

TITLE 4.
CALIFORNIA GAMBLING CONTROL COMMISSION

NOTICE OF PROPOSED REGULATORY ACTION
2026 Update to Annual Fees
CGCC-GCA-2025-05-R

NOTICE IS HEREBY GIVEN that the California Gambling Control Commission (Commission) is proposing to take the action described in the Informative Digest after consideration of all relevant public comments, objections, and recommendations received concerning the proposed action. Comments, objections, and recommendations may be submitted as follows:

WRITTEN COMMENT PERIOD

Any interested person, or his or her authorized representative, may submit written comments relevant to the proposed regulatory action to the Commission at any time during the 45-day public comment period, which closes on **February 9, 2026**. Written comments relevant to the proposed regulatory action may be sent by mail, facsimile, or e-mail, directed to one of the individuals designated in this notice as a contact person. To be eligible for the Commission's consideration, all written comments must be **received at its office no later than February 9, 2026. Comments sent to persons and/or addresses other than those specified under Contact Persons, or received after the date specified above, will be included in the record of this proposed regulatory action, but will not be summarized or responded to regardless of the manner of transmission.**

PUBLIC HEARING

The Commission has not scheduled a public hearing on this matter. Any interested person, or his or her authorized representative, may request a hearing pursuant to Government Code section 11346.8. A request for a hearing should be directed to the person(s) listed under Contact Persons no later than 15 days prior to the close of the written comment period.

ADOPTION OF PROPOSED ACTION

After the close of the public comment period, the Commission, upon its own motion or at the instance of any interested party, may thereafter formally adopt the proposals substantially as described below or may modify such proposals if such modifications are sufficiently related to the original text. With the exception of technical or grammatical changes, the full text of any modified proposal will be available for 15 days prior to its adoption from the person designated in this Notice as primary contact person and will be mailed to those persons who submit oral or written testimony related to this proposal or who have requested notification of any changes to the proposal.

AUTHORITY AND REFERENCE

Pursuant to the authority vested by sections 19811(b), 19823, 19824, 19826, 19840, 19841, 19876(a), 19951, 19954, 19955 and 19984 of the Business and Professions Code; and to implement, interpret or make specific sections 19826, 19841, 19951, and 19984 of the Business and Professions Code, the Commission is proposing to adopt the following changes to Chapters 3 and 7 of Division 18 of Title 4 of the California Code of Regulations:

INFORMATIVE DIGEST AND POLICY STATEMENT

Introduction:

The 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.

In 2022 and 2023, the Commission adopted annual fee amounts for Third-Party Proposition Player Services (TPPPS) business licensees² and cardroom business licensees.³ Those annual fee amounts were based on a cost and fee analysis that utilized point-in-time workload data and fiscal information from the Commission and the Department of Justice (DOJ), and information collected from the industry. However, that analysis was based on available data through fiscal year 2021-22, and during the rulemaking process, the Commission acknowledged that over time, that data may no longer reflect the most accurate annual fee amounts. The Commission also committed to conducting annual cost and fee analyses to ensure its fees appropriately reflect workload-based costs incurred, and attribute costs appropriately to cardroom business licensees and TPPPS business licensees, based on workload attributable to each portion of the industry. As the result of the most recent cost and fee analysis, the Commission is proposing to update the amounts for the 2027 annual fees, which will be invoiced in October 2026, utilizing the latest available data through fiscal year 2024-25. The Commission has utilized the same calculation methods, detailed below, as were utilized to determine the annual fee amounts in the current regulations.

EXISTING LAW:

Business and Professions Code (BPC) section 19824 provides that the Commission shall have all powers necessary and proper to enable it fully and effectually to carry out the policies and purposes of the Act.

BPC section 19826 provides the responsibilities of the DOJ, including to receive and process applications for any license, permit, or other approval, and to collect all related fees.

BPC section 19840 provides that the Commission may adopt regulations for the administration and enforcement of the Act. Additionally, the Commission's regulations, to the extent appropriate, shall take into consideration the operational differences of large and small businesses.

