

CALIFORNIA GAMBLING CONTROL COMMISSION  
**INITIAL STATEMENT OF REASONS**  
CGCC-GCA-2022-04-R

**HEARING DATE:**                      **None Scheduled**

**SUBJECT MATTER OF PROPOSED REGULATIONS:**      Incident Reporting

**SECTIONS AFFECTED:**                      California Code of Regulations, Title 4, Division 18:  
Sections 12282 and 12395

**SPECIFIC PURPOSE OF REGULATORY PROPOSAL:**

**INTRODUCTION:**

The California Gambling Control Commission (Commission) is proposing regulations that would modify the Commission’s incident reporting requirements. These regulations would implement various aspects of the Gambling Control Act (Act)<sup>1</sup> and provide guidance to the procedures required to submit incident reports. The proposed regulations would apply the requirements to both cardroom business licensees and third-party providers of proposition player services (TPPPS) business licensees.

**PROBLEM ADDRESSED:**

Currently, Commission regulations provide for the reporting of some types of crimes to the Bureau of Gambling Control (Bureau). Many of the required reports are for minor incidents, such as petty theft, and therefore do not necessitate immediate Bureau involvement. At the same time, the current regulation omits any requirement that licensees report incidents involving injury to persons, crimes by licensees or work permit holders, or suspicious activities under Title 31 of the Federal Code of Regulations. Additionally, the Commission and Bureau do not currently receive information related to the denial, revocation, or approval of conditions of local work permits which would be helpful information for the Commission when considering its own determination of suitability.

**PURPOSE:**

This proposed action is drafted to streamline the incident reporting requirements and to effectively identify the types of violations that should be reported. This regulation provides clear direction to cardroom business licensees and TPPPS business licensees by adopting specific requirements for submitting reports.

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<sup>1</sup> Business and Professions Code, Division 8, Chapter 5, Section 19800, *et seq.*

**ANTICIPATED BENEFITS OF PROPOSED REGULATION:**

These proposed regulations have the benefit of providing specific procedures that must be followed when filing an incident report. These revised procedures will provide employees of a cardroom business licensee with an understanding of what types of violations must be reported without requiring them to make legal judgements that are best left to law enforcement officials. By ensuring the Bureau is able to receive the required information, the Bureau's role in monitoring compliance and protecting the public welfare can be more effective.

**PROPOSED ACTION:**

This proposed action will make changes within the California Code of Regulations, Title 4, Division 18 as follows:

CHAPTER 3. CONDITIONS OF OPERATIONS TPPPS BUSINESSES

ARTICLE 1. SECURITY AND USE OF PLAYER'S BANKS

**Adopt Section 12282. Incident Reports.**

Section 12282 provides incident reporting requirements for TPPPS business licensees. The reporting of incident reports by TPPPS business licensees utilizes the same form as cardroom business licensees, the Incident Report Form. The specifics of the form are discussed further in Section 12395, where the form is attached to Chapter 7 Appendix. When required, the filing of the Incident Report Form must be completed within 5 business days of the qualifying event. This timeline is consistent with the timeline requirement for cardroom business licensees.

Subsection (a) provides that a TPPPS business licensee must submit an incident report after obtaining evidence that a reasonably suspected incident, as specified, occurred within any space owned, managed, controlled, or rented by the TPPPS business license and involves a TPPPS category licensee, non-licensed employee, or a subcontractor or independent contractor hired by the TPPPS business licensee. The notification requirement is limited to incidents for which a cardroom is not required to submit an incident report and to just those employees, subcontractors, or independent contractors whose duties are directly related to the underlying business purposes or required administrative processes of the TPPPS business licensee. The specific incidents requiring reporting are the same as required by cardroom business licensees, pursuant to Section 12395(a)(3). The reasons for the specific incidents requirements subject to reporting are discussed in Section 12395.

