



# Department of Justice's Bureau of Gambling Control and the California Gambling Control Commission Fee Study Report of Findings

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# SECTION I

— Executive Summary

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## Executive Summary

### Introduction

MGT Consulting Group (MGT) is pleased to present the Department of Justice's Bureau of Gambling Control (Bureau) and the California Gambling Control Commission (Commission) with this summary of findings for the recently completed cost/fee analysis. The purpose of the cost/fee analysis is to align the revenue collected and deposited into the Gambling Control Fund (GCF) with the costs of the activities that the fund supports.

This report is the culmination of an extensive fee analysis conducted by MGT in collaboration with both the Bureau and Commission's management and staff. MGT would like to take this opportunity to gratefully acknowledge all management and staff who participated in this project for their efforts and coordination. Their responsiveness and continued interest in the outcome of this study contributed greatly to its success.

### Background

The following background information was stated in the Commission's request for proposal 19-001 dated May 31, 2019. This information is intended to provide context for the purpose of this cost/fee analysis.

"Through a bifurcated structure, the Commission and the Bureau primarily regulate controlled gambling conducted with the California cardroom industry. The regulatory fees that the Commission and Bureau charge applicants, cardroom owners, and third-party providers of proposition player services (third-party) company owners may no longer align with the costs of providing the related services. A recent audit report released by the California State Auditor opined that the licensing revenue the Gambling Control Fund (GCF) receives from such fee covers less than half of the cost of processing license applications. In contrast, the other non-licensing regulatory fees that the cardroom owners and third-party company owners pay far exceed the costs of the related oversight."

Specifically, in its #13 recommendation, the California State Auditor's Report # 2018-132 stated:

*"To better align the revenue in the Gambling Fund with the costs of the activities that the fund supports, the bureau and the commission should conduct cost analyses of those activities by July 2020. At a minimum, these cost analyses should include the following:*

- *The entities' personnel costs, operating costs, and any program overhead costs.*
- *Updated time estimates for their core and support activities, such as background investigations.*
- *The cost of their enforcement activities.*
- *Using this information, the bureau and commission should reset their regulatory fees to reflect their actual costs."*

"The GCF supports the costs that the Bureau and the Commission incur while carrying out their respective duties and responsibilities. The GCF receives revenue primarily from licensing fees and other non-licensing regulatory fees that the Commission and Bureau levy on license applicants, cardroom owners, and third-party company owners. In addition, cardrooms must also pay regulatory fees based on their number of gaming tables or gross revenue, while third-party owners pay fees based on their number of employees. The Gambling Control Act defines the purposes of these fees broadly, stating that they shall be available upon appropriation by the Legislature to support the Bureau and the Commission in carrying out their duties and responsibilities." The information contained in this report will summarize MGT's methodology for the cost/fee analysis performed as well as provide an overview of the findings. This report is intended to provide the information necessary to make informed decisions about any proposed fee adjustments and the resulting impact on the GCF.

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### Methodology

MGT's standard approach for analyzing the cost of providing fee-related services is commonly referred to as a "bottom up" approach. This bottom-up approach incorporates personnel costs, operating costs, and any program overhead costs to determine the full cost of the services being provided on a per unit basis.

#### A GENERAL DESCRIPTION OF THE BOTTOM-UP APPROACH IS AS FOLLOWS:

##### 1. Identify all direct staff time spent on the fee-related activity or service

MGT conducted a series of meetings with staff from the Commission and Bureau to identify every employee, by classification, who performs work directly in support of fee-related services. Direct staff costs are incurred by employees who are "on the front line" and most visible to the industry. Once all direct staff were identified, subject matter experts for each section estimated how much time those employees spent performing each particular fee service.

Developing time estimates for fee-related services can be challenging and the staff at both the Commission and Bureau should be commended for the time and effort they put into this. Although MGT provided guidance and templates to assist them in developing their time estimates, these calculations were developed by the subject matter experts within each fee area leveraging quantitative data analyses.

##### 2. Calculate direct cost of the staff time for each fee using productive hourly rates

"Productive hours" means the time staff are in their office or in the field. A full-time State employee typically has 2,080 paid hours per year (40 hours x 52 weeks). However, cost studies reduce this number to account for non-productive hours (sick leave, vacation, holidays, training days, meetings, etc.). MGT calculates the productive hourly rate for each staff classification by dividing annual salary and benefits by annual productive hour figures. The average productive hours for the State's staff providing services was 1,800 hours per year.

##### 3. Determine indirect or "overhead" costs

Generally, there are two types of indirect costs: department specific and statewide overhead. These indirect costs are allocated across fee services in order to capture the full cost of providing the service. If a department performs non-fee related services, a commensurate amount of indirect cost is segregated and not allocated to the fee-related services. In the analysis performed for both the Commission and the Bureau, the only indirect costs came in the form of salary and benefit cost expended for holiday, sick, and vacation hours. This indirect cost accounted for the difference between 2,080 hours and 1,800 hours for each full-time employee to be utilized for direct chargeable work. All operating expenses, overtime, and part-time labor expenses were treated as direct costs and assigned directly to a fee.

##### 4. Compare total costs to the current fee schedule

Once all direct and indirect costs are calculated, MGT compared the total cost for each fee-related service to the fee currently charged to the industry. In most cases, MGT found the total cost of providing a service exceeded the fee charged. In these instances, the fee should be increased to recover these subsidies, up to the maximum allowed fee or 100% cost recovery. However, there were some services for which the total calculated cost was less than the fee charged. In these cases, the fee should be decreased.

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### 5. Costs and revenues are annualized by incorporating annual volume figures

Up to this point we have calculated fee costs and revenues on a per-unit basis. By incorporating annual volume figures into the analysis, we extrapolate the per-unit results into annual cost and annual revenue information. This annualization of results gives management an estimate of the fiscal impact of proposed fee adjustments.

Because annual volume will vary from one year to the next, these figures are estimates only but are based on a 5-year average. Actual revenue will depend on future demand level and collection rates.

### A GENERAL DESCRIPTION OF THE TOP-DOWN APPROACH IS AS FOLLOWS:

With the exception of the annual fee per cardroom/third-party (annual fee), all other regulatory fees were analyzed using a bottom-up approach. The bottom-up approach allowed MGT to determine the individual per unit cost for these service. In the case of the annual fee, the process to calculate the fully burdened hourly rates is the same but time is estimated at an annual level rather than the average amount of time spent to perform one unit of service. Time estimates can be provided as an annual percentage of time or as annual hours spent. These time estimates can be based on documented time studies, forecasted time requirements or professional experience. After staff has allocated their time, the annual costs can be compared to annual revenue and the extent of recovery is determined.

Once MGT established the total annual cost of providing this service, the cost could be broken down by cardroom or third-party. How this cost was broken down is discussed in detail in section 3 of this report.



# SECTION I

## Executive Summary

### Study Findings

The study's primary objective was to conduct a cost analysis to determine if the revenue collected and deposited into the GCF aligned with the costs of the activities that the fund supports. This report details the full cost of services and presents full cost fee adjustments and their fiscal impact.

