

CALIFORNIA GAMBLING CONTROL COMMISSION
INITIAL STATEMENT OF REASONS
CGCC-GCA-2022-02-R

HEARING DATE: **None Scheduled**

SUBJECT MATTER OF PROPOSED REGULATIONS: Spousal Form Update

SECTIONS AFFECTED: California Code of Regulations, Title 4, Division 18:
Section 12112

SPECIFIC PURPOSE OF REGULATORY PROPOSAL:

INTRODUCTION:

The California Gambling Control Commission (Commission) is the state agency charged with the administration and implementation of the Gambling Control Act (Act).¹ The Commission is authorized to adopt regulations as necessary to implement the Act.

The Commission updated its licensing regulations in 2021. In the time since the regulations became effective, the Bureau of Gambling Control (Bureau) has had the opportunity to receive and review hundreds of applications. During those reviews, a small number of issues have arose. While these issues do not invalidate or make ineffective the regulations as originally adopted, the process would benefit from the correction and clarification of said issues.

PROBLEM ADDRESSED:

Since the effectiveness of the Commission’s updated licensing regulations, a small number of issues have arose. Specifically, due to the wording of the requirements related to the Spousal Information form, the form is non-uniformly required. Specifically, it is always required for renewal applications, but required only for initial applicants when the applicant is married. Additionally, there is no way for the Bureau to clarify if the lack of submittal was due to oversight by the applicant or because the applicant was not married at the time of submittal.

PURPOSE:

This proposed action has been prepared to correct some minor errors and inconsistencies in the Commission’s licensing process, mostly focused around the Spousal Information form, CGCC-CH2-12, but also in the requirements for submitting schedules from the form Supplemental Information Schedules, CGCC-CH2-11.

¹ Business and Professions Code, Division 8, Chapter5, section 19800 et seq.

ANTICIPATED BENEFITS OF PROPOSED REGULATION:

This proposed action will have the benefit of providing the people of California with a clear method of requesting consideration for a finding of suitability.

PROPOSED ACTION:

This proposed action will make changes within the California Code of Regulations, Title 4, Division 18 as follows:

CHAPTER 1 GENERAL PROVISIONS

ARTICLE 3. DESIGNATED AGENT

Amend 12080. Requirements.

Section 12080 provides the process by which an applicant, license, or holder of a Commission work permit may designate a natural person(s) to server as their designated agent(s).

Subsection (a) provides the application form Appointment of Designated Agent, CGCC-CH1-04. The instructions of the form indicate that if this form is required and no designated agent is being designated, the form should be filled out with “N/A” in Sections 2 and 3. However, the instructions in Sections 2 and 3 indicated that if no designation is being made the sections should be skipped. This is inconsistent. As such, the section specific instructions are modified to be consistent with the primary instructions, to require the indication of “N/A.” The advantage of the affirmative declaration of no designation is that the when the form is reviewed by the Bureau or Commission there will no confusion if the section was inadvertently skipped or intentionally skipped.

CHAPTER 2 LICENSES AND WORK PERMITS

ARTICLE 2. INITIAL AND RENEWAL LICENSES AND WORK PERMITS

Amend 12112. Initial License Applications; Required Forms.

Section 12112 provides the documents a person applying for an initial Commission approval must submit to the Bureau.

Subsection (a) provides the application forms that are required for all applications. Application for Owner Category License, CGCC-CH2-05, provides the application for TPPPS and cardroom business and endorsee licensees. Section 4 of the form requires a list of items that are required as attachments to the application. The Spousal Information form is added to these requirements. This is consistent with the addition of the item to subsection (f). Currently, the requirements to submit the Spousal Information form is inconsistent, always being required for renewal applications but only being required for an initial license when the applicant is married. This is necessary to make the requirements related to the Spousal Information form consistent, and the requirement is proposed to be amended to be required for all applications as without receiving it the Bureau does not know if its lack of submittal is due to an applicant not being married or because the requirement was overlooked.

Subsection (b) provides the supplemental forms that can be required of an applicant, depending on the specific application that is being requested.