Unlike the requirements provided in Section 12395, Section 12282 contains limitations to a TPPPS business licensee's requirement to report an incident:

1. The TPPPS business licensee need not report for subcontractors or independent contractors whose duties are not directly related to the underlying business purpose or required administrative purpose of the TPPPS business licensee. When a TPPPS business licensee controls space outside of a cardroom, that space is often in a business park or some other such shared office space. As such, that space will have many people working in it who are in no way associated with the TPPPS business licensee or the operation of their business. It is unreasonable for the TPPPS business licensee to be forced to monitor all

activities in this shared business space. Additionally, the Commission's interests in ensuring that gambling is conducted in a manner that is not inimical to the public health and welfare does not extend to non-gambling businesses who happen to share business park space with a TPPPS business licensee.

2. The TPPPS business licensee need not report any incident that a cardroom business licensee is required to report. This limitation is to prevent the requirement that the same incident be investigated and reported to the Bureau twice. It is not necessary for the Bureau to receive the same report twice. Additionally, as discussed further in Section 12395, the cardroom's requirement to report is limited to the facilities controlled by the cardroom and therefore the cardroom has the ultimate responsibility for those spaces.

Subsection (b) provides that a TPPPS business licensee must submit an incident report when any of its employees or owners having a local city, county, or city and county license, permit, or authorization to work in a gambling establishment approved with conditions, denied, suspended, or revoked. For a denial, a report need only be filed if the denial is for a reason reasonably similar to, or pursuant to Business and Professions Code sections 19857, subdivision (a) or (b), or 19912. All TPPPS licensees receive licenses from the Commission. Therefore, in local jurisdictions where they receive local approvals and TPPPS licensees, they are receive two approvals. If a local jurisdiction does something other than issue an approval, their reasons for not issuing that approval are directly relevant to the Commission's consideration on whether the Commission should itself issue an approval.

Subsection (c) provides that a TPPPS business licensee must submit an incident report if any of its associated TPPPS endorsee licensees or TPPPS employee types licensees are arrested. The Act provides that only suitable persons may be licensed to offer a controlled game. A licensee who has been arrested of a crime is not necessarily no longer suitable; however, the Bureau may wish to monitor the licensee's situation in the event something should be reported to the Commission for consideration in either an ongoing licensing process or the filing of an accusation.

## CHAPTER 7. CONDITIONS OF OPERATIONS FOR GAMBLING ESTABLISHMENTS

### ARTICLE 3. MINIMUM INTERNAL CONTROL STANDARDS (MICS) FOR CARDROOM BUSINESS LICENSEES

#### **Amend Section 12395. Security.**

Subsection (a) provides the minimum security standards that must be included in the gambling enterprise's policies and procedures.

- Paragraph (1) provides that access to restricted areas of the gambling establishment, including cages, count rooms, and security offices is limited to authorized personnel. This provision is divided into three subparagraphs. By separating into these subparagraphs, the requirements are amended to provide better specificity for each topic.
  - Subparagraph (A) is amended to provide clarity to the access of non-public areas of the gambling establishment. The areas covered by this provision are limited to those with access to currency or unsecured gambling equipment, other than

gaming tables. These areas, as provided, include but are not limited to cages, count rooms, vaults, and security offices. Access to these areas are limited to authorized cardroom employees (cardroom category licensees and holders of a local work permit) or employees of a registered manufacturer or distributor only in the performance of their duties. The addition of specificity from the existing “authorized personnel” provides clarity to the cardroom about which people can be given unsupervised access to these non-public spaces.

A new category of persons has been added to those allowed access to non-public spaces. Specifically, these are individuals who have been historically excluded from the term “authorized personnel.” These “other persons” will be allowed access to these non-public spaces only if escorted and observed at all times by an authorized cardroom employee (cardroom category licensee or holder of a local work permit) either in person or observed through a continuous live surveillance system. Sometimes there may be reasons to allow these other persons to have access, and by placing them under the supervision an authorized person, the security of these non-public spaces can be ensured. This change is consistent with other requirements, such as Section 12386, which limits cage access to only authorized persons and requires a log of any other persons who are granted access.