Figure 1 below displays the costs and revenues of each regulatory fee area that is funded by the GCF. MGT has broken the total results into the following categories:

**Department of Justice's Bureau of Gambling Control  
and the California Gambling Control Commission  
Fee Cost & Revenue Analysis  
FY 2019/2020**

User Fee Department	(A) Costs, Fee Services	(B) Current Revenue	(C) Cost vs Revenue Difference
Initial and Renewal Applications	\$ 982,332	\$ 3,170,325 323%	\$ (2,187,993) -223%
Miscellaneous Fees and Deposits	\$ 431,033	\$ 308,400 72%	\$ 122,633 28%
Background Investigation Deposits	\$ 3,737,007	\$ 1,241,125 33%	\$ 2,495,882 67%
Annual Fee	\$ 14,186,313	\$ 15,206,800 107%	\$ (1,020,487) -7%
<b>Totals:</b>	<b>\$ 19,336,685</b>	<b>\$ 19,926,650 103%</b>	<b>\$ (589,965) -3.05%</b>

Figure 1

*Analysis highlights for each user fee department can be found in section 3 of this report.*

**Column A, Fee Costs** – \$19,336,685 are the costs related to providing regulatory fee services. It is this \$19,336,685 that is the focus of this study.

**Column B, Current Revenues** – MGT took the average volume and revenue over a five-year period for their base line revenue. Based on the average volume, the average revenue for the analysis was \$19,926,650.

**Column C, Cost vs Revenues** – The difference between the current cost of providing services and the average revenue is \$589,965 or 3.05%.

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### Key Factors / Recommendations Implemented

As stated earlier in this report, the recent audit report released by the California State Auditor opined that the licensing revenue the GCF receives from such fee covers less than half of the cost of processing license applications. In contrast, the other non-licensing regulatory fees that the cardroom owners and third-party company owners pay far exceed the costs of the related oversight. Based on our analysis, MGT found that majority of the licensing fees went down, background investigation deposit fees went up and that in general, the annual fees for third-party companies went down and the cardrooms went up. These findings are due to several key factors listed below and are further discussed in section 3 of this report:

Key Factors	Recommendations Implemented
<p><b>Many of the activities factored into the current application fees should have been charged as part of the deposit fee.</b></p> <ul style="list-style-type: none"> <li>✓ The application fee is intended to cover the intake and Commission’s Licensing Division operational costs associated with the processing of badging for temporary requests.</li> <li>✓ The deposit fees is intended to cover the cost of the review of the application, the background investigation/review, preparation of the report, responding to questions from the Commission, and file maintenance.</li> </ul>	<ul style="list-style-type: none"> <li>▪ There are a variety of different licensing fees for initial and renewal applications however the process for intake is the same. MGT recommended that the current application fees for initial and renewal licensees be rolled into one application fee and the fee be lowered to meet 100% cost recovery.</li> <li>▪ MGT recommended that deposit levels should be adjusted to cover the activities performed related to the service provided.</li> <li>▪ All staff time should be charged for services provided.</li> </ul>
<p><b>The Bureau did not charge for all of the time spent by staff to perform the activities related to fees.</b></p> <ul style="list-style-type: none"> <li>✓ Little to no time from the executive, management, and administrative support staff were charged against deposit fees or incorporated into the annual fees.</li> <li>✓ The Annual Fee has not been assessed since its inception to accurately capture all Annual Fee related workload and costs.</li> </ul>	<ul style="list-style-type: none"> <li>▪ MGT recommended to account for all staff time spent on providing services and charge accordingly.</li> </ul>
<p><b>Cross support costs were previously not factored into the overall cost of providing services.</b></p> <ul style="list-style-type: none"> <li>✓ The Indian and Gaming Law Section (IGLS) and the Division of Law Enforcement’s Office of the Chief (Office of the Chief) provide direct and indirect services related to the fees under the GCF. These costs have not been factored into the previous fee calculations.</li> </ul>	<ul style="list-style-type: none"> <li>▪ MGT has included the cross-support time that has been factored into the annual fee costs to ensure that all staff time whether direct or indirect is accounted for through fees.</li> </ul>

# SECTION I

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### Key Factors / Recommendations

Key Factors	Recommendations Implemented
<p><b>The methodologies used to assess the annual fee for the cardroom and third-party companies was inconsistent and did not account for true and complete cost.</b></p> <ul style="list-style-type: none"><li>✓ The methodologies used to assess the annual fee for the cardroom and third-party companies was inconsistent and did not account for true and complete cost.</li><li>✓ The current third-party annual fee assessment results in an overpayment of annual fees.</li><li>✓ The methodology used to assess the third-party companies was based on the number of employees, which could fluctuate throughout the year, and did not accurately assess workload associated with regulating the third-party companies.</li><li>✓ The current cardroom annual fee assessment results in a gross underpayment of costs attributable to regulating the cardroom industry.</li></ul>	<ul style="list-style-type: none"><li>▪ MGT recommended to account for all annual fee costs and identify a consistent, workload nexus driven methodology to assess both the cardroom and third-party companies accordingly.</li></ul>

# SECTION 2

Cost Analysis Highlights

# SECTION 2

## Cost Analysis Highlights

MGT performed a cost analysis on the activities funded by the GCF in order to align those costs with the fees being charged and the revenues received. MGT used the Fiscal Year (FY) 2019-2020 budget (allotments) for the Commission and Bureau as the basis for this analysis. Costs analyzed as part of this study included both personnel and non-personnel costs.

### Total Allotments vs Average Annual Costs

The Commission and Bureau total GCF allotments for fees is shown below in Figure 2. MGT applied the average allotment (budget) savings, based on a five-year review, to both the Commission and Bureau's total FY 2019-2020 allotments provided. This allotment (budget) savings represents the average amount that the Bureau and Commission underspent in comparison to their annual allotments provided. This savings adjustment is discussed in detail below. Additionally, the Bureau's total allotment includes cross support costs from the IGLS and the Office of the Chief. After all of the fund adjustments were made, the combined allotments equaled the cost to provide the services which is \$19,336,685.13.

Commission and Bureau Allotment (budget) vs Cost of Services	
\$4,107,307.23	Commission GCF budget with allotment adjustment
\$15,229,377.90	Bureau GCF budget with allotment adjustment
\$19,336,685.13	Total combined allotments available for services
<u>\$19,336,685.13</u>	Total annual cost for services
\$0.00	Difference
0.00%	

### Gambling Control Commission Allotment and Adjustment

The Commission's full allotment was \$7,488,000 which consisted of the following:

- Indian Gaming Special Distribution Fund (SDF) \$3,158,000
- Gambling Control Fund (GCF) \$4,330,000

MGT analyzed the average savings vs budget for both the GCF and SDF over a five-year period. See Figure 3 on the next page. MGT then applied the average savings percentage to each fund in order to arrive at the allotment amounts that were used in this study.

# SECTION 2

## Cost Analysis Highlights



Summary of Historical Fund Savings Allotments				
	GCF \$ Savings	GCF \$ Savings vs. Budget (%)	SDF \$ Savings	SDF \$ Savings vs. Budget (%)
FY 18-19	\$678,662	9.36%	\$491,445	6.78%
FY 17-18	\$754,381	10.58%	\$546,276	7.66%
FY 16-17	\$630,686	9.59%	\$456,703	6.95%
FY 15-16	\$570,717	8.50%	\$413,278	6.15%
FY 14-15	\$714,617	11.07%	\$517,481	8.01%
<b>TOTAL AVERAGE*</b>	<b>\$669,812</b>	<b>9.82%</b>	<b>\$485,037</b>	<b>7.11%</b>

Figure 3 - Commission Average Allotment Savings

### Department of Justice’s Bureau of Gambling Control Allotment and Adjustment

The Bureau’s full allotment was \$35,808,000 which consisted of the following:

- Indian Gaming Special Distribution Fund (SDF) \$20,095,000
- Gambling Control Fund (GCF) \$15,391,000
- Major League Sporting Event Raffle Fund (MLSR) \$322,000

MGT analyzed the average savings vs budget for the GCF and SDF for a period of five years (FY 2015-2016 through FY 2019-2020). See Figure 4 below. The MLSR fund was established in FY 2019-2020 and therefore was not part of the average saving analysis. MGT then applied the average savings percentage to each fund in order to arrive at the allotment amounts that were used in this study. There was an additional adjustment made to the GCF by fund 325 for a \$100,000 overtime reimbursement which adjusts the total allotment down to \$35,708,000.