- Paragraph (2) provides the Individual Owner/Principal: Supplemental Information form, CGCC-CH2-07.
 - Section 10, question H) requires in some cases that Trust: Supplemental Information, CGCC-CH2-09 is sometimes required. The revision date for the Trust: Supplemental Information form has been repealed. As these are internal references, and the foundational attachment of the referenced forms includes the form's version date, these dates are unnecessary. By removing these dates, it significantly reduces future corresponding changes that are required due to any future changes to the referenced forms.
 - Section 11 of the form requires a list of items that are required as attachments to the application. Two forms are proposed to be removed from these requirements.
 1. The Spousal Information form is no longer necessary to be submitted alongside the Individual Owner/Principal: Supplemental Information form. Specifically, in all cases where an Individual Owner/Principal: Supplemental Information form is required an Application for Owner Category License is also required. Now that the Spousal Information form is required alongside the Application for Owner Category License, the current requirement is redundant.
 2. The Internal Revenue Service Request for Transcript or Tax Return, 4506-T, is no longer required. The Bureau is unable to obtain the financial information necessary from the use of this form and as such, it is no longer necessary.
 3. The requirement to provide Schedules A through J from the Supplemental Information Schedules, CGCC-CH2-11, is revised to require Schedules A through K. The supplemental information forms for both businesses and trusts require Schedule K and requiring it with this supplemental makes all owner type licenses equal in this requirement. Additionally, the Bureau is currently requesting this additional schedule in nearly all cases as an additional document required by the Bureau and so placing it into the form conforms the form to current practice.
- Paragraph (3) provides the Key Employee or TPPPS Supervisor: Supplemental Information, CGCC-CH2-08. Section 11 of the form requires a list of items that are required as attachments to the application. The requirement to provide Schedules A through J from the Supplemental Information Schedules, CGCC-CH2-11, is revised to require Schedules A through K. The supplemental information forms for both businesses and trusts require Schedule K and requiring it with this supplemental makes this consistent. Additionally, the Bureau is currently requesting this additional schedule in nearly all cases as an additional document required by the Bureau and so placing it into the form conforms the form to current practice.
- Paragraph (5) provides the Commission Work Permit or TPPPS Worker: Supplemental Information, CGCC-CH2-10. Section 8 of the form requires a list of items that are required as attachments to the application. One form is proposed to be removed from these requirements. The Request for Copy of Personal Income or Fiduciary Tax Return,

FTB-3516C1 PAGE 1. While this form is necessary for a review of an applicant's financial history, the Bureau does not conduct such a review for those submitting this supplemental information form. As such, the requirement to submit this form is unnecessary.

- Paragraph (7) provides the Spousal Information form, CGCC-CH2-12. Because subsection (b) has the condition of "as applicable" and this proposed action would require the form in all cases, it has been moved out of subsection (b) and to subsection (f). Paragraphs (8) and (9) renumbered accordingly.

Subsection (e) provides a reference to the form Appointment of Designated Agent, CGCC-CH1-04, which is attached to Appendix A in Section 12080. The revision date for the Appointment of Designated Agent form has been repealed. As these are internal references, and the foundational attachment of the referenced forms includes the form's version date, these dates are unnecessary. By removing these dates, it significantly reduces future corresponding changes that are required due to any future changes to the referenced forms.

Subsection (f) is proposed to provide the Spousal Information form. This existing form would be required to be submitted in conjunction with any Application for Owner Category License. Currently, Section 12114 requires the Spousal Information form in all cases with the submittal of the Application for Owner Category License. This modification will make the application submittal for initial and renewal licenses consistent.

The form (CGCC-CH2-12) is amended as follows:

- The Spousal Information form provides instructions on how to complete the form. The instructions are amended in two ways:
 1. The instructions on when the form does not need to be submitted is amended to include both when the spouse is currently licensed or is submitting a license request as an owner for the associated cardroom or third-party provider of proposition player services concurrently with the applicant's request. The purpose of the form is to provide instruction to the applicant and information to the Bureau on whether the spouse of an applicant needs to be licensed, or as amended, if the applicant does not have a spouse. A requirement to submit this form when the spouse has already submitted a license is unnecessary, as it is clear to all parties that licensure is both required and requested or already approved.
 2. A question is added to indicate whether or not the applicant is either married or has a registered domestic partner. Currently, none of the Commission's forms requests this information for both the initial and renewal application, and in cases where the Spousal Information form is not submitted the Bureau is left either not knowing if the form wasn't submitted because the applicant has no spouse or if the requirement was unintentionally not submitted.
- Section 2 requires information related to the relationship of the spouse to the business. This assists the applicant in identifying if their spouse is required to submit an owner application. A new option 6 is added, "The applicant is not an ownership interest holder." There are generally two categories of nature people who are required to be licensed as owners, (1) those who own ownership interest, and (2) those who hold

positions within the cardroom or TPPPS of significant influence or other position that requires licensure as an owner, such as a director or manager. Unlike in the cases of ownership interest, a spouse does not hold any legal interest in the applicant's employment.

- Section 3 requires specific statements be initialed by both the applicant and their spouse in order for the spouse to not be required to be licensed. If these items are unable to be initialed by the parties, the spouse will be required to submit an application for licensure. The instructions for this section clarify that Section 3 only needs to be filled out if item 5 of section 2 is selected and items 2 through 4 of section 2 are not selected. This standard already exists and this proposed amendment provides specificity to the instructions to clarify the requirement.
- Section 4 indicates any additional items that are required to be submitted alongside the spousal information form.
 - The instructions of the form are amended to provide that spouses of applicants who are not interest owners are not required to submit any additional documentation except any documentation that may be required by the Bureau under its own statutory or regulatory authority.
 - The first item, which requires the submittal of either a Request for Live Scan Service or two Applicant Fingerprint Cards is amended to clarify that the spouse is the person required to submit the form. The applicant is already required to submit one of these documents in conjunction with their own application and this proposed amendment clarifies that the applicant is not being required to submit the same documents again.

