



## ADVISORY NOTICE

### APPROVAL OF COMMISSION FEES MODERNIZATION PROJECT II

(CGCC-GCA-2021-07-R/C)

On December 7, 2022, the Office of Administrative Law approved the California Gambling Control Commission's (Commission) certificate of compliance filing for regulations concerning the Commission Fees Modernization Project II (OAL Matter # 2022-1021-06SR). The approved regulations were filed with the Secretary of State on December 7, 2022, and became effective the same day. The regulatory amendments provide annual fee requirements and amounts for third-party provider of proposition player services (TPPPS) business licensees.

#### **Approved Regulations**

This regulatory action has made changes in Division 18 of Title 4 of the California Code of Regulations. The changes are as follows:

#### CHAPTER 1. GENERAL PROVISIONS

#### ARTICLE 1. DEFINITIONS AND GENERAL PROCEDURES

#### **Amend 12002. General Definitions.**

Section 12002 provides the definitions used in the Commission's regulations. The Commission has modified the text to add one definition to this section. All subsequent provisions have been renumbered accordingly.

New subsection (ab) is added to provide the definition for "gross revenue," to mean the total of all compensation received for participating in or conducting any controlled game, and to include interest received in payment for credit extended by a cardroom business licensee to a patron for purposes of gambling. By adding this term, the definition applies to TPPPS business licensees as they participate in controlled games but do not conduct controlled games.

#### CHAPTER 3. CONDITIONS OF OPERATION FOR TPPPS BUSINESSES

#### ARTICLE 1. GENERAL PROVISIONS

**General changes:** The defined terms that were previously capitalized throughout this article have been changed to lowercase. This change is consistent with the format used throughout existing Commission regulations.

**Amend 12252. TPPPS Annual Fee.**

Section 12252 provides the process and timelines for a TPPPS business licensee to submit their annual fee.

Subsection (a) specifies that by October 1 of each year, the Bureau will provide an invoice to each TPPPS business licensee, pursuant to the requirements of Section 12006. This provision has been modified to instead require the TPPPS business licensee to submit their annual fee as provided in Section 12252.2, due to the removal of Section 12252.1. Further, the January 1 due date for TPPPS business licensees to submit their annual fee has been moved to subsection (c).

Subsection (b) provides that the annual fee may be paid in installments if the TPPPS business licensee submits a written request to the Bureau within 30 days from the date the invoice was mailed. This section has been modified to further specify the TPPPS business licensee must submit a written request within 30 *calendar* days. Further, the term “mailed” has been modified to “served” in alignment with the existing language in Section 12006 concerning the service of any notice or other written communication.

Subsection (c) provides that once approved for installment payments subject to the Bureau’s approval notification, a TPPPS business licensee must provide its installment payments by January 1, April 1, and June 30 of the payment year, with each payment being one-third of the total invoiced amount. This subsection has been modified with additional language to provide that a request for installment payments is to be considered approved, unless within 14 calendar days of receipt of the request, the Bureau notifies the TPPPS business licensee, pursuant to Section 12006, that the request has been disapproved. Additionally, this section has been modified with the addition of new language to provide that the Bureau will disapprove a request for installment payments under one of two conditions: (1) The TPPPS business licensee has a history of failing to make installment payments as required, or (2) the request for installment payments was not submitted pursuant to the requirements of subsection (b). Lastly, this section has been modified to add language specifying if a request is disapproved, or if installment payments have not been requested, the TPPPS business licensee will pay the entire amount by January 1.

Subsection (d) provides that the TPPPS certificate will not be issued until the Bureau has received the TPPPS annual fee, or has approved the TPPPS business licensee for installment payments. This section has been modified to add the word “license” in front of “certificate,” as the term “license certificate” is used throughout existing regulation.

Subsection (e) provides that any renewal application for a TPPPS business licensee will not be approved by the Commission if the TPPPS business licensee has any outstanding annual fees. The term “renewal application for the TPPPS business licensee” has been modified to “application for a renewal TPPPS business license” to align with the definition used in existing regulation. Other nonsubstantive changes have been made to this section, which are grammatical in nature.

Subsection (f) provides that no application for a TPPPS contract may be approved by the Bureau until any delinquent annual fees have been paid in full. Nonsubstantive changes have been made to this section, which are grammatical in nature.

Subsection (g) provides the process and calculation methods for newly approved TPPPS business licensees when they first receive their licenses and during the first full calendar year of licensure.

- Paragraph (1) has been modified to provide the calculation method for newly approved TPPPS licensees, which was previously provided in Section 12252.1. Further, this section is amended to specify the Bureau will issue the invoice pursuant to Section 12006.
- Paragraph (2) provides that for the first full calendar year of licensure, a TPPPS business licensee will be invoiced the unadjusted annual fee, as if they were a TPPPS business licensee whose average gross revenue was less than \$1.5 million for the following calendar year. If the license is approved after October 1, the invoice will be issued pursuant to the timeline in paragraph (1). Further, this section is amended to specify the Bureau will issue the invoice pursuant to Section 12006. Additional nonsubstantive, clarifying changes have been made to this section.

### **Adopt Section 12252.2. TPPPS Annual Fee Amounts.**

New Section 12252.2 is added to specify the TPPPS annual fee amounts, in lieu of providing the calculation method in the regulation (as previously proposed in Section 12252.1 and subsequently withdrawn from prior filings).

The fees required in this section of each type of TPPPS business licensee are as follows:

- \$0 for surrendered or revoked licensees;
- \$2,035 for non-operational licensees;
- \$4,069 for active licensees with a three-year average gross revenue under \$1,500,000; or,
- 1.54% of the three-year average gross revenue for active licensees with a three-year average gross revenue of \$1,500,000 or more.

### **Regulation Text**

A copy of the recently approved regulations is attached. That document is also available on the Commission's Web site under "Regulations / Recently Adopted, Amended, and Repealed Regulations" at:

[http://www.cgcc.ca.gov/?pageID=Recently\\_Approved\\_Regs&pageName=Laws%20and%20Regs](http://www.cgcc.ca.gov/?pageID=Recently_Approved_Regs&pageName=Laws%20and%20Regs).

### **Questions, Concerns, Suggestions**

For any questions, concerns, or suggestions regarding the adoption of this regulation, please email: [lawsandregs@cgcc.ca.gov](mailto:lawsandregs@cgcc.ca.gov).