



## ADVISORY NOTICE

### APPROVAL OF EMERGENCY REGULATIONS COMMISSION FEES MODERNIZATION PROJECT III

(CGCC-GCA-2022-03-EE)

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On September 30, 2022, the Office of Administrative Law approved emergency regulations which update the California Gambling Control Commission's (Commission) regulations providing annual fee calculations for third-party provider of proposition player services (TPPPS) and cardroom business licensees. The approved regulations were filed with the Secretary of State on September 30, 2022, and became effective the same day. The re-adoption of these emergency regulations will remain in effect for 90 days and is currently set to expire on December 29, 2022. The Commission does intend to make these emergency regulatory changes permanent and is taking the steps necessary to pursue permanency via the certificate of compliance process.

#### **Approved Regulations**

This proposed re-adoption will make changes within the California Code of Regulations, Title 4, Division 18 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 is adding one definition to this section.

Subsection (ab) is added to provide the definition for "gross revenue." The definition expands the definition provided in Business and Professions Code section 19805, subdivision (r) by adding "participating in" to the standard. By adding this term, the definition applies to TPPPS business licensees as they participate in controlled games but do not conduct controlled games.

#### 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 forms and other information necessary for an application for an initial license to be considered complete. This section includes the attachment of many forms, including the Application for Owner Category License, CGCC-CH2-05. The requirement to submit annual fees as part of this form has been removed.

CHAPTER 3. CONDITIONS OF OPERATION FOR TPPPS BUSINESSES  
ARTICLE 1. GENERAL PROVISIONS

Amend 12252. TPPPS Annual Fee.

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

Subsection (a) provides that the TPPPS business licensee, by September 1 of each year, must submit to the Bureau their annual fee. The September 1 payment date is repealed.

New subsection (a) provides that no later than October 1 of each year an invoice in an amount determined by the Commission pursuant to Section 12252.2 will be sent by the Bureau to each TPPPS business licensee. The existing requirement that payment be made by a specific date has been moved to subsection (c).

Subsection (b) provides that the TPPPS annual fee is equal to \$2,800 for each associated TPPPS endorsee licensee and TPPPS employee licensee. This provision is repealed as the new calculation to determine a TPPPS' annual fee is being replaced with a new identifiable metric provided in Section 12252.2

New subsection (b), renumbered from existing subsection (c), provides that the annual fee may be paid in installments if the TPPPS business licensee submits a written request to the Bureau within 30 calendar days from the date the invoice was mailed. The existing August 1 date is repealed as it does not work with the new timeline.

Subsection (c), which is separated from existing subsection (c), provides that a request for installment payments is to be considered approved unless within 14 calendar days of receipt of the request, the Bureau determines and notifies the TPPPS business licensee that it has been disapproved. If not disapproved, a TPPPS business licensee will provide its payments January 1, April 1, and June 30 of the payment year. If disapproved, or if not requested, the TPPPS business licensee will pay the entire amount by January 1. The standard for disapproval by the Commission is based on if the TPPPS business licensee has shown a history of failing to make installment payments as required or failed to submit the request within the required 30 calendar days.

Subsection (d) provides that should the TPPPS business licensee see a reduction in the number of associated TPPPS endorsee licensees and TPPPS employee category licensees after the TPPPS annual fee has been determined, no refund of the paid TPPPS annual fee will be provided. This provision is repealed.

Subsection (e) provides that following the assessment of the TPPPS annual fee, if the TPPPS business licensee increases the number of its associated licenses above the number that was used to determine the TPPPS annual fee, the TPPPS business licensee must submit to the Bureau an additional per associated license fee within 30 days of the increase. Additionally, this provision provides that for new TPPPS business licensees, an initial year annual fee must be submitted upon the issuance of the new license. This subsection is repealed.

New subsection (d) provides that the TPPPS business license certificate will not be issued until the Bureau has received the TPPPS annual fee, or has approved the TPPPS business licensee for installment payments.

Subsection (e), renumbered from subsection (f), provides that that any renewal application for a TPPPS business licensee will not be approved if the TPPPS business licensee has any outstanding annual fees.

Subsection (f), renumbered from subsection (g), provides that no application for a contract may be approved by the Bureau for a TPPPS to operate until any delinquent annual fees have been paid in full. The term “TPPPS” is being added in front of “contract” as “TPPPS contract” is the appropriate term defined in Section 12002.

New subsection (g) provides the invoice amounts for TPPPS business licensees when they first receive their licenses. Since the definition of an active license requires the submittal of fiscal information, it is likely that a newly approved TPPPS business licensee will not have operated for a sufficient time to have completed a full fiscal year in the timeframe required for the calculation of an annual fee.

Amend 12252.2. TPPPS Annual Fee Amounts.

Section 12252.2 provides the annual fee amounts required of TPPPS business licensees. The fees required include:

- \$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.

CHAPTER 5. ACCOUNTING AND TRANSACTION APPROVALS

ARTICLE 1. ACCOUNTING AND FINANCIAL REPORTING

Adopt 12318. Cardroom Business License Gaming Revenue Report.