Summary of Historical Fund Savings Allotments				
Category	GCF \$ Savings	GCF \$ Savings vs Budget (%)	SDF \$ Savings	SDF \$ Savings vs Budget (%)
FY 15/16	\$1,174,018.12	11.02%	328,185.97	1.82%
FY 16/17	\$2,164,369.84	15.99%	848,088.95	4.77%
FY 17/18	\$235,122.24	1.68%	48,806.75	0.27%
FY 18/19	\$824,388.13	5.66%	-257,565.55	-1.37%
FY 19/20	\$372,531.78	2.45%	1,332,029.61	6.63%
<b>Total average</b>	<b>\$954,086.02</b>	<b>7.36%</b>	<b>\$459,909.15</b>	<b>2.42%</b>

Figure 4 - Bureau Average Allotment Savings

# SECTION 2

## Cost Analysis Highlights

### Department of Justice’s Bureau of Gambling Control Additional Cross Support

In addition to the three funds allocated to the Bureau (SDF, GCF and MLSR), MGT found that both the IGLS and the Office of the Chief provide services or administrative support to the Bureau. This cost should be incorporated as part of the GCF analysis.

- IGLS represents the Bureau as the complainant in all Gambling Control Act evidentiary hearings that come before the Commission, as well as represents the Bureau at Administrative Procedure Act hearings. In addition, IGLS represents the Bureau and Commission in gaming-related lawsuits.
- The Office of the Chief provides policy direction and administrative support to the Bureau.

MGT applied the same methodology when determining the average allotment adjustments to IGLS and the Office of the Chief as it did for the Commission and the Bureau. However, the average allotments savings adjustments were made based off of a four-year average rather than a five-year. See Figure 5 below. Only the portion of cost related to GCF was included in this study. Costs incurred by SDF or MLSR by the IGLS or Office of the Chief were not included. The final allotment applied to the GCF for IGLS was \$443,506 and the Office of the Chief \$582,427.

Summary of Historical Fund Savings Allotments				
Category	IGLS \$ Savings	IGLS \$ Savings vs Budget (%)	OFC \$ Savings	OFC \$ Savings vs Budget (%)
FY 15/16	\$26,538.15	6.72%	-\$174,042.17	-34.06%
FY 16/17	\$45,642.37	11.13%	-\$0.04	0.00%
FY 17/18	\$33,862.30	7.82%	\$65,419.60	12.53%
FY 18/19	\$18,094.21	3.96%	\$62,306.57	11.37%
<b>TOTAL AVERAGE</b>	<b>\$31,034.26</b>	<b>7.41%</b>	<b>-\$11,579.01</b>	<b>-2.54%</b>

Figure 5 - Cross Support Costs from IGLS and the Office of the Chief with Average Allotment Savings Applies

# SECTION 3

Analysis Highlights

## ANALYSIS HIGHLIGHTS

Below are the analysis highlights for each of the categories of fees that MGT analyzed. Full results per fee can be found in Section 6 of this report.

### INITIAL / RENEWAL APPLICATION FEES

There are 38 current initial and renewal application fees and one new fee listed under this category. MGT has recommended that the initial and renewal applications be consolidated into one new fee called Application Fee (initial/2-year renewal) since the time to provide the service did not vary depending on whether it was an initial or renewal application. The annual cost for this new fee is \$982,332. The current average revenue is \$2,074,825 for initial applications and \$1,095,500 for renewals.

The analysis highlights are listed below:

- MGT found that the primary factor for the application and renewal costs decreasing was due to activities that should fall under the deposit category but were part of the fixed fee for the applications. In order to align the revenues to the work being performed, the application fee should be lowered to cover the intake process and the background investigation deposit fees be adjusted to cover the remaining activities so that the Bureau can recover 100% of the cost of those services.
- Of the 38 current fees that were looked at under this category, 27 fees were associated with applications that took the same amount of time to process. To simplify the fee schedule and make it more industry friendly, MGT recommends collapsing these fees into one fee titled “application fee (initial/2-year renewal)”. This new, consolidated application fee is limited to recovering the cost of processing an application form, including the intake and initial badging workload, and therefore is much lower than the previous 27 separate application fees.
- Of the remaining fees in this category, MGT found that the replacement key badge fee, replacement work permit (WP) badge fee, and the replacement third-party badge fee all took the same amount of time to process. MGT recommends collapsing these fees into one replacement badge fee. The full cost to provide a replacement badge is \$8 which is lower than the current \$25 per replacement badge fees. Therefore, MGT recommends lowering the replacement badge fee to align with 100% full cost recovery.
- The remaining fees under this category are all unique and therefore required their own individual analysis. These current fees are exceeding 100% cost recovering and MGT recommends lower these fees.

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## Analysis Highlights

### BACKGROUND INVESTIGATION DEPOSIT FEES

There are 14 current background investigation deposit fees under this category. The annual cost for the background investigation deposit fees is \$3,737,007 and the current average revenue is \$1,241,125. The background investigation deposit fees are intended to cover the cost of the review of the application, the background investigation/review, preparation of the report, responding to questions from the Commission, and file maintenance. MGT found that the primary factor for the background investigation deposit fees increase was due to the activities that should fall under the deposit category were part of the fixed fee for the applications. In order to align the revenues to the work being performed, the application fee should be lowered to cover the intake process and the background investigation deposit fees be adjusted to cover the remaining activities so that the Bureau can recover 100% of the cost of those services. A full list of the individual fees can be seen in section 6 of this report.

The analysis highlights are listed below:

- Three background investigation deposit fees were set at higher than the average cost of service. MGT recommends that these deposit levels be lowered to the average cost of service.
- Eleven background investigation deposit fees were set lower than the average cost of service. MGT recommends that these deposit levels be increased to meet the average cost of service.

### MISCELLANEOUS FEES & DEPOSITS

There are 20 current fees and deposits under this miscellaneous fee and deposit category. The annual cost for these miscellaneous fees and deposits is \$431,033 and the current average revenue is \$308,400. This category includes fees such as playing book form initial and amendment applications for hardcopy and electronic playing book forms, games and gaming activities applications and deposits, contract application, contract amendments and expedited contract applications and deposits, site relocation, additional permanent tables, and temporary tables. A full list of the individual fees can be seen in section 6 of this report.

The analysis highlights are listed below:

- Of the 20 fees under this category, MGT is recommending that seven of the fees be removed from the fee schedule since these fees have been combined with other existing fees and are no longer necessary. Fees recommended for removal include additional permanent tables (application), temporary tables (application), games and gaming activities – new (application), contract amendment (application), contract – expedite (deposit), contract – renewal (application), and contract – renewal (deposit).
- Of the remaining fees, five are application fees, one is an additional fee for an expedited application and seven are deposit fees. MGT recommends that the current fees that exceed 100% cost recovery be lowered and those that are less than 100% cost recovery be increased. This would align the fees with the cost of performing the services.