BPC section 19841 provides a list of regulations that the Commission must adopt, including regulations prescribing the manner and method of collection and payment of fees and implementing the provisions of the Act relating to licensing and other approvals.

BPC section 19951 provides that the Commission may collect fees sufficient to fund the reasonable regulatory expenditures of the DOJ and Commission to fully carry out their duties and responsibilities under the Act.

¹ Business and Professions Code, Division 8, Chapter 5, section 19800 et seq.

² OAL Matter Number 2022-1021-06

³ OAL Matter Number 2023-0306-03

BPC section 19955 provides that if an owner licensee fails to make timely payments under BPC section 19951(b)(2), the Commission may order the temporary closure of the gambling establishment and if the fees remain unpaid after 90 days, the Commission may deem the license surrendered.

BPC section 19984 provides that the Commission shall establish regulations related to TPPPS, including the establishment of reasonable fees and deposits as necessary to defray the costs of providing regulation and oversight.

EFFECT OF REGULATORY ACTION:

This proposed action updates the annual fee amounts for cardroom business licensees and TPPPS business licensees, based upon the calculation method recommended by MGT Consulting Group (MGT) in response to the State Auditor's Report (Audit Report)⁴ released on May 16, 2019.

ANTICIPATED BENEFITS OF PROPOSED REGULATION:

This proposed action will have the benefit of requiring cardroom business licensees and TPPPS business licensees to pay total annual fees in an amount necessary for the Commission and DOJ to maintain proper funding levels, while aligning the annual fees paid by each portion of the industry (cardrooms and TPPPS) with the costs associated with workload attributable to that portion of the industry.

SPECIFIC PROPOSAL:

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

CHAPTER 1. GENERAL PROVISION

ARTICLE 1. FEES

Amend Section 12092. Annual Fee.

Section 12092 provides the process and timelines for a TPPPS business licensee to submit their annual fee.

Subsection (c) provides the timeline and standard for disapproval by the Bureau of a request for installment payments and specifies annual fee payment deadlines for cardroom business licensees and TPPPS business licensees. Cardroom business licensees and TPPPS business licensees must make the final installment payment by June 30 of the payment year. This provision is amended to change the final installment payment deadline to June 5.

Amend Section 12094. Annual Fee Amounts.

Section 12094 provides the annual fee amounts required of cardroom business licensees and TPPPS business licensees.

Section 12094 specifies that the annual fee amounts for cardroom business licensees and business licensees include:

TPPPS Annual Fee Amounts

⁴ State Audit Report 2018-132

- \$0 for surrendered or revoked licensees;
- \$2,326 for non-operational licensees;
- \$13.21 daily rate;
- \$4,653 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.

Cardroom Annual Fee Amounts

- \$0 for surrendered or revoked licensees;
- \$7,575 for non-operational licensees;
- \$34.16 daily rate;
- \$15,150 for active licensees with a three-year average gross revenue under \$1,500,000; or,
- 1.18% of the three-year average gross revenue for active licensees with a three-year average gross revenue of \$1,500,000 or more.

To determine the current annual fees, the Commission used a step-by-step calculation method that began with the Commission’s and Bureau’s operational costs that are not directly related to any direct fees or deposits—which are charged directly to an applicant, cardroom or TPPPS—following the MGT cost and fee study. The Commission used this same calculation method to determine the proposed annual fees for this action, which are:

TPPPS Annual Fee Amounts

- \$0 for surrendered or revoked licensees;
- \$2,170 for non-operational licensees;
- \$11.89 daily rate;
- \$4,340 for active licensees with a three-year average gross revenue under \$1,500,000; or,
- 1.49% of the three-year average gross revenue for active licensees with a three-year average gross revenue of \$1,500,000 or more.

Cardroom Annual Fee Amounts

- \$0 for surrendered or revoked licensees;
- \$6,895 for non-operational licensees;
- \$37.78 daily rate;
- \$13,791 for active licensees with a three-year average gross revenue under \$1,500,000; or,
- 1.09% of the three-year average gross revenue for active licensees with a three-year average gross revenue of \$1,500,000 or more.

