
SENATE COMMITTEE ON APPROPRIATIONS

Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

SB 920 (Archuleta) - The Gambling Control Act: regulatory fees

Version: March 12, 2026
Urgency: No
Hearing Date: April 13, 2026

Policy Vote: G.O. 14 - 0
Mandate: No
Consultant: Janelle Miyashiro

Bill Summary: SB 920 requires the California Gambling Control Commission (Commission) and the Department of Justice (DOJ), upon the adoption or adjustment of a fee, to maintain a regulation that states the authorized purpose and use of the fee. SB 920 also prohibits the use of fees for nonlicensing activities.

Fiscal Impact:

- Unknown, potentially significant fiscal impact to the Commission to revise its cost and fee methodology for direct and annual fees (Gambling Control Fund). Costs include analyzing workload data related to application reviews and Commission meetings to differentiate licensing from nonlicensing activities.
- The DOJ does not anticipate a significant fiscal impact.

Background: *2019 California State Auditor Report.* In May 2019, the California State Auditor (Auditor) released a report titled, *Bureau of Gambling Control and California Gambling Control Commission: Their Licensing Processes are Inefficient and Foster Unequal Treatment of Applicants.* The audit examined how the DOJ and the Commission process licenses for individuals and businesses working in California's cardroom gaming industry.

The audit concluded that both agencies have implemented fee structures that result in unequal treatment of license applicants. Although the audit did not find evidence of discrimination by either entity based on applicants' ethnicity or other protected characteristics, it determined that the DOJ's incomplete and inconsistent procedures led to disparities in the level of scrutiny applied to different applicants. Relevant to this bill, the audit also found that neither the DOJ nor the Commission has addressed the misalignment between the fees they collect and the actual costs of providing regulatory oversight. The audit noted that this misalignment has contributed to a substantial surplus in the Fund and may raise questions regarding the legality of certain fees.

In order to ensure that all fees that generate revenue for the Fund have a clear, stated purpose limiting their use, the Auditor recommended that, "the Legislature should require that when updating fee amounts, the commission and the bureau must also update their regulations to include clear statements about the need for an appropriate use of each type of fee."

The Auditor's report also included a recommendation to conduct a cost analysis to, among other things, reset DOJ's and the Commission's regulatory fees to reflect their actual administrative costs. In response to the Auditor's recommendation, the Commission and DOJ contracted with a third-party consulting company to conduct a

cost and fee study. The study, which was finalized on June 9, 2021, led the Commission to change its methodology for calculating annual fees.

Proposed Law:

- Upon adoption or adjustment of a fee that is deposited into the Fund, requires the Commission or the DOJ to do both of the following:
 - Adopt and maintain a regulation that states the authorized purpose and use of the fee, including the program activities funded and the categories of costs covered, including any shared administrative or support costs. The cost allocation methodology may be incorporated by reference to materials in the rulemaking record.
 - Post on its public internet website the purpose and use statement and a brief cost basis summary related to that fee.
- Prohibits a fee or adjustment from taking effect until the regulation proscribed above is adopted or amended.
- Provides that, except as otherwise authorized by statute and identified by regulation:
 - Fees established for licensing activities are prohibited from being used to fund nonlicensing activities.
 - Revenues from fees shall only be expended for the activities and purposes stated for that fee in the applicable regulation.
- Provides that the provisions of this bill do not apply to any fee adopted or amended prior to the effective date of this bill.

Staff Comments: This bill introduces a fiscal and operational challenge by explicitly requiring a distinction between the Commission’s “licensing” and “nonlicensing” activities and prohibiting the use of licensing fees for any of the latter. Current law lacks a uniform statutory definition or prescriptive framework for distinguishing between “licensing” and “nonlicensing” activities. It is unclear if licensing activities constitute only those functions that are applicant- or licensee-specific, or if they encompass broader regulatory tasks that support the general licensing framework. In practice, these activities are administratively intertwined; staff resources often support licensing and nonlicensing functions simultaneously when reviewing applications, analyzing data, developing policy, setting fees, conducting meetings, and performing general administrative tasks.

Staff notes that because the bill does not define what is considered “licensing” and “nonlicensing” activities and it is sometimes functionally impractical to clearly demarcate these activities for cost-allocation purposes, the bill may create a situation where the Commission’s broader mandate remains underfunded. To the extent this bill creates new cost pressures for the Commission, there may be an impact on its operating costs, future budget requests, or license fees.