Prior to the initial adoption of this emergency, subsection (c) of Section 12368 required the submittal of a completed Cardroom Business License: Annual Fee Calculation, CGCC-CH7-03 alongside the submittal of the current year’s annual fee (which itself is due no later than 120 calendar days following the end of the cardroom business licensee’s preceding fiscal year). This form includes information both to report the revenue for gambling activities, broken down by individual games and tournaments, and information for the determination of the cardroom business licensee’s annual fee.

CHAPTER 7. CONDITIONS OF OPERATION FOR GAMBLING ESTABLISHMENTS  
ARTICLE 1. GENERAL PROVISIONS

Amend 12360. Definitions.

Section 12360 provides the definitions that pertain only to Chapter 7. The Commission is proposing to add 6 new definitions to this section, and to repeal 7 existing definitions that are no longer needed.

Subsection (b) provides the following new definitions:

- Paragraph (1) provides the definition of “Active Licensee” to mean a cardroom business licensee who has generated revenue for at least the last year as reported in Section 12313.
- Paragraph (2) provides the definition of “Annual Fee” to mean the amount a cardroom business licensee is required to pay to cover non-application costs pursuant to Section 12368.2.
- Paragraph (3) provides the definition of “Application Cost” to mean all costs, including the deposit, an applicant pays for the processing of their application.
- Paragraph (10) provides the definition of “Non-Application Cost” to mean all costs other than application costs borne by the Commission, Department of Justice, and all other State operations expenditures for the administration and enforcement of the Act.
- Paragraph (11) provides the definition of “Non-Operational Licensee” to mean a cardroom business licensee that maintains a valid license but did not generate revenue in the past year as reported in Section 12313.
- Paragraph (13) provides the definition of “Surrendered or Revoked Licensee” to mean a former cardroom business licensee who stopped operating and ceased to maintain a valid license prior to August 31 of the year the invoices are created.

Amend 12368. Cardroom Business License Annual Fee.

Section 12368 provides the process and timelines for a cardroom business licensee to submit their annual fee. Section 12368 is proposed be repealed and replaced as follows:

Subsection (a) provides that no later than October 1 of each year an invoice in an amount determined by the Commission pursuant to Section 12368.2 will be sent by the Bureau to each cardroom business licensee.

Subsection (b) provides that the annual fee may be paid in installments if the cardroom business licensee submits a written request to the Bureau within 30 days from the date the invoice was mailed.

Subsection (c) provides that if approved for installment payments, a cardroom business licensee will provide its payments January 1, April 1, and June 30 of the payment year. If installment payments are not being made, the entire amount is due January 1.

Subsection (d) provides that the cardroom business license certificate will not be issued until the Bureau has received the cardroom annual fee, or has approved the cardroom business licensee for installment payments.

Subsection (e) provides that that any application for a renewal cardroom business license will not be approved if the cardroom business licensee has any outstanding annual fees.

Subsection (f) provides that no application for a contract may be approved by the Bureau for a TPPPS to operate at this cardroom until any delinquent annual fees have been paid in full.

Subsection (g) provides the invoice amounts for cardroom business licensees when they first receive their licenses.

- Paragraph (1) provides that upon the first issuance of a cardroom business license, either as a temporary or a permanent license, the Bureau will issue an invoice in the required of an active licensee with a gross revenue under \$1,500,000, as provided in Section 12368.2, divided by 12, multiplied by the number of whole months remaining in the current calendar year, the cardroom business licensee must submit to the Bureau the annual fee within 30 days from the date the invoice was mailed.
- Paragraph (2) provides that for the first full calendar year of licensure, a cardroom business licensee will be invoiced the unadjusted annual fee, as if they were a cardroom business licensee whose average gross gaming revenue was less than \$1.5 million as provided in Section 12368.2.

Amend 12368.2. Cardroom Business License Annual Fee Amounts.

Section 12368.2 provides the annual fee amounts required of TPPPS business licensees. The fees required include:

- \$0 for surrendered or revoked licensees;
- \$5,237 for non-operational licensees;
- \$10,473 for active licensees with a three-year average gross revenue under \$1,500,000; or,
- 1.29% of the three-year average gross revenue for active licensees with a three-year average gross revenue of \$1,500,000 or more.

ARTICLE 10. GAMING TABLES

Amend 12470. Request for Additional Temporary Tables for Tournaments or Special Events.

Section 12470 provides the process by which a cardroom business licensee can request additional tables for use on a temporary basis. Currently, this process includes two fees, a fixed application fee to cover the costs of processing the application and an adjustment to the cardroom business licensee's annual fee to reflect the additional tables.

Paragraph (3) of subsection (a) provides that the fee is required to be submitted with the application. Additionally, the form Cardroom Business License: Gaming Tables, CGCC-CH7-07, attached to the Appendix in this section, provides the same requirement. It is repealed from both the section and the form.

Subsection (f) provides the calculation for this fee. As this fee is no longer being collected, it is repealed.

Amend 12472. Request for Additional Permanent Tables.

Section 12472 provides the process by which a cardroom business licensee can request permanent additional tables.

Subsection (d) provides the timeline for the Bureau and Commission to review and consider the application for additional permanent tables. This includes a notification and submittal of additional annual fees. As annual fees is no longer being determined based on the number of tables being operated and so the increase is inconsistent and therefore is repealed.

**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 Approved Regulations" at [www.cgcc.ca.gov](http://www.cgcc.ca.gov).

**Questions, Concerns, Suggestions**

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