
CONSENT

Bill No: AB 120
Author: Salas (D), et al.
Introduced: 12/18/20
Vote: 21

SENATE GOVERNMENTAL ORG. COMMITTEE: 14-0, 6/8/21
AYES: Dodd, Nielsen, Allen, Archuleta, Becker, Borgeas, Bradford, Glazer,
Hueso, Jones, Kamlager, Portantino, Rubio, Wilk
NO VOTE RECORDED: Melendez

SENATE APPROPRIATIONS COMMITTEE: Senate Rule 28.8

ASSEMBLY FLOOR: 77-0, 5/6/21 (Consent) - See last page for vote

SUBJECT: Gambling Control Act

SOURCE: Author

DIGEST: This bill allows the California Gambling Control Commission (Commission) to take action to deny or approve an application at a Commission meeting and require an evidentiary hearing only if requested by an applicant, upon denial of an application or if the application is approved with limits, restrictions, or conditions, as defined.

ANALYSIS:

Existing law:

- 1) Provides, under the Gambling Control Act (Act), for the licensure of certain individuals and gambling establishments involved in various gambling activities, and for the regulation of those activities by the Commission.
- 2) Provides for the enforcement of those gambling activities by the Bureau of Gambling Control (Bureau) under the California Department of Justice (DOJ).

- 3) Requires every person who, either as owner, lessee, or employee, deals, operates, carries on, conducts, maintains, or exposes for play any controlled game, or who receives, directly or indirectly, any compensation or reward, or any percentage or share of the money or property played, for keeping, running, or carrying on any controlled game, to apply for and obtain from the Commission a valid state gambling license, key employee license, or work permit, as specified.
- 4) Prohibits a person from being employed as a gambling enterprise employee unless the person has a work permit or is an independent contractor not required to hold a work permit.
- 5) Requires the Commission to hold a meeting that is conducted in accordance with specified evidentiary rules, similar to a hearing, in order to deny an application or grant a gambling license to an applicant.
- 6) Authorizes the Commission to deem a person suitable to hold a state gambling license even if the person has a specified financial interest in a business that conducts gambling activities outside the state that would violate California law if conducted within the state.
- 7) Allows an applicant to request a withdrawal of their application at any time prior to a final action by the Bureau.

This bill:

- 1) Allows the Commission to take action to deny or approve an application at a Commission meeting and require an evidentiary hearing only if requested by an applicant, upon denial of an application or if the application is approved with limits, restrictions, or conditions, as defined.
- 2) Allows an applicant to request a withdrawal of their application at any time prior to a final action by the Commission.
- 3) Makes technical and conforming changes to the Act.

Comments

Purpose of the bill. According to the author's office, "AB 120 will allow the Commission to take action to grant or deny a license at a regular meeting and would require an evidentiary hearing only if requested by an applicant, upon denial. Consolidating hearings for the approval and denial of licenses will reduce

delays and inefficiencies in the regulation of gambling, as recommended by the California State Auditor.”

Evidentiary hearings. Existing law requires the Commission to hold a meeting that is conducted in accordance with specified evidentiary rules, similar to a hearing, in order to deny an application or grant a gambling license to an applicant. The evidentiary hearings may be held pursuant to the Act or the Administrative Procedures Act. If the Commission sends a licensing application to an administrative hearing, the applicant will receive a referral letter and a Notice of Defense Form.

Once the Notice of Defense has been returned to the Commission and the Bureau requesting a hearing, a notice of hearing will be sent to the applicant which will identify who will present the Bureau's Investigation Report, as well as the date, time, and type of hearing. If the applicant waives his/her right to a hearing or fails to return the Notice of Defense form, the notice of hearing will also affirm the applicant's rights have been waived and include an advisory that the Commission may issue a default decision on the application.

An administrative hearing, also known as an evidentiary hearing, is a fair and impartial opportunity for an individual to present the merits of their application or other approval to the Commission through a semi-formal proceeding. If the application or other approval has been referred to an administrative hearing, the Commission will hear evidence and arguments presented at the hearing to determine the facts and review the relevant law applicable to the application, and issue a decision after the hearing is concluded.

