



## Item 0820-001-0567

### Bureau of Gambling Control, Department of Justice

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#### Funding for Cardroom and Third Party Provider Workload

- **Governor's Proposal**

- \$4.4 million ongoing from the Gambling Control Fund to permanently retain 32 cardroom-related licensing positions at the Bureau of Gambling Control (BGC) that are due to expire at the end of 2018-19.
- Budget bill language authorizing the Department of Finance to adjust BGC resources based on workload changes upon 30 day notification to the Joint Legislative Budget Committee.

- **Both Houses Approved Limited-Term Resources and Various Requirements**

- Senate and Assembly approved Governor's proposed resources on a two-year limited basis for BGC to clear its backlog and implement California State Auditor (CSA) recommendations on improving its processing of licensing applications.
- Senate and Assembly approved language directing BGC to establish a formal plan by November 2019 for completing review of pending licensing applications to ensure that it approaches its backlog strategically and that resources are used accountably, as recommended by CSA.
- Senate and Assembly approved language directing BGC to establish and implement policies by July 2019 that require staff to properly and equitably report and bill the time spent on background investigations to ensure applicants are fairly charged, as recommended by CSA.

- **Senate Plan Includes Placeholder Trailer Bill Language on Cardrooms**



## Relevant Key Findings From the CSA's May 2019 Report

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- **Inefficiencies Have Driven Delays and Compounded Backlogs in Licensing Process**
  - BGC has regularly exceeded statutory time frames for processing gaming license applications and has failed to establish processes addressing licensing delays. For example, it has not determined what steps within the background investigation process may be contributing to delays and not provided consistent rationales for the lengthy delays in assigning some applications to BGC staff.
  - Despite significant staff increases, BGC has made only moderate progress in reviewing pending applications. CSA found that a decrease in the average productivity of licensing staff contributed to this and that the cardroom unit's overall productivity decreased even though the number of staff in the unit doubled.
- **Charged Fees Do Not Align With Regulatory Costs, Resulting in an Excessive Surplus and Fairness Concerns**
  - BGC fees do not align with their costs for providing the related service. This results in certain licensees being undercharged and others being overcharged.
  - BGC billing practices are inconsistent and potentially unfair to applicants. For example, staff often reported considerable amounts of nonbillable time when they were performing background investigations—which could potentially be billable.
  - BGC licensing staff reported spending nearly half of their time on activities other than licensing application review.



## Relevant Key Findings From the CSA's May 2019 Report

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*(Continued)*

- **Inconsistent Regulations and Practices Have Resulted in the Unequal Treatment of Applicants**
  - BGC procedures and practices lead to inconsistencies in background investigations and the documents retained to support them, which risks BGC subjecting some applicants to greater scrutiny than others.