

Date of Hearing: April 8, 2021

ASSEMBLY COMMITTEE ON GOVERNMENTAL ORGANIZATION

Jim Frazier, Chair

AB 351 (Cristina Garcia) – As Introduced January 28, 2021

SUBJECT: Gambling: work permits

SUMMARY: Existing law allows the California Gambling Control Commission (CGCC or Commission) to issue a temporary work permit that is valid for a period of time specified by the Commission, to a person applying to be a gambling enterprise employee or independent agent pending completion of the applicant's background investigation and official action by the CGCC.

This bill would limit the period for a temporary work permit to 180 days.

EXISTING LAW:

- 1) Provides, under the Gambling Control Act (Act), for the licensure and regulation of various legalized gambling activities and establishments by the CGCC and the investigation and enforcement of those activities and establishments by the Bureau of Gambling Control (Bureau) under the Department of Justice (DOJ).
- 2) Requires the CGCC to provide for a state gambling license, key employee license, or work permit and authorizes the Commission to deny a license or work permit for any cause deemed reasonable by the Commission.
- 3) Allows the CGCC to issue a temporary work permit that is valid for a period of time specified by the Commission, to a person applying to be a gambling enterprise employee or independent agent pending completion of the applicant's background investigation and official action by the Commission.
- 4) Permits a person between 18 and 20 years of age to work in a gambling establishment in job classifications that entail providing services on and off the gaming floor that are not involved in the play of a controlled game, as specified.
- 5) Prohibits a person under 21 years of age from entering the premises of a licensing establishment, except the following:
 - a) An area physically separated from any gambling area for the exclusive purpose of dining. Any place wherein food or beverages are dispensed primarily by vending machines shall not constitute a place for dining
 - b) Restrooms.
 - c) A supervised room that is physically separated from any gambling area and used primarily for the purpose of entertainment or recreation.

d) A designated pathway to reach any of the area where a person under 21 years of age is allowed to enter. To the extent that the designated pathway requires an individual to pass through the gaming floor, all persons under 21 years of age shall be accompanied by a person over 21 years of age or be in the presence of a gambling establishment employee over 21 years of age.

FISCAL EFFECT: Unknown

COMMENTS:

Background:

Prior to 1998, California's gambling industry was essentially unregulated. In 1984, the Legislature enacted the Gaming Registration Act, which required the Attorney General's office to provide uniform, minimum regulation of California's cardrooms. However, the scope of the Attorney General's authority was extremely limited and funding was inadequate. Recognizing the need for broader oversight of California's gambling industry, the Legislature enacted the Gambling Control Act (Chapter 867, Statutes of 1997). The Act created a comprehensive scheme for statewide regulation of legal gambling. The provisions of the Act are administered through a bifurcated system. The Bureau of Gambling Control was created to investigate, among other things, the qualifications of persons who apply for state gambling licenses and to monitor the conduct of these persons to ensure compliance with the Act. In addition, the Act created a five-member, Governor-appointed California Gambling Control Commission to establish minimum regulatory standards for the gambling industry and to ensure that state gambling licenses are not issued to or held by unsuitable or unqualified individuals.

Gambling Control Act. The Act provides the CGCC with jurisdiction over the operation of gambling establishments in California. The Act requires every owner, lessee, or employee of a gambling establishment to obtain and maintain a valid state gambling license. The Act assigns the CGCC the responsibility of assuring that gambling licenses are not issued to, or held by, unqualified or disqualified persons, or by persons whose operations are conducted in a manner that is harmful to the public health, safety, or welfare.

The Act directs the CGCC to issue licenses only to those persons of good character, honesty and integrity, whose prior activities, criminal record, if any, reputation, habits and associations do not pose a threat to the public interest of this state. The DOJ conducts background and field investigations and enforces the provisions of the Act in this regard.

The Act requires that all individuals who are employed as gambling enterprise employees hold a valid work permit. The work permit is generally issued by the local jurisdiction. An application for a work permit shall be made to the CGCC when the local licensing authority does not have a work permit process in place, or where a locally issued work permit is not required by the licensing authority of a city, county, or city and county. A work permit issued by the CGCC shall be valid for two years.

The Act states that upon receipt of an application for a work permit, the CGCC may issue a temporary work permit for a period specified by the Commission, pending completion of the background investigation by the department and official action by the Commission with respect to the work permit application.

The Act allows a person who is 18 through 20 years of age to be employed without a work permit and only in a position that is not supervisory, not related to the operation or administration of gambling, and not allowed to perform duties in an area in which gambling is conducted, until the person reaches 21 years of age, if the person wears a badge, as specified.

The Act also prohibits an individual who is under 21 years of age from entering the premises of a licensed gambling establishment with certain exemptions. In addition, the Act prohibits any person under 21 years of age from loitering in a gaming area.

Key Employees. Current law requires every person who is employed in a supervisory capacity or who can make discretionary decisions that regulate gaming operations (Key Employee) to obtain a gambling license. Key Employees include floor managers and supervisors of security employees. The Bureau conducts a background investigation to determine their suitability, and this investigation looks at, among other things, financial and criminal history.

State Audit. A May 2019 California State Auditor report looked at licensing and enforcement practices of both the Commission and Bureau. The State Auditor's report concluded that inefficiencies created unnecessary delays and backlogs in processing licenses. Moreover, the State Auditor found that fees collected from applicants did not align with regulatory costs. The State Auditor's report highlighted a number of inefficient practices by the CGCC and Bureau. In response, both the Commission and the Bureau committed to implement many of the State Auditor's recommendations and are in the process of accomplishing that goal.

Purpose of the bill. According to the author's office, "under the Act, all individuals who are employed as gambling enterprise employees must hold a valid work permit. When an individual applies for a work permit, they are then issued a temporary work permit (valid for a period specified by the CGCC) while the Commission reviews the application for a work permit. The review process often takes a long time, which has caused a backlog of applications. The implementation of a 180-day time limit on the validity of temporary work permits will incentivize the CGCC to address the backlog of applications and to accept or deny applications in a timely fashion. This bill will further streamline licensing procedures by the Bureau and the CGCC."

Prior legislation. AB 649 (C. Garcia), Chapter 432, Statutes of 2019. Permitted a person between 18 and 20 years of age to work in a gambling establishment in job classifications that entail providing services on and off the gaming floor that are not involved in the play of a controlled game, as specified.

AB 293 (Mendoza), Chapter 233, Statutes of 2009. Authorized, among other things, a person between 18 and 21 years of age to pass through a gambling floor.

SB 730 (Florez), Chapter 438, Statutes of 2007. Made various changes to the licensing and regulatory processes related to key employees for gambling establishments under the Act.

AB 1753 (Governmental Organization Committee), Chapter 546, Statutes of 2005. Deleted the residency requirement for key employees of California card rooms. Revises the penalties for violations of California's gambling related laws.

SB 8 (Lockyer,) Chapter 867, Statutes of 1997. Repealed the Gaming Regulation Act, and instead enacted the Act, which provided for DOJ to investigate and enforce controlled gambling in the state. It also establishes the CGCC to regulate gambling in this state to issue, suspend, or revoke gambling licenses.

REGISTERED SUPPORT / OPPOSITION:

Support

Commerce Hotel and Casino

Opposition

None on file

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