### ANNUAL FEES

In the previous fee categories, MGT performed a bottom-up analysis as described in section 1 of this report. In the case of the annual fee, MGT performed a top-down analysis. MGT needed to first establish the total annual

# SECTION 3

## Analysis Highlights

cost of providing the services outlined below so that the cost could be broken down per cardroom or third-party. The total cost of providing the annual services is \$14,186,313. This top-down approach consisted of a two-step process.

- ✓ **Step 1 - Annual Fee Cost Analysis:** MGT looked at all cardroom and third-party activities performed by the Bureau and Commission and the labor, non-labor, cross support and indirect costs to perform these activities. The cost represents the total annual fee.
- ✓ **Step 2 – Annual Fee Distribution Methodology:** Once the total annual fee cost was determined, the Bureau and Commission staff, in consultation with MGT, developed a methodology to fairly distribute the annual fee cost to the various cardrooms and third-party.

### ANNUAL FEE COST ANALYSIS

MGT looked at the activities performed by the Bureau, Commission, and any other cross support being provided, and developed the total annual fee cost for cardrooms and third-party. MGT found that many of these activities had previously not been accounted for in the annual fee calculations. Below is a brief description of the primary functions that contributed to the annual fee cost:

#### BUREAU

- **Compliance and Enforcement Section (CES):** This section of the Bureau establishes a field presence and monitors gambling operations throughout California to ensure compliance with the Gambling Control Act. They provide specialized investigative support to minimize criminal activity in cardrooms. They also conduct regulatory inspections and investigations of cardrooms and third-party companies.
- **Audit and Compact Compliance Section (ACCS):** This section of the Bureau performs auditing activities of California cardrooms. They conduct financial evaluations of cardrooms and third-party providers.
- **Special Programs Section (SPS):** This section of the Bureau houses the Criminal Intelligence Unit, the Self Exclusion Database, Regulations/Legislation and Calls For Service Program.
- **Licensing Section:** Most of the work of the licensing section can be billed to a specific background investigation; however, there are some required tasks that are not specific to an applicant. These tasks include, the oversight of staff by management, administrative tasks, ordinance review, transactional review, etc.
- **IGLS:** Represents the Bureau as the complainant in all Gambling Control Act evidentiary hearings that come before the Commission, as well as represents the Bureau at Administrative Procedure Act hearings. In addition, IGLS represents the Bureau and Commission in gaming-related lawsuits.
- **Office of the Chief:** Provides policy direction and administrative support to the Bureau.
- **Executive, Management, and Administrative Support Staff:** Provides policy direction and administrative support to the Bureau.

# SECTION 3

## Analysis Highlights

### COMMISSION

- Executive Division: Manages the operations of the Commission, provides policy direction, advises and provides support to the Commissioners on all matters, and provides oversight of all media and outreach correspondence.
- Legislative & Regulatory Affairs Division: Specializes in legislative and regulations for the Commission. This Division handles all monitoring, analyses, and proposals concerning legislation and regulations which directly and indirectly impact the Commission.
- Legal Division: Provides advice and counsel to the Commissioners, Executive Director, and Commission Divisions on the full spectrum of issues that arise within their purview under the Gambling Control Act and the general legal framework that governs the operation and administration of a state agency. Broad responsibilities include supporting compliance with the Bagley-Keene Open Meeting Act and various privacy and ethics laws. The Legal Division also monitors and directs pending litigation, coordinates responses to requests for information under the Public Records Act, analyzes requests to place individuals on the state-wide involuntary exclusion list, and assists in responding to media and to external inquiries. Attorneys from the Legal Division serve as Presiding Officers at Gambling Control Act evidentiary hearings held before the Commissioners and serve as advisors to the Commission on decisions from Commission hearings and proposed disciplinary decisions from the Office of Administrative Hearings. The Legal Division also works closely with Commission Divisions and Program Units to support activities such as the review of licensure applications, pending legislation, the development and promulgation of proposed legislation and regulations, as well as providing legal support regarding human resources, labor relations issues, and contracts.
- Administration Division: Responsible for providing Commission-wide support in the areas of fiscal services (budget, cashing, accounting, and procurement), human resources, training, business services, facilities, and information technology.
- Licensing Division: Conducts comprehensive and analytical reviews of Bureau Background Investigation Reports for applicants. Prepares Licensing Division Memorandums, briefs Executive Director and Commissioners on all licensing matters, processes all administrative tasks associated with suitability outcomes, and leads all program-related tasks to support the Commission's bi-monthly Commission Licensing Meetings.

The Commission and Bureau conduct Tribal specific workload that is not mentioned in the descriptions above as the costs associated with such workload is not incorporated in the cardroom and third-party Annual Fee review and calculation.

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## Analysis Highlights

### ANNUAL FEE DISTRIBUTION METHODOLOGY

MGT looked at how to best distribute the annual fee cost of \$14,186,313 to the various cardrooms and third-party companies. A variety of methodologies were explored and tested but ultimately distribution of this cost was based on annual gross revenues. This methodology presented the fairest option for distribution. In order to distribute this cost, a six-step process was developed.

#### Step 1 – BREAKOUT

Step 1 was to take all functions and related costs within the Bureau and the Commission and break them out in specific categories (cost pools), as shown below, which then determined how those costs would be allocated to the third-party companies and cardrooms. For future years, the total amount of the annual fee to be allocated will need to account for any prior year adjustments through what is called a carry forward. This allows for any under or over collections made in the prior years to be reconciled.

ANNUAL FEE COST	
EVEN ACROSS ALL	\$ 4,042,983
APP SPLIT (16% Cardrooms/84% Third-Party)	\$ 559,898
ENTITY SPLIT (67% Cardrooms/33% Third-Party)	\$ 3,255,350
CALIFORNIA GAMBLING CONTROL COMMISSION ACTION (61% Cardrooms/39% Third-Party)	\$ 2,761,488
DIRECT - CARDROOM ONLY	\$ 1,819,007
DIRECT - THIRD-PARTY ONLY	\$ 1,747,587
<b>TOTAL ANNUAL FEE AMOUNT</b>	<b>\$ 14,186,313</b>

Step 1 - Breakout of Cost Pool Categories

#### Step 2 - APP SPLIT

Step 2 looked at the number of initial and renewal applications, based on a five-year average, for cardrooms and third-party companies and converted that into a percentage of effort that was then applied to distribute the \$559,898.

APP 5 YR AVG % COUNTS	
THIRD-PARTY APPS	84%
CARDROOM APPS	16%
<b>TOTALS</b>	<b>100%</b>

Step 2 - Average 5 Year Application Count Split

Group	\$	559,898.18	Cost Per Entity
THIRD-PARTY AMOUNT	\$	472,123.88	\$ 16,861.57
CARDROOM AMOUNT	\$	87,774.30	\$ 1,020.63

Step 2 - Breakdown of Cost Between Cardroom and Third-Party  
Based on Application Percentage Split

# SECTION 3

## Analysis Highlights

### STEP 3 - ENTITY SPLIT

Step 3 looked at the number of active and non-operational (non-op) entities between cardrooms and third-party companies and converted that into a percentage that was then applied to distribute the \$3,255,350.14. Non-Op entities are licensed or registered entities that are not currently operating and have not generated revenue in the past year.

