

CALIFORNIA GAMBLING CONTROL COMMISSION
FINAL STATEMENT OF REASONS
CGCC-GCA-2021-07-R/C

HEARING DATE: *(None Scheduled or Requested)*

SUBJECT MATTER OF PROPOSED REGULATIONS:

Commission Fees Modernization Project

SECTIONS AFFECTED:

California Code of Regulations, Title 4, Division 18: Sections 12250, 12252, 12252.1, and 12252.2

UPDATED INFORMATION:

The prior certificate of compliance filing (OAL Matter Number 2022-0721-10C), which was approved in part, by the Office of Administrative Law on September 1, 2022, and became effective the same day, is included in the file and is hereby incorporated by reference as if fully set forth therein. The proposed regulations were modified and distributed to interested parties for a second 15-day public comment period on September 8, 2022, as part of this rulemaking process. The information contained therein is updated as follows:

PROPOSED ACTION:

The proposed changes within California Code of Regulations (CCR), Title 4, Division 18 are as follows:

Note: Proposed changes in the initial 45-day text of the proposed regulations are shown in single underline or ~~single-strikeout~~. First 15-day changes are shown in the text as double underline or ~~double-strikeout~~. Second 15-day changes, which are changes discussed in this document, are shown in the text as single italic underline or ~~single italic-strikeout~~.

CHAPTER 3. CONDITIONS OF OPERATION FOR TPPPS BUSINESSES

ARTICLE 1. GENERAL PROVISIONS

Amend 12250. Definitions.

Section 12250 provides the definitions that pertain only to Chapter 3. The Commission is proposing to add six new definitions to this section. All existing definitions are renumbered accordingly, which is a non-substantive change.

New paragraph (b)(1) provides the definition of “Active Licensee” to mean a third-party provider of proposition player services (TPPPS) business licensee or cardroom business licensee who has generated revenue for at least the last year as reported in Section 12313. This definition is necessary to allow other provisions to easily reference this category of licensee. This provision has been modified to remove “cardroom business licensee” because under former Section

12252.1, there was a need for active licensees to refer to both license types due to the calculations related to active licensees. However, with the removal of Section 12252.1, the only remaining use refers to TPPPS business licensees.

New paragraph (b)(2) provides the definition of “Annual Fee” to mean the amount a TPPPS business licensee is required to pay to cover Non-Application Costs calculated pursuant to Section 12252.1. Due to the removal of Section 12252.1, which contained the calculation method, this provision is being modified to remove the term “calculated” and replace the reference to 12252.1 with a reference to 12252.2 to align with the modified text. This definition is necessary to allow other provisions to easily reference this concept. Further, a general a nonsubstantive modification has been made throughout the text to remove the capitalization of the term “Annual Fee” to be consistent with the format of the Commission’s existing regulations.

Formerly proposed paragraphs (b)(6) through (11) and (18) are removed because under former Section 12252.1 there was a need for the definitions of cost pools 1 through 6 and new business licensee. However, with the removal of Section 12252.1, there is no remaining use of these terms and therefore no need for these terms to be defined.

New paragraph (b)(13), formerly proposed paragraph (b)(20), provides the definition of “Non-Operational Licensee” to mean a TPPPS business licensee or cardroom business licensee that maintains a valid license or registration and did not generate revenue in the past year as reported in Section 12313. This definition is necessary to allow other provisions to easily reference this category of licensee. This provision has been modified to remove the two references to “cardroom business licensee” because under former Section 12252.1 there was a need for active licenses to refer to both license types due to the calculations related to non-operational licensees. However, with the repeal of Section 12252.1, the only remaining use of non-operational licenses is due to billing, which only refers to TPPPS business licensees.

Amend 12252. TPPPS Annual Fee.

This section has been withdrawn.

Remove 12252.1. TPPPS Annual Fee Calculation.

Formerly proposed Section 12252.1 provided the calculation method of the TPPPS annual fee. The TPPPS annual fee is determined using a step-by-step calculation method that begins with the Commission’s and Bureau’s operation costs, which are not directly related to any charged fee or deposit, to determine how each type of operation cost relates to the TPPPS industry and divides the costs into cost pools dependent on the average annual revenue of a TPPPS business licensee to determine an annual fee. This section has been removed as the specific annual fee amounts are now being added to the table in Section 12252.2 to provided additional clarity and specificity. While the calculation method remains unchanged, it has been moved from the regulation text to this supporting documentation of the rulemaking file as further discussed in Section 12252.2 below.

Adopt 12252.2. TPPPS Annual Fee Amounts.

This section has been withdrawn.

REQUIRED DETERMINATIONS:

LOCAL MANDATE:

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

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: The Commission previously proposed to include the calculation method used for determining the TPPPS annual fee in the regulation text (Section 12252.1). However, this alternative was rejected due to clarity issues and a lack of specificity. Instead, the text has been modified to provide the specific fee amounts in Section 12252.2. The calculation method and final fee amounts remain unchanged and are now being included in this rulemaking support document.

COMMENTS, OBJECTIONS OR RECOMMENDATIONS / RESPONSES:

The following public comments/objections/recommendations were made regarding the proposed action during the public comment periods:

III. SECOND 15-DAY WRITTEN PUBLIC COMMENT PERIOD

No written comments, objections, or recommendations were received regarding the Modified Text of the proposed action during the second 15-day written comment period that commenced on September 8, 2022, and ended on September 23, 2022.

IV. COMMENT RECEIVED OUTSIDE THE PUBLIC COMMENT PERIODS

There were no comments, objections, or recommendations received outside any public comment period.