)

Analyst/Principal Date Program Budget Manager Date
(0211) J. Carosone Todd Jerue

Department Deputy Director Date

Governor's Office: By: Date: Position Approved
Position Disapproved

BILL ANALYSIS Form DF-43 (Rev 03/95 Buff)

D. Florez

June 12, 2007

SB 152

COMMENTS (continued)

cardrooms. Because existing law prevents the CGCC from issuing a gambling license to any establishment that was not licensed on December 31, 1999, this bill would further solidify the existing gambling monopoly held by currently licensed cardrooms while increasing barriers to market entry for businesses that may want to apply for gambling licenses in 2015 when the moratorium is lifted.

- It would conflict with existing law (Business and Professions Code Section 19961.05), which specifies that local governments may increase the limit on the number of tables allowed per establishment by two tables or by 24.99 percent of the number of tables allowed by local ordinance as of January 1, 1996, whichever is greater. This conflict would likely cause confusion regarding which Section governs the limitation on table expansion.
- To the extent the revenues from increased cardroom license renewal fees fall significantly short of Budget projections (see fiscal summary), the additional regulatory activities that would result from this bill would further strain the GCF and could necessitate a reduction to current gambling-related regulatory activities.

Existing law does the following:

- Provides for the licensure and regulation of legalized gambling activities and gambling establishments by the CGCC and the Division.
- Authorizes local governments to permit controlled gambling if they had local ordinances doing so in effect prior to specified dates.
- Allows local governments to amend their gambling ordinances without voter approval, as specified.
- Requires that amendments to local ordinances relating to gambling establishments or the Gambling Control Act be submitted to the Division for review and comment before being adopted.
- Places a moratorium on the authorization of legal gambling by local governments that had not already done so prior to January 1, 1996 and on the expansion of gambling, as specified, until January 1, 2015.
- Prohibits the CGCC from issuing a gambling license to any business not already licensed on December 31, 1999.

This bill would authorize local governments to amend their gambling ordinances, without voter approval, to increase the number of gambling tables that may be operated in an establishment by no more than 45 percent as compared to the ordinances in effect on January 1, 2007, and only when those ordinances in effect on January 1, 2007 prohibit more than 12 gambling tables per establishment. According to the CGCC, this bill would potentially affect 22 cardrooms statewide.

Code/Department Agency or Revenue Type	SO LA CO RV	(Fiscal Impact by Fiscal Year)							Fund Code
		PROP 98	FC	2007-2008		2008-2009		2009-2010	
				FC	FC	FC	FC		
0855/GamblCtlComm	SO	No			No/Minor Fiscal Impact				0567
0820/Justice	SO	No			See Fiscal Summary				0567
1256/Othr Reg Fee	RV	No	U	\$68	U	\$136	U	\$136	0567

Fund Code Title
0567 Gambling Control Fund