ENTITY COUNTS		
ACTIVE & NON-OP THIRD-PARTY	28	33%
ACTIVE & NON-OP CARDROOM	86	67%
<b>TOTALS</b>	<b>114</b>	<b>100%</b>

Step 3 - Split Between Third-Party and Cardroom

ENTITY SPLIT (67% Cardrooms/33% Third-Party)	\$	3,255,350.14	Cost Per Entity
THIRD-PARTY AMOUNT	\$	1,074,265.55	\$ 38,366.63
CARDROOM AMOUNT	\$	2,181,084.59	\$ 25,361.45

Step 3 -Breakdown of Cost Between Cardroom and Third-Party  
Based on Entity County

### STEP 4 – COMMISSION MEETING ACTIONS SPLIT

Step 4 looked at the average number of Commission meeting actions between cardrooms and third-party companies and converted that into a percentage that was then applied to distribute the \$2,761,488.44.

COMMISSION ACTION SPLIT	AMOUNT	COST PER ENTITY	%
CARDROOMS	\$ 1,069,933.38	\$ 12,441.09	39%
THIRD-PARTY	\$ 1,691,555.06	\$ 60,412.68	61%
<b>TOTAL</b>	<b>\$ 2,761,488.44</b>		

Step 4 Breakdown of Cost Between Cardroom and Third-Party  
Based on 3 Year Average of Commission Meeting Actions

### Step 5 – COST & BASE PER ENTITY

Step 5 consolidated all of the costing breakouts outlined in steps 2-4 and applied the direct costs related to cardrooms (\$1,819,007) and third-party companies (\$1,747,587) to identify the total costs per a third-party company and cardroom.

TOTAL TO THIRD-PARTY	\$5,978,545	42%
TOTAL TO CARDROOM	\$8,207,768	58%
<b>TOTAL ANNUAL FEE</b>	<b>\$14,186,313</b>	

Step 5 Consolidated Total Annual Cost  
Between Cardroom and Third-Party

# SECTION 3

## Analysis Highlights

Step 5 breaks down how much of the \$14,186,313 total annual fee cost is driven by the third-party industry and how much is driven by the cardroom industry, as identified below.

USING COMMISSION ACTIONS				
INDUSTRY BREAKDOWN	3 YEAR AVERAGE	% TO TOTAL BREAKDOWN	ANNUAL FEE COSTS	COST PER APPLICATION
Cardroom	1,150	39%	\$8,207,768	\$7,135.12
Third-Party	1,819	61%	\$5,978,545	\$3,287.32
<b>TOTAL</b>	<b>2,969</b>	<b>100%</b>	<b>\$14,186,313</b>	

### Step 6 – SPREAD BASED ON REVENUE

Step 6 takes the information consolidated in step 5 and brings in an average of the entity's revenue based on the three prior financial reporting years. Grouping third-party information with third-party figures and Cardroom information with Cardroom figures, it identifies those entities that have collect less than \$1.5 million in revenue based on their total 3-year average and charges those under \$1.5M the direct cost per application based on commission actions as a base figure (see the chart above under Cost per Application). For those active, but non-operational (Non-Op), they are charged half of the cost per application based on commission actions. Then, step 6 applies the remaining amount of annual fee due (total annual fee cost minus amount charged to those under \$1.5M and Non-Ops) to the remaining entities based on their percentage of total remaining average revenue collected (the revenue associated with the less than \$1.5M and Non-Op is subtracted from the remaining average revenue total).

### SUMMARY

The proposed annual fee matrix with fee ranges can be found in section 6 of this report. To maintain confidentiality for the cardrooms and third-party companies, this table does not represent the final charges per entity but provides a general range of what could be the charge.

# SECTION 4

Survey Methodology

# SECTION 4

## Survey Methodology

### Entity, Owner & Employee Survey Methodology

Part of the scope of this MGT project was to survey industries, applicants and entities that pay fees for Commission and Bureau services in order to identify impacts of the proposed fees. MGT developed and is hosting a web survey using Qualtrics to be administered directly to those fee-paying industry members. The MGT survey includes explanations of the audit, fee analysis project background and recommended changes to fees. MGT developed a concise survey with clear response options and carefully planned response options to ensure ease of use and high-quality response data. The survey will collect optional demographic information, information on respondents, attitudinal factors both before and after hearing fee changes and recommendations. Results will provide the Commission and Bureau with potential impacts of proposed fee changes.

- MGT worked with staff to invite 325 applicants to participate in the survey. MGT will tabulate survey responses and analyze results. MGT will provide the Commission and Bureau with valuable, measurable data on the results of this project, awareness of the audit, understanding of fee calculations and the overall acceptance of the proposed changes.
- After the MGT report is finalized, the survey will be live, online tentatively June 10-30, 2021.
- Based on other similar surveys, MGT anticipates an approximate survey response rate of 5-15%, which should give the Commission and Bureau approximately 16-50 responses.
- MGT will tabulate quantifiable results, including:
  - ❑ For Yes/No questions MGT will provide a percent of the total respondents.
  - ❑ For Agree/Disagree questions MGT will implore a 5-answer option range so that the Bureau and Commission can gauge a level of agreement or disagreement that ranges from 1 to 5: 1)strongly agree 2) somewhat agree 3) neither agree nor disagree 4) somewhat disagree to 5) strongly disagree.

#### MGT SURVEY METHODOLOGY

##### Technical Aspects of Interactive Surveying

Several important factors must be considered to effectively conduct an interactive survey. MGT has the technical expertise to conduct such surveys and advise clients regarding important decisions related to pre-survey planning, instrument design, target population considerations, implementation, follow-up, analysis, reporting, and beyond. Briefly, these considerations may include the following:

- ✓ Pre-survey planning. An effective timeline will allow adequate time for instrument development, data collection, and thorough analysis. Important decisions regarding target population include an analysis of the most effective instrument type, and accessibility for various populations. Pre-survey planning should also address details such as the criteria for removing “bad data” from the database, what to do with conflicting data, and responses entered in incorrect formats.
- ✓ Target population considerations. After selecting a target population, issues such as how to contact group members, goal response levels, and sample size must be addressed. In general, the lower the response cost (difficulty of participating in the survey) and the higher the response interest, the better the response rate will be. However, the simple response rate (# valid responses/# valid invitations) should not guide decisions about the validity of data collected. Instead, the confidence level and interval should determine the goal number of responses. Doing so will allow the survey results to be discussed with known levels of confidence, which enables statistical inferences to the larger population.
- ✓ Instrument design. Perhaps the single most important factor in surveying is the development of an effective and usable instrument design. Effective designs incorporate universal access and alternate response formats, avoid jargon, and use clearly expressed criteria and definitions for terms used. In addition, interactive surveys should begin and end with “Welcome” and “redirect” pages containing additional information such as directions for completing the survey, whom to contact with questions, whether the survey results will be made publicly available, and how to request copies of study reports, if available.
- ✓ Follow up. Timely follow up is critical to achieve goal response levels. While the survey is active, a member of the research group must be prepared to respond to user comments and questions (e.g., providing alternate response formats, answering specific questions relating to test security). Additionally, reminders to participate in the survey may increase response rates, when distributed appropriately.