CHAPTER 3 CONDITIONS OF OPERATION FOR TPPPS BUSINESSES

ARTICLE 3. TPPPS CONTRACT

Amend 12272. Review and Approval of TPPPS Contracts.

Section 12272 provides the process by which the Bureau reviews and approves a TPPPS contract.

Subsection (a), paragraph (2), provides for the documents necessary for an application to be considered complete.

- Subsection (A) provides that the applicant must submit a completed Application for Contract Approval to Provide Proposition Player Services, CGCC-CH3-02. The provision is amended to clarify that the form is attached in Appendix A of Chapter 3. The existing provision only references itself. Additionally, the form is amended as follows:
 - Section 3 of them provides that in some cases the Appointment of Designated Agent, CGCC-CH1-04, is required alongside an Application for Contract Approval to Provide Proposition Player Services. The revision date for the Appointment of Designated Agent form has been repealed. As these are internal references, and the foundational attachment of the referenced forms includes the form's version date, these dates are unnecessary. By removing these dates, it

significantly reduces future corresponding changes that are required due to any future changes to the referenced forms.

Amend 12274. Expedited Review and Approval of TPPPS Contracts.

Section 12274 provides the process by which the Bureau reviews and approves a TPPPS contract on an expedited basis.

Subsection (c) provides for the documents necessary for an application to be considered complete.

- Paragraph (1) provides a reference to the form Application for Contract Approval to Provide Proposition Player Services, CGCC-CH3-02, which is attached to Appendix A in Section 12272. The revision date for the Application for Contract Approval to Provide Proposition Player Services form has been repealed. As these are internal references, and the foundational attachment of the referenced forms includes the form's version date, these dates are unnecessary. By removing these dates it significantly reduces future corresponding changes that are required due to any future changes to the referenced forms.
- Paragraph (2) provides a reference to the form Appointment of Designated Agent, CGCC-CH1-04, which is attached to Appendix A in Section 12080. The revision date for the Appointment of Designated Agent form has been repealed. As these are internal references, and the foundational attachment of the referenced forms includes the form's version date, these dates are unnecessary. By removing these dates it significantly reduces future corresponding changes that are required due to any future changes to the referenced forms.

Amend 12278. Extension of TPPPS Contracts.

Section 12278 provides the process by which the Bureau reviews and approves request to extend an existing TPPPS contract.

Subsection (a) provides for the documents necessary for an application to be considered complete.

- Paragraph (1) provides a reference to the form Application for Contract Approval to Provide Proposition Player Services, CGCC-CH3-02, which is attached to Appendix A in Section 12272. The revision date for the Application for Contract Approval to Provide Proposition Player Services form has been repealed. As these are internal references, and the foundational attachment of the referenced forms includes the form's version date, these dates are unnecessary. By removing these dates, it significantly reduces future corresponding changes that are required due to any future changes to the referenced forms.

REQUIRED DETERMINATIONS:

LOCAL MANDATE:

A mandate is not imposed on local agencies or school districts.

UNDERLYING DATA:

Technical, theoretical, or empirical studies or reports relied upon: None.

BUSINESS IMPACT:

The Commission has made a determination that the proposed regulatory action would have no significant statewide adverse economic impact directly affecting business, including the ability of California businesses to compete with businesses in other states. This determination is based on the following facts or evidence/documents/testimony: This proposed action imposes no mandatory requirement on businesses. The proposed action clarifies existing application submittal requirements.

SPECIFIC TECHNOLOGIES OR EQUIPMENT:

The proposed action does not mandate the use of specific technologies or equipment.

ECONOMIC IMPACT ASSESSMENT/ANALYSIS:

IMPACT ON JOBS/NEW BUSINESSES:

The Commission has determined that this regulatory proposal will not have a significant impact on the creation of new jobs or businesses, the elimination of jobs or existing businesses, or the expansion of businesses in California. For this purpose, the consolidated small business definition provided in Government Code section 11346.3, subdivision (b), paragraph (4) was utilized.

The basis for this determination is that this proposed action imposes no mandatory requirement on businesses or individuals and does not significantly change the Commission's current practices and procedures. The proposed action clarifies existing application submittal requirements.

HEALTH AND WELFARE OF CALIFORNIA RESIDENTS:

It has been determined that the proposed action will protect the health, safety, and general welfare of California residents by aiding and preserving the integrity of controlled gambling.

WORKER SAFETY:

It has been determined that the proposed action will not affect worker safety because it does not pertain to working conditions or worker safety issues.

STATE'S ENVIRONMENT:

It has been determined that the proposed action will not affect the State's environment because it has nothing to do with environmental issues.

CONSIDERATION OF ALTERNATIVES:

No reasonable alternative to the regulations would be more effective in carrying out the purpose for which the action is proposed. No reasonable alternative would be as effective as and less burdensome to affected private persons than the proposed action, nor would be more cost-

effective to affected private persons and equally effective in implementing the statutory policy or other provision of law.

Set forth below are the alternatives that were considered and the reasons each alternative was rejected: No reasonable alternative has been developed or otherwise identified and brought to the attention of the Commission.