The Bureau or complainant will present the relevant facts and argument contained in the Bureau's Background Investigation Report along with any specific issues identified by the Commissioners in advance of the hearing. The applicant will have the opportunity to present facts and arguments in favor of their suitability.

California State Auditor – Audit Report Number: 2018-132. As directed by the Joint Legislative Audit Committee, the California State Auditor conducted an audit of the Bureau and the Commission. The audit report concluded that the Bureau's and Commission's inconsistent procedures have contributed to delays and backlogs for gaming license applicants and have resulted in unequal treatment for applicants and licensees. The audit report made various recommendations to the Legislature, the Bureau and the Commission. Specifically, the Auditor recommend:

“To prevent unnecessary delays and use of resources and to ensure its compliance with state law, the commission should, following the Legislature's amendment of the Act that we recommend, revise its regulations and policies for conducting evidentiary hearings. These revisions should specify that the commission may vote at regular meetings on a final basis to approve or deny licenses, registrations, permits, findings of suitability, or other matters and that it is not required to conduct evidentiary hearings unless applicants request that it do so.”

AB 120 implements the State Auditor's stated recommendation to the Legislature by amending the Act to allow the Commission to take action at its regular licensing meetings rather than requiring it to hold evidentiary hearings. The State Auditor believes this action will prevent delays and the unnecessary use of resources in the processing of licensing applications.

Gambling regulation/enforcement in California. The Act created a comprehensive scheme for statewide regulation of legal gambling under a bifurcated system of administration involving the Bureau within DOJ and the five-member Commission by the Governor. The Commission is authorized to establish minimum regulatory standards for the gambling industry and to ensure that the state gambling licenses are not issued to, or held by, unsuitable or unqualified individuals.

The Bureau monitors the conduct of gaming operations to ensure compliance with state gambling laws and conducts extensive background investigations of applicants seeking a state gambling license. The Bureau also conducts background checks for all key employees and state gambling licensees and vendor applications.

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.

Related/Prior Legislation

SB 819 (Committee on Governmental Organization, 2021) excludes from the definition of “gambling enterprise employee” and “key employee” individuals who are employed solely to serve or prepare food or beverages if those duties are performed only in areas of the establishments in which gambling is not authorized. In addition, this bill makes various clarifying changes to the Act. (Pending in the Assembly Governmental Organization Committee)

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

SUPPORT: (Verified 6/21/21)

California Gambling Control Commission

OPPOSITION: (Verified 6/21/21)

None received

ARGUMENTS IN SUPPORT: According to the California Gambling Control Commission, “AB 120 provides the Commission the necessary authority to issue preliminary denials or approvals with conditions, limitations, or restrictions at a regular licensing meeting, in lieu of an inefficient requirement to conduct an evidentiary hearing prior to a denial or an application. This bill notably still provides applicants an opportunity to request an evidentiary hearing.”

ASSEMBLY FLOOR: 77-0, 5/6/21

AYES: Aguiar-Curry, Arambula, Bauer-Kahan, Bennett, Berman, Bigelow, Bloom, Boerner Horvath, Burke, Calderon, Carrillo, Cervantes, Chau, Chen, Chiu, Choi, Cooley, Cooper, Cunningham, Megan Dahle, Daly, Davies, Flora, Fong, Frazier, Friedman, Gabriel, Gallagher, Cristina Garcia, Eduardo Garcia, Gipson, Lorena Gonzalez, Gray, Grayson, Holden, Irwin, Jones-Sawyer, Kalra, Kiley, Lackey, Lee, Levine, Low, Maienschein, Mathis, Mayes, McCarty, Medina, Muratsuchi, Nazarian, Nguyen, O'Donnell, Patterson, Petrie-Norris, Quirk, Quirk-Silva, Ramos, Reyes, Luz Rivas, Robert Rivas, Rodriguez, Blanca Rubio, Salas, Santiago, Seyarto, Smith, Stone, Ting, Valladares, Villapudua, Voepel, Waldron, Ward, Akilah Weber, Wicks, Wood, Rendon

NO VOTE RECORDED: Mullin

Prepared by: Felipe Lopez / G.O. / (916) 651-1530
6/23/21 15:10:09

**** **END** ****