# SECTION 5

Recommendations

# SECTION 5

## Recommendations

### RECOMMENDATIONS GOING FORWARD

- Once the commitment is made to understand the full cost of providing services, it is important to review and update the analysis in order to keep pace with changes in service delivery, staffing changes, and demand levels. MGT recommends that the Bureau and Commission undergo this detailed analysis at least every three but not more than five years, with minor adjustments in the non-study years (to keep pace with economic impacts).
- MGT recommends that the Bureau and Commission incorporate a carry forward methodology to their annual fee calculations per entity. This will ensure the reconciliation of any over or under payments as they pertain to the annual fee's cost of services being provided.
- MGT recommends that all labor costs be charged against the deposit fees to ensure that full cost recovery is achieved.
- MGT recommends that all fees be set at 100% cost recovery levels. Current fees that are over or under recovering should be adjusted to meet this level.

The detailed full costs fee recommendations are provided in Section 6 of this report, located on pages 26-32.

# SECTION 6

Fee Results

California Gambling Control Commission  
 Combined Results: Commission and  
 FY2019/20

Subgroup	Ord	Service Name	Fee Description	Annual Volume	Current					Recommendations					
					Current Fee	Full Cost	Current Recovery %	Annual Cost	Annual Revenue	Annual Subsidy	Recovery Level	Fee @ Policy Level	Annual Revenue	Increased Revenue	Recommended Subsidy
Initial Application	1	Temporary Work Permit	Per application (Temporary is reissued every 120 Days)	112	\$ 25	\$ 47	53%	\$ 5,302	\$ 2,800	\$ (2,502)	100%	\$ 47	\$ 5,302	\$ 2,502	\$ -
Initial Application	2	Transfer Work Permit	Per Transfer Application	5	\$ 25	\$ 15	166%	\$ 75	\$ 125	\$ 50	100%	\$ 15	\$ 75	\$ (50)	\$ -
Initial Application	3	Interim Key Employee License	Application: 2-year Renewal Cycle	80	\$ 25	\$ 4	565%	\$ 354	\$ 2,000	\$ 1,646	100%	\$ 4	\$ 354	\$ (1,646)	\$ -
Initial Application	4	Temporary Registration	Application: Reissued every 60 days until regular registration ready or deemed ineligible	1,711	\$ 25	\$ 30	84%	\$ 50,664	\$ 42,775	\$ (7,889)	100%	\$ 30	\$ 50,664	\$ 7,889	\$ -
Initial Application	4.9	Replacement Badge Fee	Per Replacement Badge	109	\$ -	\$ 8	0%	\$ 910	\$ -	\$ (910)	100%	\$ 8	\$ 910	\$ 910	\$ -
Initial Application	5	Replacement Key Badge Fee	combine into one fee	-	\$ 25	\$ -	0%	\$ -	\$ -	\$ -	100%	\$ -	\$ -	\$ -	\$ -
Initial Application	6	Replacement WP Badge Fee	combine into one fee	-	\$ 25	\$ -	0%	\$ -	\$ -	\$ -	100%	\$ -	\$ -	\$ -	\$ -
Initial Application	7	Replacement TP Badge Fee	combine into one fee	-	\$ 25	\$ -	0%	\$ -	\$ -	\$ -	100%	\$ -	\$ -	\$ -	\$ -
Misc	8	Site Relocation	Deposit Per Relocation Request	3	\$ 600	\$ 4,110	15%	\$ 12,329	\$ 1,800	\$ (10,529)	100%	\$ 4,110	\$ 12,329	\$ 10,529	\$ -
Initial Application	9	Transfer/Reinstatement	Per Application/Request	459	\$ 125	\$ 26	483%	\$ 11,882	\$ 57,375	\$ 45,493	100%	\$ 26	\$ 11,882	\$ (45,493)	\$ -
Misc	10	Additional Permanent Tables (application)	Remove Application Fee. Keep \$400 background deposit	5	\$ 500	\$ -	0%	\$ -	\$ 2,500	\$ 2,500	100%	\$ -	\$ -	\$ (2,500)	\$ -
Misc	10.1	Additional Permanent Tables (deposit)	Deposit	3	\$ 400	\$ 1,337	30%	\$ 4,012	\$ 1,200	\$ (2,812)	100%	\$ 1,337	\$ 4,012	\$ 2,812	\$ -
Misc	11	Temporary Tables (application)	Remove Application Fee. Keep \$450 background deposit	2	\$ 500	\$ -	0%	\$ -	\$ 1,000	\$ 1,000	100%	\$ -	\$ -	\$ (1,000)	\$ -
Misc	11.1	Temporary Tables (deposit)	Deposit	2	\$ 450	\$ 342	131%	\$ 685	\$ 900	\$ 215	100%	\$ 342	\$ 685	\$ (215)	\$ -
N/A	12	Late fee on GE Renewals	N/A	-	\$ 1,000	\$ -	0%	\$ -	\$ -	\$ -	100%	\$ -	\$ -	\$ -	\$ -
N/A	13	Temporary GE Owner Initial	with authority from Business and Professions Code section 19824, subdivision f)	-	\$ -	\$ -	0%	\$ -	\$ -	\$ -	100%	\$ -	\$ -	\$ -	\$ -
N/A	14	Annual Fees	Annual. Based on authorized gaming tables or revenue	-	\$ -	\$ -	0%	\$ -	\$ -	\$ -	100%	\$ -	\$ -	\$ -	\$ -
SDF	15	Tribal Key Employee Initial	N/A	-	\$ -	\$ -	0%	\$ -	\$ -	\$ -	100%	\$ -	\$ -	\$ -	\$ -
SDF	16	Tribal Key Employee Renewal	N/A	-	\$ -	\$ -	0%	\$ -	\$ -	\$ -	100%	\$ -	\$ -	\$ -	\$ -
Annual	17	Annual Fees Per Cardroom/TP Registrant or Licensee	New Application Fee: Annual, per registrant or licensee	1	\$ -	\$ 14,186,313	0%	\$ 14,186,313	\$ -	\$ (14,186,313)	100%	\$ 14,186,313	\$ 14,186,313	\$ 14,186,313	\$ -
Annual	18	Primary Owner Annual Fee	Annual, per registrant or licensee	-	\$ 2,800	\$ -	0%	\$ -	\$ -	\$ -	100%	\$ -	\$ -	\$ -	\$ -
Annual	19	Annual Gambling Business Fees: TPPPS	Annual, per employee count	5,431	\$ 2,800	\$ -	0%	\$ -	\$ 15,206,800	\$ 15,206,800	100%	\$ -	\$ -	\$ (15,206,800)	\$ -
Annual	19.1	Annual Gambling Business Fees: Cardroom	Annual, total table and revenue	-	\$ 2,800	\$ -	0%	\$ -	\$ -	\$ -	100%	\$ -	\$ -	\$ -	\$ -
Initial Application	20	Application Fee (Initial/Renewal)	New Application Fee: 2-year Renewal Cycle	5,569	\$ -	\$ 164	0%	\$ 911,599	\$ -	\$ (911,599)	100%	\$ 164	\$ 911,599	\$ 911,599	\$ -

California Gambling Control Commission  
 Combined Results: Commission and  
 FY2019/20

