

Date of Hearing: April 27, 2017

ASSEMBLY COMMITTEE ON GOVERNMENTAL ORGANIZATION

Adam Gray, Chair

AB 779 (Burke) – As Amended March 23, 2017

**SUBJECT:** Gambling establishments

**SUMMARY:** Makes changes to the definition of “gambling enterprise employee” within the Gambling Control Act (Act). Specifically, **this bill:**

- 1) Removes “waiters” and “waitresses”, and “secretaries” from the definition of “gambling enterprise employee”
- 2) Further specifies a “gambling enterprise employee” shall not include an employee whose duties do not involve gaming activities, including, but not limited to, a cocktail server, bartender, janitorial worker, or other person engaged exclusively in preparing or serving food or beverages.
- 3) Specifies that the California Gambling Control Commission (CGCC) is prohibited from issuing a gambling license unless it is satisfied that the applicant is a person of good moral character, honesty, and integrity.
- 4) Provides intent language that the purpose of the bill is to provide comprehensive reforms to the Act relating to the licensing of gambling establishments, streamlining the licensing process, and allowing additional resources to be devoted to regulation and oversight of the gambling industry.

**EXISTING LAW:**

- 1) Existing law, the Act, provides for the licensure of certain individuals and gambling establishments involved in various gambling activities, and for the regulation of those activities, by the CGCC.
- 2) Provides for the enforcement of those gambling activities by Department of Justice (DOJ).
- 3) Prohibits the commission from issuing a gambling license unless it is satisfied that the applicant, among other things, is a person of good character, honesty, and integrity.
- 4) Defines “gambling enterprise employee” as any natural person employed in the operation of a gambling enterprise, including, without limitation, dealers, floor personnel, security employees, countroom personnel, cage personnel, collection personnel, surveillance personnel, data-processing personnel, appropriate maintenance personnel, waiters and waitresses, and secretaries, or any other natural person whose employment duties require or authorize access to restricted gambling establishment areas.
- 5) Requires a gambling enterprise employee –prior to employment –to obtain a valid work permit issued by the county, city, or city and county. Should the county, city, or city and county not have a work permit process in place, or where a locally issued work permit is not required, an application for a work permit shall be made to the CGCC.

- 6) Defines “Key employee” as any natural person employed in the operation of a gambling enterprise in a supervisory capacity or empowered to make discretionary decisions that regulate gambling operations, including, without limitation, pit bosses, shift bosses, credit executives, cashier operations supervisors, gambling operation managers and assistant managers, managers or supervisors of security employees, or any other natural person designated as a key employee by the department.
- 7) Requires every key employee to apply for and obtain a key employee license from the CGCC.

**FISCAL EFFECT:** Unknown

**COMMENTS:**

Purpose of the bill: According to the author, “The Gambling Control Act regulating card clubs in the state has been in effect for nearly twenty years. During that period of time both regulators and the industry have learned a variety of things which could be improved to result in stronger and more efficient regulation of the industry. It is important that provisions of the Act be updated, based on experience, to provide regulators with additional expertise and resources to improve field enforcement of the Act, while also addressing the significant backlog of license applications experienced under the current Act.”

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 of Gambling Control (Bureau), within the Department of Justice (DOJ), conducts background and field investigations and enforces the provisions of the Act in this regard.

Work Permits: The Act requires that all individuals employed as gambling enterprise employees hold a valid work permit. The work permit is issued by the local jurisdiction. Should the city or county not have a work permit process in place, or where a locally issued work permit is not required, an application for a work permit shall be made to the CGCC.

The process to obtain a work permit varies depending on the city or county in which the application is submitted. In the event the work permit must be obtained from the state, the process entails a fingerprint scan and an ordinary criminal history background check performed

by the Bureau. The work permit application process is streamlined and less stringent than the process to obtain a key employee license or any other state gambling license, which requires a deeper background investigation by the Bureau.

