



November 17, 2014

Wayne Quint, Jr.
Bureau Chief
Department of Justice
Bureau of Gambling Control
4949 Broadway Avenue, Room E231
Sacramento, California 95820

Re: Proposed Regulation of "No Collection Fee" Policy – Title 11, CCR,
Section 2071 – **OPPOSED**

Dear Chief Quint:

The City of Compton -- one of the oldest cities in Los Angeles County and home to nearly 100,000 hard-working Californians -- is strongly **opposed** to all three of the proposed "No Collection" regulatory approaches the Bureau of Gambling Control has offered to card room owners, customers and local government stakeholders.

The three options would affect Title 11, Section 2071 of the California Code of Regulations, which pertains to the Bureau's authority to approve and authorize controlled games.

The City of Compton supports the existing interpretation of the law that grants card rooms the option of waiving collection fees and believes that any new restrictions would have the effect of interfering with the ability of a gaming establishment to price its services in a manner that would make it competitive with other gaming options or businesses in the surrounding market.

Neither tribal casinos nor any other gaming businesses in California are forced by law to charge customers a fee per wager. Therefore any move to force the collection of fees -- including an approach mandating that card rooms apply for authorization before being allowed to waive their collection fees -- would punish card rooms for engaging in a practice that broadens and deepens the economic growth generated by their operations.

The City of Compton is home to the Crystal Casino, the City's only card room.

CITY OF COMPTON | OFFICE OF MAYOR AJA BROWN

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A mandatory collection fee would place Crystal at a competitive disadvantage with other businesses in the surrounding wagering community and, thereby harm our own community.

Collecting fees on top of a wager increases the price of a wager to the customer and represents a tax on their winnings. When their potential payout is reduced, a customer has less incentive to frequent a gaming establishment and will likely spend less when they do play. This effect is amplified when there are alternatives available to players where it is cheaper to play or where collection fees are not present, such as at tribal gaming operations.

Although the proposed regulatory amendments grant the Bureau the authority to approve whether a game can waive collection fees – giving the impression that the current practice of waiving fees can continue – there is no assurance that the Bureau will approve such games, especially with its past record of opposition to the practice.

By forcing card rooms to seek authorization in order to opt-in or utilize current practices, the Bureau is, at best, creating an additional hoop through which that businesses must jump and, at worst, is substantially interfering with the ability of businesses to choose which strategies they employ to remain competitive in a given market.

Even though a gaming establishment might theoretically make more money per player by charging collection fees, charging the fee would reduce the overall number of players that are present at any one time as well as the number of hands played. This, in turn, affects an establishment's profits as well as the tax revenue that local jurisdictions would receive from its operations.

Crystal Casino provides significant revenue to our City – over \$2,000,000 this fiscal year alone – by paying a percentage of its take to the City. This revenue helps pay for important programs including parks and recreation, water delivery systems, transportation, and social services including police officers and firefighters. In fact, with respect to public safety, the City is contemplating hiring eleven (11) new firefighters this year; a plan which would not be possible without the financial benefit of the revenue we receive through Crystal Casino's operations.

The City understands that the Bureau might be seeking to create a consistent and predictive regulatory environment while minimizing any negative externalities that might occur. However, we believe that the Bureau is exceeding its authority by enacting regulations similar to the policies in AB 820 (Gomez), which was vigorously opposed and defeated in the Legislature during the 2013-14 Legislative Session.

As our community seeks to take advantage of successful decisions on local development projects and the economy, it is imperative that we are able to maintain local jobs and tax revenues. Placing restrictions on card rooms that require approval and permission before making business decisions, such as choosing to waive collection fees, would have a very negative impact on our City, and, in turn, hinder our ability to continue providing quality programs and vital services for our residents.

We respectfully request that you and your colleagues carefully consider the negative impact on the City of Compton, and other local communities, of creating a system that could effectively prohibit the waiving of collection fees, interfere with a business's decision to implement competitive marketing strategies, and disrupt the existing flexibility of card rooms to price their services in a competitive way.

We appreciate your kind consideration of our City's position against these proposed regulations.

Sincerely,

A handwritten signature in black ink, appearing to read "Aja Brown", with a long horizontal line extending to the right.

Aja Brown, Mayor
City of Compton

cc: Assembly Member Mike Gipson, 64th Assembly District
California Gambling Control Commission
Compton City Council
G. Harold Duffey, City Manager

Strategic Counsel PLC