CONSISTENCY OR COMPATIBILITY WITH EXISTING STATE REGULATIONS:

The Commission has evaluated this regulatory action and determined that the proposed regulations are neither inconsistent nor incompatible with any other existing state regulations.

COMPARABLE FEDERAL LAW:

There are no existing federal regulations or statutes comparable to the proposed regulations.

FISCAL IMPACT ESTIMATES

FISCAL IMPACT ON PUBLIC AGENCIES INCLUDING COSTS OR SAVINGS TO STATE AGENCIES OR COSTS/SAVINGS IN FEDERAL FUNDING TO THE STATE:

The Commission anticipates a statewide increase in annual fee collection of approximately \$1,374,234 in TPPPS annual fees and a statewide decrease of \$1,200,885 in cardroom annual fees per state fiscal year when compared to what is currently being collected, for a combined statewide cost increase of approximately \$173,349 per year. These fees offset the Commission's and DOJ's existing costs.

The Commission has determined that there will be no impact on any public agency in regards to federal funding. This fee structure does not pertain to federal funding or any federal program.

NON-DISCRETIONARY COST OR SAVINGS IMPOSED UPON LOCAL AGENCIES: None.

MANDATE IMPOSED ON ANY LOCAL AGENCY OR SCHOOL DISTRICT FOR WHICH PART 7 (COMMENCING WITH SECTION 17500) OF DIVISION 4 OF THE GOVERNMENT CODE REQUIRES REIMBURSEMENT: None.

COST TO ANY LOCAL AGENCY OR SCHOOL DISTRICT FOR WHICH PART 7 (COMMENCING WITH SECTION 17500) OF DIVISION 4 OF THE GOVERNMENT CODE REQUIRES REIMBURSEMENT: None.

EFFECT ON HOUSING COSTS: None.

IMPACT ON BUSINESS:

The Commission has determined that the proposed regulatory action will not have a 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 new mandatory requirements on businesses.

The Commission anticipates a statewide cost of approximately \$1,374,234 in TPPPS annual fees. This cost would directly impact TPPPS business licensees. This is reflected as an average cost of approximately \$295,095 in annual fees for a typical business and approximately \$10,770 for a small business. These estimates were calculated based on the difference between 2026 annual fees invoiced to TPPPS business licensees in October 2025 based on the annual fee amounts in the current regulations, compared to the 2026 annual fees that would have been invoiced to TPPPS business licensees based on the proposed amendments to the annual fee amounts. As previously described, the calculation method was weighed to ensure that those businesses whose three-year average gross revenue is under \$1,500,000 per year pay a lower proportion of the total fees necessary to ensure that no TPPPS business licensee is significantly impacted.

The Commission anticipates an additional statewide savings of approximately \$1,200,885 in cardroom annual fees. These savings would directly impact cardroom business licensees. This is reflected in an average savings of approximately \$82,163 in annual fees for a typical business and approximately \$5,643 for a small business. These estimates were calculated based on the

difference between 2026 annual fees invoiced to cardroom business licensees in October 2025 based on the annual fee amounts in the current regulations, compared to the 2026 annual fees that would have been invoiced to cardroom business licensees based on the proposed amendments to the annual fee amounts. As previously described, the calculation method was weighed to ensure that those businesses whose three-year average gross revenue is under \$1,500,000 per year pay a lower proportion of the total fees necessary to ensure that no cardroom business licensee is significantly impacted.

For purposes of estimating the impact on typical businesses and small businesses, the Commission utilized federal Small Business Administration (SBA) definitions of a small business for casinos and other gambling industries. An average annual gross gaming revenue of \$34 million was used as the threshold for small business cardrooms, as specified in the North American Industry Classification System (NAICS) Code section 713210 and referenced by the SBA in Section 121.201 of Title 13, Part 121 of the Electronic Code of Federal Regulations. Cardroom business licensees having a three-year average gross revenue of no more than \$34 million were identified as small businesses. An average annual gross gaming revenue of \$40 million was used as the threshold for small business TPPPS, as specified in the North American Industry Classification System (NAICS) Code section 713290 and referenced by the SBA in Section 121.201 of Title 13, Part 121 of the Electronic Code of Federal Regulations. TPPPS business licensees having a three-year average gross revenue of no more than \$40 million were identified as small businesses.

