

INDUSTRY MATTERS

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WHO MUST HOLD A STATE GAMBLING LICENSE

The Gambling Control Act (Act) requires that owners of a [gambling enterprise](#) or [Third-Party Provider of Proposition Player Services](#) (TPPPS) must hold a state gambling license.

In addition to individual applicants, “non-natural persons,” like ownership entities such as corporations, trusts, partnerships, and limited liability companies, must also be licensed.

[Business and Professions Code section 19852](#) details who exactly must have a gambling license when the ownership entity is a non-natural person. If applications are missing from any of the persons required by section 19852, the Department of Justice’s Bureau of Gambling Control may not deem the owner’s application to be complete, and the California Gambling Control Commission (Commission) cannot approve a state gambling license for the owner(s) .

The Commission *highly recommends* that applicants select the check box on the application to request a Temporary License. Requesting a Temporary License may facilitate faster issuance of the state gambling license.

Who must be licensed:

- **Corporations:** Each officer, director, and shareholder of the owner.
- **Partnerships:** Each partner, and every trustee or person having or acquiring a direct or beneficial interest in the partnership owner.
- **Trusts:** The trustee and, in the discretion of the Commission, any beneficiary and the trustor of the trust.
- **Limited Liability Company:** Every officer, manager, member, or owner.
- Those who receive any percentage share of revenue earned by the owner from gambling activities.
- Every employee, agent, lender, or holder of indebtedness of the owner who, in the judgment of the Commission, has the power to exercise a significant influence over the gambling operation.

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CGCC Calendar

Upcoming Licensing Meetings

October 5
October 19
November 2
November 16
December 7
December 21

Upcoming State Holidays

(Office Closed)
November 10
(Veterans Day)
November 23-24
(Thanksgiving)
December 25 (Christmas)
January 1 (New Year’s Day)

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LICENSING CONTINUED: MULTIPLE LICENSES; CHANGE IN OWNERSHIP

Significant Influence Holders and Spouses

The Act requires that persons who receive any [compensation](#) or percentage share of revenue, or who have the ability to exercise a [significant influence](#) over the gambling operation, or both, must be licensed.

Even if they do not hold an official position within a business organization of the type listed in section 19852, so long as they receive a percentage share of revenue from controlled gambling activities of the owner licensee, or exercise a significant influence, then they must obtain a state gambling license. For example, this applies to persons such as high-level managers or even a person's spouse with a community property interest.

Requiring Multiple Licenses

Section 19852 requires licensure of each person identified in the statute, without regard to whether they may have already been licensed by the Commission in another capacity or category.

For example, the position of a director and a shareholder are considered separate persons under the Act, even if they are filled by the same individual. Accordingly, the individual must obtain a license as both a director and a shareholder. Be sure to check all the boxes that apply to an applicant's relationship to the owner-licensee in Section 1 of the [Individual Owner/Principal: Supplemental Information Form](#).

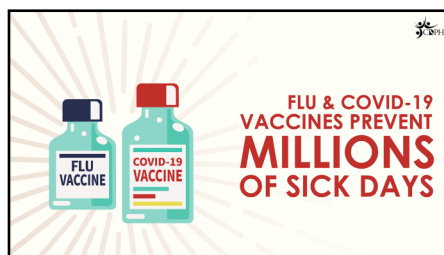
Changes in Ownership and Management

Any change in ownership or management as reflected on the owner-licensee's license certificate requires a new application and Commission action to change the license certificate.

For example, when there is a change in persons associated with a gambling enterprise owned by a corporation, such as the designation of a new director, that new director must apply for a license within [30 days](#).

The owner-licensee and all endorsees are not required to submit new applications at the time a new person is designated.

However, at renewal time, the owner-licensee and all endorsees must submit applications that accurately reflect any changes in ownership structure. This means if a change is made while renewal applications are pending, new applications should be submitted to accurately reflect the change. This way, each person's affiliation with the owner will be accurately reflected on the owner's license certificate.



IF YOU ARE CHALLENGING YOUR INITIAL LICENSE'S CONDITIONS, REQUEST A NEW TEMPORARY LICENSE IN THE MEANTIME

By Kate Patterson
Staff Attorney



For renewal license applications, when an applicant requests a hearing on a condition or the application is referred to a hearing, the Commission will automatically issue an interim renewal license, allowing the renewal applicant to continue to operate/work while the hearing is conducted. However, there is no similar provision for initial applications.

Most applicants for an initial license operate/work with a temporary license while their initial application is pending, including former TPPPS registrants. Temporary licenses are valid for two years and cannot be extended. Therefore, applicants for initial licenses should carefully consider whether resolution of their application is likely to require an evidentiary hearing that will not be resolved prior to the expiration of their temporary license, and if so, the applicant should strongly consider requesting a new temporary license in advance.

One instance in which an evidentiary hearing will likely be required is when Bureau or Commission staff recommend a condition the applicant would not assent to, if imposed. If the Commission approves an application with conditions, the action will be stayed for 30 days for the applicant to request a hearing challenging imposition of the condition. If the applicant requests a hearing, the prior Commission action is vacated. This means the Commission will not issue an initial license, and the application and proposed condition will be reviewed during the hearing as if for the first time.

When it is likely that an evidentiary hearing will be required to fully resolve the application, the applicant should consider whether their existing temporary license will likely expire prior to the conclusion of a hearing, and if so, request a new temporary license to prevent any disruption in work and/or operations. When making this determination, applicants should consider that, at a minimum, 60 days notice of an evidentiary hearing must be provided to applicants, and the Commission has 75 days to issue a decision after a hearing. Therefore, it is very unlikely that a hearing will be completed and a decision issued in less than 5 months from the date of referral.

