

Date of Hearing: July 5, 2017

ASSEMBLY COMMITTEE ON GOVERNMENTAL ORGANIZATION

Adam Gray, Chair

SB 666 (Vidak) – As Amended April 17, 2017

SENATE VOTE: 40-0

SUBJECT: California Gambling Control Commission and Department of Justice:
postemployment restrictions

SUMMARY: Prohibits a member of the California Gambling Control Commission (CGCC), the executive director, the chief, and any employee of the CGCC or Department of Justice (DOJ) who works on or supervises over gambling issues, for a period of two years after leaving office, from holding a direct or indirect interest in, hold employment with, represent, appear for, or negotiate on behalf of a gambling establishment, gambling enterprise, registrant, or licensee.

EXISTING LAW:

- 1) Provides, under the Gambling Control Act (Act), for the licensure and regulation of various legalized gambling activities and establishments by the CGCC and the investigation and enforcement of those activities and establishments by DOJ.
- 2) Specifies qualifications for eligibility as a member of the CGCC and provides that a person is ineligible for appointment if, within two years prior to appointment, the person was employed by, retained by, or derived substantial income from, a gambling establishment.
- 3) Prohibits a member of the CGCC, the executive director, the chief, and any employee of the CGCC or the department designated by regulation, for a period of three years after leaving office or terminating employment, for compensation, from acting as agent or attorney for any other person before the CGCC or the DOJ, if the appearance or communication is for the purpose of influencing administrative actions, as specified.
- 4) Provides that no member of the Legislature, for a period of one year after leaving office, shall, for compensation, act as agent or attorney for, or otherwise represent, any other person by making any formal or informal appearance, or by making any oral or written communication, before the Legislature, any committee or subcommittee thereof, any present member of the Legislature, or any officer or employee thereof, if the appearance or communication is made for the purpose of influencing legislative action.

FISCAL EFFECT: Unknown

COMMENTS:

Purpose of the bill: According to the author's office, "Current law allows employees of the DOJ and the CGCC to seek employment with current licensees immediately after leaving each particular state agency. In numerous instances employees of the DOJ have sought employment while still gainfully employed by the State of California, and they have used their position to leverage high paying jobs in the gaming industry. This loophole has raised significant concerns about the integrity of the current regulatory structure and has brought forth many accusations.

SB 666 closes the current revolving door loophole open to current employees who regulate the gambling industry.”

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.

The Act grants authority to the Bureau to monitor the conduct of gaming operations to ensure compliance with state gambling laws and conduct extensive background investigations of applicants seeking a state gambling license. Additionally, the Bureau inspects premises where gambling is conducted, examines gambling equipment, audits papers, books, and records of the gambling establishment, investigates suspected violations of gambling laws, and is ultimately responsible for enforcing compliance with all state laws pertaining to gambling.

Conflict of Interest: On December 23, 2014, the Attorney General's Office filed an accusation against Bob Lytle, former director of the Division of Gambling Control from 2002 until his retirement in 2007. In the accusation, the state alleged that Lytle began negotiating a new job with a cardroom in San Jose while he was still in charge of cardroom regulation. Lytle retired on December 30, 2007, and a day later began working as a consultant for a card room in San Jose.

The accusation also alleged that Lytle began working as a representative of the cardroom, and contacted both the Bureau of Gambling Control and the CGCC many times on behalf of his client. Additionally, the accusation stated that between 2012 and 2013, Lytle asked for and obtained confidential information from the Bureau. The accusation resulted in a fine and the loss of three separate licenses Lytle had been issued from the State of California. In addition, the fallout from the case resulted in the resignation of the former Chairman of the CGCC.

In addition, earlier this year a former CGCC commissioner who retired after six years, opened up a gaming consulting business days after her term with the CGCC ended. Though completely legal, the move was heavily criticized by gaming industry watchdog groups.

Try Again: Similar legislation, AB 692 (Vidak), was vetoed by the Governor in 2016. The bill would have prohibited a member of the CGCC, the executive director, chief, and any employee of the CGCC or the DOJ from holding a direct or indirect interest in, holding employment with, representing, appearing for, or negotiating on behalf of a gambling establishment, gambling

enterprise, registrant, or licensee for a period of two years after leaving office or employment. See veto message below:

"I am returning Senate Bill 692 without my signature.

This bill prohibits all employees of the California Gambling Control Commission and the Department of Justice from holding employment with a gambling enterprise for a period of two years after leaving state service.

This bill is overly broad. It applies to all 4,800 employees of the Department of Justice, regardless of whether they have any responsibilities related to gambling activities. A more targeted bill would be in order".

AB 666 is an attempt to alleviate the concerns of the Governor by narrowing the application to DOJ employees who "who work on or supervise over gambling issues". By adding this language the author has ostensibly addressed the "overly broad" concern in the Governor's veto message by capturing all employees who work at the Bureau, Indian Gaming Legal Affairs (IGLA) and DOJ employees who work on gambling issues, while omitting the rest of the DOJ employees.

Support: According to Stand Up For California: "Will eliminate the potential of former officials having access and passing on proprietary information or confidential information in ongoing investigations that may benefit their new clients. Most importantly, Senate Bill 666 has met the Governor's veto letter concerns targeting only DOJ and CCGG employees and or officials that have responsibilities related to gambling activities. Senate Bill 666 is necessary legislation that will protect the public and help to ensure the integrity of regulators and the State's gaming industry."

Prior/Related Legislation: SB 692 (Vidak), 2015-2016 Legislative Session. SB 692 (Vidak, 2016) would have prohibited a member of the CGCC, the executive director, chief, and any employee of the CGCC or the DOJ from holding a direct or indirect interest in, holding employment with, representing, appearing for, or negotiating on behalf of a gambling establishment, gambling enterprise, registrant, or licensee for a period of two years after leaving office or employment. (Vetoed by Governor)

AB 2526 (Hall), 2011-2012 Legislative Session. Would have revised several definitions within the Act. Specifically, the bill revised the definition of a "key employee," added surveillance managers and supervisors to the definition of "key employee" for licensing purposes, deleted the term "pit boss," and replaced the term "shift boss" to "shift manager." (Held on the Senate Inactive File)

SB 374 (Strickland), Chapter 263, Statutes of 2011. Authorized a holder of a portable personal key employee license to obtain employment as a "key employee" in more than one gambling establishment at the same time.

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

SB 289 (Vincent), Chapter 294, Statutes of 2007. Authorized the CGCC to, on a case-by-case basis, deem an applicant suitable to hold a state gambling license even if the applicant has a financial interest in another business that conducts lawful gambling in or outside of California.

AB 1753 (Governmental Organization Committee), Chapter 546, Statutes of 2005. Deleted the residency requirement for key employees of California cardrooms and revised 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 Act, which provided for DOJ to investigate and enforce controlled gambling in the state. It also established the CGCC to regulate gambling in this state and to issue, suspend, or revoke gambling licenses.

Support:

Lucky Chances Casino
Stand Up for California

Opposition:

None on file

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