- Subparagraph (B) is added to create a separate category of rooms for the media storage for the surveillance system. This type of space had previously followed the same rules as the other non-public spaces; however, its separation is necessary to acknowledge the unique security concerns of these spaces. If the media storage space does not include any currency or unsecured gambling equipment, access is limited to authorized cardroom employees or other persons if either is escorted and observed at all times by an authorized cardroom employee, like the other spaces, or if observed or reviewed by a cardroom employee using a continuous surveillance system.
- Subparagraph (C) is added to clarify that this does not interfere with the third-party proposition contract regulations. The allowance for a proposition player contract to include a provision allowing a Third-Party Provider of Proposition Player Services (TPPPS) to inspect or receive a copy of surveillance recordings is likewise maintained. This maintains the consistency of the provision with the Commission’s other regulations.
- Paragraph (3) provides that cardroom business licensees must file an incident report with the Bureau’s Criminal Intelligence Unit within five business days of specific events occurring. Paragraph (3) is amended to require cardroom business licensees to submit the form “Incident Report Form.” Currently, paragraph (4) provides a general list of information that must be provided to the Bureau’s Criminal Intelligence Unit, but no specific form or format is required. Paragraph (4) currently requires the following information:

- The date and time of the incident or event
- The identity of each perpetrator or suspect, including full name, address, date of birth, and driver's license or identification card number
- Any law enforcement report number
- A detailed description of the event or suspected incident, including identifying any witnesses and a description of any evidence

The new Incident Report form is proposed to require the following information:

- The instructions of the form provide a clear breakdown of what types of incidents require which sections of the form to be filled out. This will assist the cardroom business licensee or TPPPS business licensee in collecting and reporting the necessary information.
- Section 1 - Information about the business for which the incident report is being submitted:
  - i. Is the business a cardroom or a TPPPS
  - ii. The name of the licensee
  - iii. The business address of the licensee

This information is necessary to assist the Bureau in identifying from which business the incident report has been submitted. As the requirements place the burden on the business, having this information will help the Bureau to ensure proper compliance. Additionally, should the reporter be authorized to work for more than one business, it will assist the Bureau in identifying where the incident took place.

- Section 2 – Information about the person filling out the incident report:
  - i. Full name of the reporter
  - ii. Contact information for the reporter, such as telephone number and email address
  - iii. Other information, such as reporter's working title, license number, and the date the form was completed

This information is necessary to assist the Bureau in identifying who filled out the incident report. This will allow the Bureau to have a contact person for following up with any questions, or in arranging any materials they may need (such as copies of surveillance recordings).

- Section 3 – Any alternatively preferred contact:
  - i. Full name of the contact
  - ii. Contact information for the reporter, such as telephone number and email address
  - iii. Other information, such as reporter's working title, license number, and the date the form was completed

This information allows the cardroom business licensee or TPPPS business licensee to provide an alternative contact, such as a manager or designated agent that is their preferred contact should the Bureau wish to contact the business. This could be necessary in situations where the actual person filling out the incident report may only be available for limited hours or may not have a direct contact phone number.

- Section 4 – Information about the incident:
  - i. The date and time of the incident
  - ii. The type of incident
  - iii. A detailed description of the incident

Items i. and iii. are currently required by paragraph (4), subparagraphs (A) and (D) and have only been moved from the general reporting requirement to the new form. Their inclusion is non-substantive. The new requirement of the type of incident will provide a quick reference for which submittal requirement this incident report falls.

- Section 5 – Information about any suspect:
  - i. Full name of the suspect
  - ii. Contact information of the suspect, such as phone number, email address
  - iii. Identifying characteristics of the suspect, such as height, weight, hair and eye color, driver's license information, date of birth, race or ethnicity, gender, and any other distinguishing marks
  - iv. Make, model, and license plate number of their vehicle

This section requires information necessary for identification of the suspect. This information will help the Bureau in any investigation of the incident. It will also allow the Bureau to contact other regionally close cardrooms to warn or inquire of similar activity. It is important to note that the information required is only that which is available. As it is possible that a suspect will be unknown to the cardroom or TPPPS, not all of this information will be known and acquiring it may not be possible. However, even limited information may be helpful in an investigation.