COST IMPACT ON REPRESENTATIVE PRIVATE PERSON OR BUSINESS:

The Commission anticipates an impact on a typical TPPPS business licensee resulting from the increase to their annual fee. As noted above, the Commission estimates the average increase to be \$295,095 per typical TPPPS business. The proposed regulation will have no impact on a representative private person.

The Commission anticipates an impact on a typical cardroom business licensee resulting from the decrease to their annual fee. As noted above, the Commission estimates the average decrease to be \$82,163 per typical cardroom business. The proposed regulation will have no impact on a representative private person.

EFFECT ON SMALL BUSINESS:

The Commission anticipates an impact on a small TPPPS business licensee resulting from the increase to their annual fee. As noted above, the Commission estimates the average increase to be \$10,770 per small business TPPPS.

The Commission anticipates an impact on a small cardroom business licensee resulting from the decrease to their annual fee. As noted above, the Commission estimates the average decrease to be \$5,643 per small business cardroom.

RESULTS OF 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.

The basis for this determination is that this proposed action only adjusts TPPPS business

licensees' and cardroom business licensees' annual fees to better align with costs incurred by the Commission and DOJ, which is unlikely to result in additional or reduced industry participation or performance.

BENEFITS OF PROPOSED REGULATION:

This proposed action will have the benefit of requiring TPPPS business licensees and cardroom business licensees to pay total annual fees in an amount necessary for the Commission and DOJ to maintain proper funding levels, while aligning the annual fees paid by each portion of the industry (cardrooms and TPPPS) with the costs associated with workload attributable to that portion of the industry.

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 does not pertain to environmental issues.

CONSIDERATION OF ALTERNATIVES

The Commission must determine that no reasonable alternative considered by the Commission or that has otherwise been identified and brought to the attention of the Commission would be more effective in carrying out the purpose for which the action is proposed, would be as effective and less burdensome to affected private persons than the proposed action, or would be more cost-effective to affected private persons and equally effective in implementing the statutory policy or other provision of law.

INITIAL STATEMENT OF REASONS, INFORMATION AND TEXT OF PROPOSAL

The Commission has prepared an Initial Statement of Reasons and the exact language for the proposed action and has available all the information upon which the proposal is based. Copies of the language and of the Initial Statement of Reasons, and all of the information upon which the proposal is based, may be obtained upon request to the Commission at 2399 Gateway Oaks Drive, Suite 220, Sacramento, CA 95833-4231.

AVAILABILITY AND LOCATION OF THE RULEMAKING FILE AND THE FINAL STATEMENT OF REASONS

All the information upon which the proposed action is based is contained in the Rulemaking File that will be available for public inspection and copying at the Commission's office throughout the rulemaking process. Arrangements for inspection and/or copying may be made by contacting the primary contact person named below.

You may obtain a copy of the Final Statement of Reasons, once it has been prepared, by making a written request to one of the contact persons named below or by accessing the Commission's website also listed below.

CONTACT PERSONS

All comments and inquiries concerning the substance of the proposed action should be directed to the following **primary** contact person:

Joshua Rosenstein, Legislative and Regulatory Specialist
Legislative and Regulatory Affairs Division
California Gambling Control Commission
2399 Gateway Oaks Drive, Suite 220, Sacramento, CA 95833-4231
Telephone: (916) 274-5823
Fax: (916) 263-0499
E-mail: jrosenstein@cgcc.ca.gov

Requests for a copy of the Initial Statement of Reasons, proposed text of the regulation, modified text of the regulation, if any, or other technical information upon which the proposed action is based should be directed to the following **backup** contact person:

Alex Hunter, Legislative and Regulatory Specialist
Legislative and Regulatory Affairs Division
California Gambling Control Commission
2399 Gateway Oaks Drive, Suite 220, Sacramento, CA 95833-4231
Telephone: (916) 263-1301
Fax: (916) 263-0499
E-mail: ahunter@cgcc.ca.gov

WEBSITE ACCESS

Materials regarding this proposed action are also available on the Commission's website at www.cgcc.ca.gov.