Subgroup	Ord	Service Name	Fee Description	Annual Volume	Per Unit			Current			Recommendations				
					Current Fee	Full Cost	Current Recovery %	Annual Cost	Annual Revenue	Annual Subsidy	Recovery Level	Fee @ Policy Level	Annual Revenue <sup>2</sup>	Increased Revenue	Recommended Subsidy
pass through	2.01	DOJ Fingerprinting Cost	DOI fee	-	\$ 32	-	0%	-	-	-	-	100%	\$ 32	-	\$ -
pass through	2.02	FBI Fingerprinting	FBI fee	-	17	-	0%	-	-	-	-	100%	17	-	\$ -
Initial Application	22	Work Permit - Initial/renewal	Application: 2-year Renewal Cycle	217	250	-	0%	-	54,250	54,250	54,250	100%	-	-	54,250
Initial Application	23	Key Employee License - Initial	Application: 2-year Renewal Cycle	80	750	-	0%	-	60,000	60,000	60,000	100%	-	-	60,000
Deposit	23.1	Key Employee License - Initial (Deposit)	Deposit	88	2,400	7,194	33%	633,087	211,200	(421,887)	100%	7,194	633,087	421,887	
Initial Application	24	Key Employee License - Renewal	Application: 2-year Renewal Cycle	236	750	-	0%	-	177,000	177,000	177,000	100%	-	-	177,000
Initial Application	25	Gambling Establishment (GE) Owner Initial (Individual)	Application: 2-year Renewal Cycle	46	1,000	-	0%	-	46,000	46,000	46,000	100%	-	-	46,000
Deposit	25.1	Gambling Establishment (GE) Owner Initial (Individual) (Deposit)	Deposit	46	6,600	15,676	42%	721,092	303,600	(417,492)	100%	15,676	721,092	417,492	
Initial Application	26	GE Owner Initial (Trust, Trustee, Trustor)	Application: 2-year Renewal Cycle	43	1,000	-	0%	-	43,000	43,000	43,000	100%	-	-	43,000
Deposit	26.1	GE Owner Initial (Trust, Trustee, Trustor) (Deposit)	Deposit	43	1,100	10,937	10%	470,281	47,300	(422,981)	100%	10,937	470,281	422,981	
Initial Application	27	GE Owner Initial (Community Property Spouse)	Application: 2-year Renewal Cycle	-	1,000	-	0%	-	-	-	-	100%	-	-	-
Deposit	27.1	GE Owner Initial (Community Property Spouse) (Deposit)	Deposit	-	1,500	1,369	110%	-	-	-	-	100%	1,369	-	-
Initial Application	28	GE Owner Initial (Limited Liability Company, Corporation, Partnership)	Application: 2-year Renewal Cycle	14	1,000	-	0%	-	14,000	14,000	14,000	100%	-	-	14,000
Deposit	28.1	GE Owner Initial (Limited Liability Company, Corporation, Partnership) (Deposit)	Deposit	14	6,600	6,446	102%	90,247	92,400	2,153	100%	6,446	90,247	2,153	
Initial Application	29	GE Renewal (Community Property Interest)	Application: 2-year Renewal Cycle	-	1,000	-	0%	-	-	-	-	100%	-	-	-
Initial Application	30	GE Renewal (Limited Liability Company, Corporation, Partnership)	Application: 2-year Renewal Cycle	29	1,000	-	0%	-	29,000	29,000	29,000	100%	-	-	29,000
Deposit	30.1	GE Renewal (Limited Liability Company, Corporation, Partnership) (Deposit)	Deposit	29	1,600	8,108	20%	235,140	46,400	(188,740)	100%	8,108	235,140	188,740	
Initial Application	31	GE Renewal (Trust)	Application: 2-year Renewal Cycle	19	1,000	-	0%	-	19,000	19,000	19,000	100%	-	-	19,000
Initial Application	32	GE Renewals (Entity)	Application: 2-year Renewal Cycle	37	1,000	-	0%	-	37,000	37,000	37,000	100%	-	-	37,000
Initial Application	33	GE Renewals per OW (Individual Owner)	Application: 2-year Renewal Cycle	148	1,000	-	0%	-	148,000	148,000	148,000	100%	-	-	148,000
Initial Application	34	Third Party Proposition Player Services (TPPPS) Registration (Provider, Owner, Supervisor, Player, and Other Employee) Initial and Renewals	2 Years Player; 1 Year Supervisors and Owners	2,424	500	-	0%	-	1,212,000	1,212,000	1,212,000	100%	-	-	1,212,000
Initial Application	35	TPPPS (Owner Entity) License/Primary Provider - All Others (LLC, Inc., Etc.)	Application: 2-year Renewal Cycle	4	1,000	-	0%	-	4,000	4,000	4,000	100%	-	-	4,000
Deposit	35.1	TPPPS (Owner Entity) License/Primary Provider - All Others (LLC, Inc., Etc.) (Deposit)	Deposit	4	11,500	50,619	23%	202,477	46,000	(156,477)	100%	50,619	202,477	156,477	
Initial Application	36	TPPPS (Owner Person/Sole Proprietor) License	Application: 2-year Renewal Cycle	9	1,000	-	0%	-	9,000	9,000	9,000	100%	-	-	9,000