- Section 6 – Additionally information if the suspect is an employee or independent contractor of a cardroom business licensee or TPPPS business licensee.
  - i. Status of the person; employee or independent contractor
  - ii. Work permit or license number and jurisdiction
  - iii. If the suspect is an employee or independent contractor of the cardroom or TPPPS, and if so, were they terminated as a result on the incident

This section requires information if the suspect is known to be an employee or independent contractor of a cardroom business license or TPPPS business licensee. This information would allow the Bureau to take appropriate action, for

example including information in any pending suitability consideration or issuing an accusation or letter of warning to the licensee.

- Section 7 – Information about any notified law enforcement agency:
  - i. If and when law enforcement was notified
  - ii. Which agency was notified
  - iii. Any case number that may have been provided
  - iv. Any evidence provided

This section requires information about any possible reporting to law enforcement the cardroom or TPPPS may have done prior to filing the incident report. This information is necessary in case the Bureau chooses to conduct its own investigation or offer assistance to the local law enforcement agency.

- Section 8 – This section provides the Commission’s standard signature requirement for all of the Commission’s forms which states all information provided is under the penalty of perjury. The form must be signed by the same person indicated as the reporter.

Paragraph (3) is further amended to require incident reports for violations occurring “within the gambling establishment or in any adjacent spaces owned, managed, controlled, rented, or utilized by the cardroom business licensee for or in connection with the gambling operation.” Existing provisions make no reference to the location of the violation, which means in theory an incident report could be required if knowledge is obtained at a non-gambling related location. These limitations provide context to when an incident report is required by limiting them to the physical and adjacent spaces of a cardroom. These limitations relate the requirements to the oversight needs of the Bureau and Commission, specifically to ensure public safety inside a licensed facility and to ensure that only suitable people are involved in the conduct of controlled gambling.

Additionally, incidents in locations within the gambling establishment or adjacent spaces owned, managed, or rented by the cardroom but are solely utilized by a TPPPS business licensee under the terms of a TPPPS contract need not be reported by the cardroom business licensee. As the spaces are controlled by the TPPPS business licensees, it is the responsibility of the TPPPS business licensee to report any incidents as they are in the better position to understand the specifics of the incident.

- Subparagraph (A) of paragraph (3) provides a list of areas of violation that must be reported; including, violations of the gambling control act, the Commission and Bureau’s regulations, and specified provisions of the civil code, health and safety code, and penal code. Subparagraph (A) has been amended and expanded to subparagraphs (A) through (K).
  - Amended subparagraph (A) maintains the violations of the gambling control act, the Commission and Bureau’s regulations, and Penal Code sections 330 through 337z. The requirement for reporting any contact with a local law enforcement agency is

- removed as paragraph (3) provides the revised standards for when a cardroom is required to submit an incident report. Additionally, the provision is amended to add the requirement that an incident report be submitted for misdemeanor violations of local city, county, or city and county gambling ordinances.
- New subparagraph (B) provides that an incident report is required for loan-sharking. This violation is currently included in subparagraph (A) and therefore moving it to new subparagraph (B) is a non-substantive change. An additional change is made to include any successor provision. This change is also non-substantive as it seeks only to maintain the violation of loan-sharking if for some reason the referenced provision is altered or renumbered.
  - New subparagraph (C) provides that an incident report is required for illegal distribution of controlled substances. This is a violation that already exists in current subparagraph (A). The general reference to chapter 1 of division 10 of the Health and Safety code has been replaced with the more specific provisions of Sections 11007 and 11012 of the Health and Safety Code, both of which were covered by the previous reference. These changes are non-substantive. An additional change is made to include any successor provision. This change is also non-substantive as it seeks only to maintain the violation of illegal distribution of controlled substances if for some reason the reference provision is altered or renumbered. Finally, the requirement that possession violations be reported is removed. While it is the responsibility of the licensee to provide a safe environment, with oversight by the Commission and Bureau, a possession violation is one that is not linked to the environment of the gambling establishment, but is instead an issue that may simply be brought in to the gambling establishment. While the gambling establishment should take possession violations seriously, it is not an issue that requires oversight by the Bureau or Commission in this manner.
  - New subparagraph (D) provides that an incident report must be filed for any incident involving a property loss consistent with the amount provided in subdivision (a) of Penal Code section 487. Subdivision (a) of Penal Code section 487 provides the dollar amount for grand theft. Providing any successor provision will maintain the correct reference if for some reason it is altered or renumbered. This provision provides a general description of a type of crime that may be charged as an offense of burglary, grand theft, and petty theft, all of which are currently included in subparagraph (A). Additionally, by using a general description of the type of violation versus a specific reference, the Commission is not requiring a layperson to make a determination of what specific crime has been committed. The determination of how a crime may be charged is something outside the control of the gambling enterprise and involves complex issues handled by local law enforcement that may not be resolved within the five-day timeframe required by the provision. On the other hand, the gambling enterprise should be able to establish basic facts about a crime and know when to report under this general requirement. This would have the benefit of providing the Commission and Bureau with a clearer picture of the gambling establishment's environment instead of having some violations go unreported.