By changing the definition of “gambling enterprise employee”, AB 779 would remove the work permit requirement specifically for a waiters and waitresses, and secretaries. Furthermore, it removes the requirement for “*any employee whose duties do not involve gaming activities, including, but not limited to, a cocktail server, bartender, janitorial worker, or other person engaged exclusively in preparing or serving food or beverages*”.

Licensing Backlog: A significant backlog has existed within the licensing division of the Bureau – reaching nearly 3,000 gaming license applications that need to be investigated by the Bureau and ultimately approved or denied by the CGCC. The backlog is due to a combination of additional responsibilities being assumed by the Bureau through the Governor’s 2013 Reorganization Plan, a more complex investigation process, and an increase in the number of applicants.

In an attempt to begin reducing the backlog, the 2015-2016 State Budget included twenty full-time positions to the Bureau’s licensing division. To date, the Bureau has Filled 15 of 20 positions – 1 Manager, 12 Associate Governmental Program Analysts (AGPA), and 2 Staff Services Analysts (SSA).

So far this fiscal year the Bureau has completed a large number of cases – 2,671 in total. However, they have received 2,449 new applications this year. This increase of new applications has prevented the Bureau from making a significant reduction in the number of cases that need to be completed, which leaves the current status of the backlog at 2,983 applications. The majority of the backlog consists of applications for Third Party Proposition Player Licenses (2,240), while the rest consists of applications for Key Employee Licenses, State Gambling Licenses and work permits. It is important to note that work permits only account for 44 applications within the backlog.

Support: Lucky Chances Casino, Capitol Casino, Seven Mile Casino, and Kings Casino write in support: “This measure seeks to remedy California law to help concentrate the regulatory resources of the CGCC and the Bureau on their oversight and enforcement efforts. The current stringent statutory mandates on employee licensing has created a significant backlog of applications, while taking away critical regulatory focus from oversight of the industry. For only 72 active Gambling Establishments, there are currently 686 Licensed (157 Interim) Key Employees and 426 licensed (56 temporary) work permittees, which require bi-annual licensing scrutiny by the regulatory authorities. The resources devoted to the initial licensing and renewal of these employees has caused a significant strain on the resources of the regulatory agencies. By changing the strict licensing mandates on employees, licensing resources can be focused on owners and chief officers of the gambling establishments. Furthermore, additional resources can be focused on the oversight of the gambling operations so that the State can ensure that the public is playing games conducted honestly and free from corruptive influences.”

Prior/Related Legislation: AB 1033 (Garcia), 2016/2017 Legislative Session. Allows a person between 18 and 21 years of age to work in a gambling establishment in a classification that entails providing services on and off the gaming floor that are not involved in play of any controlled game. (Pending in Assembly Appropriations Committee)

AB 1188 (Gipson), 2015/2016 Session. Would have revised the definition of “key employee” to mean any natural person employed in the operation of a gambling enterprise in a supervisory capacity or empowered to make discretionary decisions with regard to gambling operations. (Gut and amended on Senate Floor)

AB 2218 (Burke), 2015/2016 Legislative Session. Would have extended a licensing exemption for the owners of the card room located at the old Hollywood Park Racetrack. Additionally, extends the time after receipt of an order by the Gambling Control Commission (CGCC) within which a person must apply for a gambling license or a finding of suitability. (Vetoed by Governor)

AB 903 (Garcia), 2015/2016 Legislative Session. Would have permitted a person between 18 and 21 years of age to work in a gambling establishment in a classification that entails providing services on and off the gaming floor that are not involved in play of any controlled game. (Died on Senate inactive file)

AB 2526 (Hall), 2011/2012 Legislative Session. Would have revised the definition of a "key employee" to any person employed in the operation of a gambling enterprise in a supervisory capacity or empowered to make discretionary decisions with regard to the gambling operations. (Died on Senate inactive file)

SB 1678 (Florez), 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**

Capitol Casino  
Kings Casino  
Lucky Chances Casino  
Seven Mile Casino

### **Opposition**

None on file

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