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Subgroup	Ord	Service Name	Fee Description	Annual Volume	Current					Recommendations					
					Per Unit		Annual			Per Unit		Annual			
					Current Fee	Full Cost	Current Recovery %	Annual Cost	Annual Revenue	Annual Subsidy	Recovery Level	Fee @ Policy Level	Annual Revenue2	Increased Revenue	Recommended Subsidy
Deposit	36.1	TPPPS (Owner Person/Sole Proprietor) License (Deposit)	Deposit	23	\$ 6,000	\$ 21,784	28%	\$ 501,026	\$ 138,000	\$ (363,026)	100%	\$ 21,784	\$ 501,026	\$ 363,026	\$ -
Initial Application	37	TPPPS (Owner Trust) License	Application: 2-year Renewal Cycle	3	\$ 1,000		0%	\$ -	\$ 3,000	\$ 3,000	100%	\$ -	\$ -	\$ (3,000)	\$ -
Deposit	37.1	TPPPS (Owner Trust) License (deposit)	Deposit	3	\$ 2,500	\$ 4,937	51%	\$ 14,811	\$ 7,500	\$ (7,311)	100%	\$ 4,937	\$ 14,811	\$ 7,311	\$ -
Initial Application	38	TPPPS Supervisor License	Application: 2-year Renewal Cycle	118	\$ 750		0%	\$ -	\$ 88,500	\$ 88,500	100%	\$ -	\$ -	\$ (88,500)	\$ -
Deposit	38.1	TPPPS Supervisor License (deposit)	Deposit	69	\$ 2,500	\$ 10,293	24%	\$ 710,184	\$ 172,500	\$ (537,684)	100%	\$ 10,293	\$ 710,184	\$ 537,684	\$ -
Renewal	39	TPPPS Player/Other Employee License (Deposit if Requested) (The Bureau's Fee Schedule says \$500, Regs say \$500 ours had said \$750 but Updated)	Application: 2-year Renewal Cycle	1,586	\$ 500		0%	\$ -	\$ 793,000	\$ 793,000	100%	\$ -	\$ -	\$ (793,000)	\$ -
Deposit	39.1	TPPPS Player/Other Employee License (Deposit if Requested) (\$315)	Deposit	285	\$ 315	\$ 269	117%	\$ 76,734	\$ 89,775	\$ 13,041	100%	\$ 269	\$ 76,734	\$ (13,041)	\$ -
Renewal	40	TPPPS License Renewals (Owner)	Application: 2-year Renewal Cycle	10	\$ 1,000		0%	\$ -	\$ 10,000	\$ 10,000	100%	\$ -	\$ -	\$ (10,000)	\$ -
Deposit	40.1	TPPPS License Renewals (Owner) (deposit)	Deposit	10	\$ 8,000	\$ 1,344	59%	\$ 13,436	\$ 80,000	\$ 66,564	100%	\$ 1,344	\$ 13,436	\$ (66,564)	\$ -
Renewal	41	TPPPS License Renewals (Primary Provider; includes Sole Prop)	Application: 2-year Renewal Cycle	4	\$ 1,000		0%	\$ -	\$ 4,000	\$ 4,000	100%	\$ -	\$ -	\$ (4,000)	\$ -
Deposit	41.1	TPPPS License Renewals (Primary Provider; includes Sole Prop) Deposit	Deposit	3	\$ 2,000	\$ 22,497	9%	\$ 67,492	\$ 6,000	\$ (61,492)	100%	\$ 22,497	\$ 67,492	\$ 61,492	\$ -
Renewal	42	TPPPS Supervisor License Renewal (Deposit if Requested)	Application: 2-year Renewal Cycle	24	\$ 750		0%	\$ -	\$ 18,000	\$ 18,000	100%	\$ -	\$ -	\$ (18,000)	\$ -
Deposit	42.1	TPPPS Supervisor License Renewal (Deposit if Requested) deposit	Deposit	1	\$ 450	\$ 1,000	45%	\$ 1,000	\$ 450	\$ (550)	100%	\$ 1,000	\$ 1,000	\$ 550	\$ -
Renewal	43	TPPPS Player/Other Employee License Renewal	Application: 2-year Renewal Cycle	541	\$ 500		0%	\$ -	\$ 270,500	\$ 270,500	100%	\$ -	\$ -	\$ (270,500)	\$ -
Initial Application	44	Gambling Business Registration for all Registration Types	Application	-	\$ 500		0%	\$ -	\$ -	\$ -	100%	\$ -	\$ -	\$ -	\$ -
Initial Application	45	Gambling Business (GB) (Owner Entity)	Application: 2-year Renewal Cycle	1	\$ 1,000		0%	\$ -	\$ 1,000	\$ 1,000	100%	\$ -	\$ -	\$ (1,000)	\$ -
Initial Application	46	GB Renewals (Owner Person)	Application: 2-year Renewal Cycle	1	\$ 1,000		0%	\$ -	\$ 1,000	\$ 1,000	100%	\$ -	\$ -	\$ (1,000)	\$ -
Initial Application	47	GB Renewals (Owner Trust)	Application: 2-year Renewal Cycle	-	\$ 1,000		0%	\$ -	\$ -	\$ -	100%	\$ -	\$ -	\$ -	\$ -
Initial Application	48	GB Renewals (Owner-Entity)	Application: 2-year Renewal Cycle	-	\$ 1,000		0%	\$ -	\$ -	\$ -	100%	\$ -	\$ -	\$ -	\$ -
Misc	50	Playing Book Form (electronic) - Initial	application: Per Book Form	3	\$ 1,200	\$ 4,472	27%	\$ 13,415	\$ 3,600	\$ (9,815)	100%	\$ 4,472	\$ 13,415	\$ 9,815	\$ -
Misc	51	Playing Book Form (electronic) - Amendment	application: Per Book Form	-	\$ 1,200	\$ 94	1280%	\$ -	\$ -	\$ -	100%	\$ 94	\$ -	\$ -	\$ -
Misc	52	Playing Book Form (hardcopy) - Initial	application: Per Book Form	4	\$ 75	\$ 281	27%	\$ 1,125	\$ 300	\$ (825)	100%	\$ 281	\$ 1,125	\$ 825	\$ -
Misc	53	Playing Book Form (hardcopy) - Amendment	Application: Per Book Form	1	\$ 75	\$ 94	80%	\$ 94	\$ 75	\$ (19)	100%	\$ 94	\$ 94	\$ 19	\$ -

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Subgroup	Ord	Service Name	Fee Description	Annual Volume	Current					Per Unit			Recommendations		
					Current Fee	Full Cost	Current Recovery %	Annual Cost	Annual Revenue	Annual Subsidy	Recovery Level	Fee @ Policy Level	Annual Revenue	Increased Revenue	Recommended Subsidy
Misc	54	Games and Gaming Activities - Modifications (deposit)	Deposit per application	64	450	1,170	38%	74,857	28,800	(46,057)	100%	1,170	74,857	46,057	-
Misc	55	Games and Gaming Activities - New	Per Application Plus \$550 background deposit	125	500		0%		62,500	62,500	100%			(62,500)	-
Misc	55.1	Games and Gaming Activities - New (Deposit)	Deposit per application	146	550	1,709	32%	249,562	80,300	(169,262)	100%	1,709	249,562	169,262	-
Misc	56	Contract - Amendment	Application per amendment request	18	500		0%		9,000	9,000	100%			(9,000)	-
Misc	56.1	Contract - Amendment (Deposit)	Deposit per amendment request	9	525	993	53%	8,941	4,725	(4,216)	100%	993	8,941	4,216	-
Misc	57	Contract - Expedite (\$150 expedite fee)	Application Per Contract	8	150	150	100%	1,200	1,200		100%	150	1,200		-
Misc	57.1	Contract - Expedite (deposit)	Deposit per contract	-	750		0%				100%				-
Misc	58	Contract - Initial & renewal & expedite (application)	Application Per Contract	39	1,000	57	1750%	2,228	39,000	36,772	100%	57	2,228	(36,772)	-
Misc	58.1	Contract - Initial & renewal & expedite (deposit)	Deposit per contract	36	750	1,739	43%	62,586	27,000	(35,586)	100%	1,739	62,586	35,586	-
Misc	59	Contract - Renewal (remove)	combine into one fee	25	1,000		0%		25,000	25,000	100%			(25,000)	-
Misc	59.1	Contract - Renewal (deposit)	combine into one fee	26	750		0%		19,500	19,500	100%			(19,500)	-
Initial Application	60	Antique Collector	N/A	-			0%				100%				-
Initial Application	61	M&D - Class A - Antique Dealer	Per Application	-	40	32	124%				100%	32			-
Initial Application	62	M&D - Class A - Only Registration	Per Application	48	500	32	1552%	1,546	24,000	22,454	100%	32	1,546	(22,454)	-



# **ANNUAL FEE**





## Annual Fee Matrix

	Third-Party Provider		Gambling Establishment	
3-YEAR AVERAGE GROSS GAMING REVENUE	Fee Range		Fee Range	
ACTIVE - NON-OP*	\$1,644	\$1,644	\$3,568	\$3,568
ACTIVE - OPERATING				
\$0 - \$1,499,999	\$3,287	\$3,287	\$7,135	\$7,135
\$1,500,000 - \$2,999,999	\$3,288	\$34,999	\$7,136	\$19,999
\$3,000,000 - \$4,999,999	\$35,000	\$59,999	\$20,000	\$34,999
\$5,000,000 - \$9,999,999	\$60,000	\$119,999	\$35,000	\$67,999
\$10,000,000 - \$24,999,999	\$12,000	\$179,999	\$68,000	\$163,999
\$25,000,000 - \$99,999,999	\$180,000	\$999,999	\$164,000	\$699,999
\$100,000,000 - \$275,000,000	\$1,000,000	\$3,500,000	\$700,000	\$1,999,999

\* Non-Op entities are licensed or registered entities that are not currently operating and have not generated revenue in the past year.