

Date of Hearing: June 7, 2012

ASSEMBLY SPECIAL COMMITTEE ON THE
GOVERNOR'S REORGANIZATION PLAN NO. 2

Joan Buchanan, Chair
GRP 2 - As Introduced: May 3, 2012

SUBJECT: GRP 2: Bureau of Gambling Control.

SUMMARY: Transfers the investigatory, licensing, and auditing functions of the California Gambling Control Commission (Commission) to the Bureau of Gambling Control (Bureau) in the Department of Justice. The Commission would keep its policy-making role, and will continue to establish regulations and monitor revenues to funds for which it is responsible.

EXISTING LAW:

- 1) Establishes the Bureau within the Department of Justice to investigate the credentials of those who have applied to offer gambling in the state of California, approve the particular games offered, and monitor gaming establishments for compliance with relevant laws.
- 2) Establishes the Commission as an independent entity within the Executive Branch. The Commission is responsible for setting policy, establishing regulations, conducting audits, making determinations of suitability for gaming employees and other individuals and entities, issuing licenses, administering gaming revenues and the provisions of the Gambling Control Act and the Tribal-State Gaming Compacts.

FISCAL EFFECT: Unknown.

COMMENTS:

Purpose of this bill: The goal of this portion of GRP 2 is to clarify the regulation of gambling in California. The current system of gambling regulation duplicates administrative, investigative, and enforcement activities between the Commission and the Bureau in the Department of Justice. While consolidating these functions in the Bureau, GRP 2 ensures that the Commission retains its policy authority. GRP 2 also maintains the current arrangement of shared oversight over gambling activities between the Commission and the Attorney General.

Background: In 1984, the Legislature enacted the Gaming Registration Act which required the Attorney General's office regulate 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 (Act) (Chapter 867, Statutes of 1997).

The Act created a comprehensive scheme for statewide regulation of legal gambling under a bifurcated system of administration split between the Bureau within the Department of Justice and the independent Commission appointed by the Governor. The Commission is authorized to

establish minimum regulatory standards for the gambling industry and ensure that state gambling licenses are not issued to or held by unsuitable or unqualified individuals.

The licensing and enforcement staff of the Bureau monitor the conduct of gaming operations to ensure compliance with state gambling laws and conduct in-depth background investigations of the qualifications of applicants for state gambling licenses, work permits and registrations. Background checks are done for all key employees, gambling license, and vendor applicants. The Bureau also reviews and approves contracts between third party providers of proposition players and card rooms. Each contract or qualifying amendment must be submitted to the Bureau for prior approval.

In March 2000, California voters passed Proposition 1A, which amended the California Constitution to permit casino-style gaming on Indian land. While the tribe maintains the primary responsibility for on-site regulation of gaming operations, the state is ultimately responsible for ensuring compliance with all aspects of Tribal-State Gaming Compacts.

Arguments in support: There is some belief that the Commission has moved beyond its policymaking role into the investigatory and enforcement tasks delegated to the Bureau. This is arguably not the fault of the Commission but of ambiguity in statutes. Gambling law is complex under the best of circumstances, and the Act and the numerous issues around tribal sovereignty makes California's landscape particularly intricate. There is an argument that this portion of the GRP 2 restores the original intent of the Act.

By this measure, clarifying the roles of the Bureau and the Commission is welcomed, though the specifics are so complex that additional legislation and careful planning will likely be necessary. Given the sensitivity and complexity of these issues, it may be wise to convene a task force or similar entity to specify which duties are delegated to each entity. Stakeholders have also suggested formalizing communication between the two entities to prevent confusion over duties and direction in the future.

Arguments in opposition: There appears to be little significant opposition to the general idea of shifting the roles of the Bureau and the Commission. Gaming tribes, card rooms, gaming attorneys and other interested parties have largely endorsed the idea or remained neutral.

However, there have been some negative responses to some provisions. Some do not see the reason for transferring licensing to the Bureau and believe this should be retained by the Commission. There is also some feeling that as drafted, the actual code of the GRP is not sufficiently specific in allocating administrative responsibilities to each entity and should be reviewed.

Overall, there appears to be a higher level of concern with these changes among tribes than among other entities, such as card rooms. This is not necessarily because the tribes are more affected than other entities, but rather reflect heightened sensitivities from ongoing disputes around tribal gaming. However, it should be emphasized that these issues are only with the fine details of GRP 2 as it affects gaming, not with the overall effort to bring clarity to gaming law in California.

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