To request a new temporary license, submit the fee of \$30 to the Bureau with a request for a new temporary license. Applicants can request a new temporary license on the same application form as the initial license application, but the applicant does not need to request a new initial license or submit new supplemental information forms. All the applicant must do is check the box requesting a temporary license and sign and submit the form with the required fee. For individual workers, requests for temporary licenses are approved administratively and can be completed fairly quickly. However, please be aware that the issuance of a temporary owner category license is a longer process and must be approved by the Commissioners at a licensing meeting.

DID YOU KNOW?

California Code of Regulations [Title 4, Section 12082\(b\)](#) requires that if a designated agent provides payment to the Bureau on behalf of an applicant or licensee of an owner category license for a fee required pursuant to [Sections 12252](#) or [12368](#), the applicant/licensee must provide reimbursement to the designated agent. Documentation showing that the applicant/licensee provided reimbursement must be provided to the Bureau within 60 calendar days of payment being submitted, or prior to the applicant or licensee appearing before the Commission at any public meeting, whichever occurs first.



REGULATIONS UPDATE: SPOUSAL INFORMATION FORM AND INCIDENT REPORTING UPDATES NOW IN EFFECT

By Rebecca Kirk, Josh Rosenstein, Alex Hunter, and Doris Pires
Legislative and Regulatory Affairs Division

Spousal Form Update

As previously announced, on June 22, 2023, the Office of Administrative Law (OAL) approved regulatory amendments to update the Spousal Information form, and they became effective on October 1, 2023. The approved regulations update the Spousal Information form and various Supplemental Information Schedules, in part, to clarify when the form and schedules are required to be submitted. The approved regulations also add a new category to the form for applicants who are owner category licensees but do not actually own or control a business, and are instead officers, directors, or other employees who are required to be licensed as endorsees.

Additionally, non-substantive amendments and corrections to the Spousal Information form were approved by OAL and became effective on October 2, 2023. Information on both recently approved regulatory packages is available on the [Recently Adopted, Amended, and Repealed Regulations](#) webpage, and the latest versions of the forms are available on the [Forms](#) webpage.

The Commission met on August 24, 2023 to deliberate and consider commencing the formal rulemaking process for additional regulations concerning Spousal Licensing. This meeting was conducted as a follow up to the Commission's direction in October 2022 for staff to conduct research in consideration of promulgating additional regulations to limit the circumstances under which an owner category licensee's spouse with a community property interest is required to apply for licensure. As previously announced, the Commission released [guidance](#) on May 8, 2023 for documenting a sole and separate property interest under the current regulations. On August 24, 2023, the Commission unanimously voted to maintain the current status quo on this issue, reaffirming the existing regulations and maintaining consistent licensing requirements for all owners, including spouses who are uninvolved in the gambling operation but maintain a community property ownership interest in the gambling establishment.

Incident Reporting

The OAL approved the Incident Reporting regulations on July 6, 2023, and they became effective on October 1, 2023. The approved [regulations](#) make changes to the types of incidents that require submittal of an Incident Report.

Advertising

The Commission anticipates holding a regulations hearing to consider public comments on these proposed regulations, and to deliberate on any modifications or final adoption of the [draft text](#), in the near future.

Surveillance

The Commission anticipates holding a regulations hearing to deliberate on any modifications or final adoption of the [draft text](#) in the near future.

APPLY TODAY TO JOIN GPAC!

The Gaming Policy Advisory Committee (GPAC) is [currently looking](#) to fill five seats: Cardroom (both ≥ 25 tables and < 25 tables); Problem Gambling; and Law Enforcement. If you are interested, please fill out the [application](#) on the Commission website.

Hearing Results

(Decisions Effective July 1—September 30)

Third-Party Worker License

[Audrey Awalt, denied July 24](#)

[Anna Retizo, denied July 24](#)

[Wyatt Rowe, denied July 24](#)

[Matthew Stearns, approved August 24](#)

Tribal Key Employee

[Arron Norton, approved August 10](#)

[Koua Xiong, approved August 10](#)

NEW CGCC SURVEY

Please take our newest 30-Second Survey regarding submitting public comment at meetings at the link [here](#). We value your input!

REDUCTION AND EXPUNGEMENT OF CONVICTIONS

The California Gambling Control Commission must deny any applicant who was convicted of a misdemeanor involving dishonesty or moral turpitude within the 10-year period immediately preceding the date of their application. The Commission must also deny any applicant with a felony conviction.

However, if the applicant requests to have their convictions reduced and expunged, and the request is granted prior to them submitting their application, then the convictions are no longer a cause for a mandatory denial. However, the convictions can still be cause for a discretionary denial.

If a felony conviction is not reduced before the expungement, then the Commission considers the applicant to have a felony conviction, which would be cause for a mandatory denial. If the felony conviction is both reduced and expunged, then the Commission has the discretion to either approve or deny the application.

Applicants can obtain a copy of their criminal record from the Department of Justice online at <https://oag.ca.gov/fingerprints/record-review>

The Judicial Branch of California's website has an online tool with reduction and expungement instructions: <https://selfhelp.courts.ca.gov/clean-your-record>

Applicants can follow the Judicial Branch's instructions on filing a request to have the conviction reduced and then expunged from the record.

Felony convictions must be reduced before being expunged from the record.

As a reminder, even if the convictions were reduced and expunged, applicants must still disclose them on their application. The Commission still retains the discretion to deny the application, even if the convictions no longer require a mandatory denial.



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