

Date of Hearing: May 3, 2017

ASSEMBLY COMMITTEE ON GOVERNMENTAL ORGANIZATION

Adam Gray, Chair

AB 1378 (Gray) – As Introduced February 17, 2017

SUBJECT: Gambling: Gambling Control Act

SUMMARY: Would revise the definition of “applicant” to only include a person who has already applied for a state gambling license.

EXISTING LAW:

- 1) Existing law, the Gambling Control Act (Act), provides for the licensure of certain individuals and establishments involved in various gambling activities, and for the regulation of those activities, by the California Gambling Control Commission (CGCC).
- 2) Provides for the enforcement of those gambling activities by the Bureau of Gambling Control (Bureau), within the Department of Justice (DOJ).
- 3) Requires the Bureau to investigate the qualifications of applicants before any license or other approval is issued and, if necessary, recommends the denial or the limitation, conditioning, or restriction of any license or other approval. The Bureau is also required to monitor the conduct of all licensees and other persons having a material involvement, directly or indirectly, with a gambling operation or its holding company, for the purpose of ensuring that licenses are not issued or held by, and that there is no direct or indirect material involvement with, a gambling operation or holding company by ineligible, unqualified, disqualified, or unsuitable persons, or persons whose operations are conducted in a manner that is adverse to the public health, safety, or welfare.
- 4) Provides the Bureau may investigate suspected violations of the Act and relevant provisions of the Penal Code to investigate complaints that are lodged against licensees, or other persons associated with a gambling operation, by members of the public, and to initiate, where appropriate, disciplinary actions, as provided.
- 5) Defines “applicant” as any person who has applied for, or is about to apply for, a state gambling license, a key employee license, a registration, a finding of suitability, a work permit, a manufacturer’s or distributor’s license, or an approval of any act or transaction for which the approval or authorization of CGCC or Bureau is required or permitted under this chapter.

FISCAL EFFECT: Keyed non-fiscal by Legislative Counsel

COMMENTS:

Purpose of the bill: According to the author, “AB 1378 makes a common sense definitional change to the Act. Current law defines “applicant” as both a person who has submitted an application and who is “about to” submit one. The later does make sense as the CGCC and the Bureau have no idea who is about to submit an application for licensure. This bill clarifies that an applicant is only a person who has already submitted an application.”

Background: Prior to 1998, California's gambling industry was essentially unregulated. In 1984, the Legislature enacted the "Gaming Registration Act," which required the Attorney General's office to provide uniform, minimum regulation of California card rooms. However, the scope of the Attorney General's authority was extremely limited and funding was inadequate. Recognizing the need for broader oversight of California's gambling industry, the Legislature enacted the "Gambling Control Act" in 1997.

The Act provides CGCC with jurisdiction over the operation of gambling establishments in California. The Act requires every owner, lessee, or employee of a gambling establishment to obtain and maintain a valid state gambling license and assigns CGCC the responsibility of assuring that gambling licenses are not issued to, or held by, unqualified or disqualified persons, or by persons whose operations are conducted in a manner that is harmful to the public health, safety, or welfare. The Act directs CGCC to issue licenses only to those persons of good character, honesty and integrity, whose prior activities, criminal record, if any; reputation, habits and associations do not pose a threat to the public interest of this state. The Bureau, within DOJ, conducts background and field investigations and enforces the provisions of the Act in this regard.

Prior/Related legislation: AB 293 (Mendoza), Chapter 233, Statutes of 2009. This bill, among other things, allows limited liability companies (LLCs) and its officers, managers, members, or owners to be eligible for a state gambling license; imposes on all partnerships and LLCs the same licensing requirements that are applicable to limited partnerships and provides that a partnership, instead of being formed under the laws of the state to be eligible for a gambling license must be registered in the state and provide specific supplemental information; and requires CGCC to develop procedures to allow for the continuous operation of licensed gambling establishments in cases including the death or incapacity of a licensee.

SB 1678 (Florez) of the 2007-2008 Legislative Session. Would have added to the definition of "license" any other license issued by the CGCC pursuant to the Gambling Control Act or by a regulation adopted pursuant to that Act. Gutted and amended in the Assembly. Held in Assembly Rules Committee.

SB 730 (Florez), Chapter 438, Statutes of 2007. Makes various changes to the licensing and regulatory processes related to key employees for gambling establishments under the Gambling Control Act (Act).

AB 1753 (Governmental Organization Committee), Chapter 546, Statutes of 2005. Deletes the residency requirement for key employees of California card rooms. Revises the penalties for violations of California's gambling related laws.

SB 8 (Lockyer), Chapter 867, Statutes of 1997. Repealed the Gaming Regulation Act, and instead enacted the Gambling Control Act, which provided for DOJ to investigate and enforce controlled gambling in the state. It also establishes CGCC to regulate gambling in this state to issue, suspend, or revoke gambling licenses.

REGISTERED SUPPORT / OPPOSITION:

Support

None on file

Opposition

None on file

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