

**TITLE 4.**  
**CALIFORNIA GAMBLING CONTROL COMMISSION**  
**CGCC-GCA-2021-05-E**

**Statement of Specific Facts**

The California Gambling Control Commission (Commission) finds the readoption of regulations on an emergency basis to reduce specified licensing fees in alignment with the costs for providing regulatory oversight and related services pursuant to the fee study is necessary. The fee study was approved by the Department of Finance (DOF) on September 16, 2021, and thereafter these emergency regulations were promptly promulgated to ensure full compliance with California state law. Moreover, the COVID-19 pandemic has affected the California cardroom industry significantly, which has seen a significant decrease in revenue due to forced closures and reduced occupancy within cardrooms. In turn, this has caused a decrease in workforces, impacting employees within the cardrooms themselves. Economic and job recovery for the cardrooms and their employees is now underway but it will take significant time for the industry to fully rehire full staffing needs and recover lost income and revenue. While Executive Order (EO) N-08-21 did provide much needed due date extensions for Commission licensing fees, the EO expire on September 30, 2021. The readoption of emergency regulations is necessary to continue similar relief to initial license or permit applicants in order to protect public safety and welfare, as the expired EO had accomplished. It is critical to continue allowing employees to pay reduced and appropriate fees that do not exceed regulatory costs while the Commission expeditiously works to promulgate the adjusted fees via the regular rulemaking process. The adjustment of fees that are subject to the emergency regulations were a part of the recommendations made by the California State Auditor (Report 2018-132). As such, the readoption of this emergency rulemaking action is not only beneficial to the public, but necessary to avoid harm to the public's general welfare until the Commission is able to permanently reduce those fees via the regular rulemaking process, which the Commission has already made significant progress towards.

**SECTION 48 COMPLIANCE STATEMENT**

Notice was provided pursuant to Section 48 that Government Code section 11346.1(a)(2) which provides that, at least five working days prior to submission of the proposed emergency action to the Office of Administrative Law, the adopting agency provided a notice of the proposed emergency action to every person who has filed a request for notice of regulatory action with the agency. After submission of the proposed emergency to the Office of Administrative Law, the Office of Administrative Law shall allow interested persons five calendar days to submit comments on the proposed emergency regulations as set forth in Government Code section 11349.6. Said notice was provided on March 23, 2022.

**STATEMENT OF SPECIFIC FACTS DEMONSTRATING SUBSTANTIAL EVIDENCE THE AGENCY HAS MADE SUBSTANTIAL PROGRESS AND PROCEEDED WITH DILIGENCE TO COMPLY WITH 11346.1 (E).**

The initial adoption of these emergency regulations was approved by the Office of Administrative Law and became effective on October 7, 2021. The initial adoption of the

emergency regulations will expire on April 6, 2022. Since the effective date, the Commission has developed a regular rulemaking package to make these emergency regulations permanent (certificate of compliance) and has already conducted a 45-day comment period for said package, which ended at midnight on February 11, 2022. The Commission did not receive any public comments during this 45-day comment period. Shortly after the first re-adoption of these emergency regulations, the Commission will notice a meeting for the Commission to consider submittal of its regular rulemaking package to the Office of Administrative Law.

**THE EMERGENCY CIRCUMSTANCES ARE UNCHANGED SINCE THE INITIAL ADOPTION OR PRIOR READOPTION**

The emergency regulations were enacted to address the disproportionate costs of the fee structure as it previously was, compared to the programmatic expenditures and activities and economic hardships resulting from the COVID-19 global outbreak and the State of Emergency declared by Governor Gavin Newsom on March 4, 2020, which continues to remain in effect today. The COVID-19 pandemic has affected the California cardroom industry significantly, which has seen a significant decrease in revenue due to forced closures and reduced occupancy within cardrooms. In turn, this has caused a decrease in workforces, impacting employees within the cardrooms themselves. While Executive Order (EO) N-08-21 provided much needed due date extensions for Commission licensing fees, the EO expired September 30, 2021. While economic and job recovery for the cardrooms and their employees is now underway, it will take significant time for the industry to fully rehire and achieve full staffing needs and recover lost income and revenue. Furthermore, without the re-adoption of these emergency regulations, the fees that have already been identified to exceed current regulatory costs (reduced herein) would revert back to their pre-emergency amounts until the Commission is able to complete the regular rulemaking process to make the reductions permanent. As such, the underlying economic circumstances that were the cause for the initial adoption remain the same.

**AN UPDATED FINDING OF EMERGENCY REQUIRED BY GOVERNMENT CODE SECTION 11346.1(B) TO REFLECT CIRCUMSTANCES THAT HAVE CHANGED SINCE THE INITIAL ADOPTION OR PRIOR READOPTION IS NOT APPLICABLE.**

An updated finding of emergency is not applicable as the circumstances have not changed, the State still continues with the same State of Emergency declared March 4, 2020.

Of note, there was a subsequent regular rulemaking package (Update for Non-Commission Forms, OAL Matter #2021-0830-03) that became effective January 1, 2022, while these emergency regulations were in effect. The regular rulemaking package incorporated the changes made in the original emergency filing and some additional minor edits to the forms CGCC-CH2-04 and CGCC-CH2-05, including their version dates. Additionally, regarding the regular rulemaking text to Section 1(B) of the form CGCC-CH2-05, a typographical error changed the delinquency fee for renewal applications from \$492 (as implemented via the original emergency) to \$164. This is clarified and remedied via this re-adoption package to \$492.

**INCORPORATION BY REFERENCE FOR READOPTION,**

Pursuant to 1 California Code of Regulations 50 (c) and 1 California Code of Regulations 52 (c) the Commission requests approval for re-adoption of an emergency regulation and incorporates by reference the rulemaking record, as specified on the agencies Form 400 for re-adoption, for the initial adoption of the emergency regulation.