- New subparagraph (E) provides that an incident report must be filed for any incident involving the death of a person. This provision provides a general description of an incident that directly relates to the environment of the gambling establishment. The Commission and Bureau have the responsibility of ensuring the public safety and welfare in licensed gambling establishments and an incident causing the death of another person directly falls into that category. Prompt notification to the Bureau allows them to be involved in any review of the gambling enterprise's security policies and procedures in order to limit or prevent future issues.
- New subparagraph (F) provides that an incident report must be filed for any incident involving the on-site presence of law enforcement in response to a physical injury of a person. This provision provides a general description of a type of crime that directly relates to the environment of the gambling establishment. The Commission and Bureau have the responsibility of ensuring the public safety and welfare in licensed gambling establishments and a crime causing the physical injury to another person directly falls into that category. Prompt notification to the Bureau allows them to be involved in any review of the gambling enterprise's security policies and procedures in order to limit or prevent future issues.
- New subparagraph (G) provides that an incident report must be filed for any theft of \$500 or more in chips. It is necessary to have these types of violations reported to the Bureau so that the Bureau can share pertinent information about such a theft with other gambling enterprises and local law enforcement. In some cases, chips from one gambling establishment may be redeemed at another gambling establishment. By providing notice and hopefully identifying information to the Bureau, it could prevent other gambling enterprises from redeeming stolen chips and lead to the successful arrest of the perpetrator.
- New subparagraph (H) provides that an incident report must be filed for any discovery of \$500 or more in counterfeit currency and/or chips within a 24 hour period. The use of counterfeit currency or chips impacts the safety of the controlled gaming environment by compromising both the results of the game and the cardroom's ability to ensure proper funds are available to cover chips in use. If the amount of counterfeit currency and/or chips reaches a substantial level, notification to the Bureau allows for a prompt response, if appropriate. Without prompt notification to the Bureau, other cardrooms and appropriate law enforcement agencies may be delayed in receiving notifications.
- New subparagraph (I) provides that an incident report must be filed for any discovery of \$500 or more in counterfeit currency and/or chips within a two week period cumulatively linked to a specific individual or group of individuals. The use of counterfeit currency or chips impacts the safety of the controlled gaming environment by compromising both the results of the game and the cardroom's ability to ensure proper funds are available to cover chips in use. If the amount of counterfeit currency and/or chips reaches a substantial level, notification to the Bureau allows for a prompt

- response, if appropriate. Without prompt notification to the Bureau, other cardrooms and appropriate law enforcement agencies may be delayed in receiving notifications.
- New subparagraph (J) provides that an incident report must be filed for any incident provided in subparagraphs (D), (G), or (H) committed by cardroom category licensee, local work permittee, or TPPPS category licensee (owner or employee of a cardroom or TPPPS business) regardless of the amount. While the other language of paragraph (3) partially covers these violations, this provision removes the minimum level of property loss for these individuals. This is necessary because financial crimes directly relate to the suitability of an individual and their ability to work in a controlled gaming environment. Such a violation could be a cause to have a temporary approval revoked or for an accusation to be filed against an individual with a Commission approval. Without prompt notification of these types of violations, an unsuitable person would be allowed to continue working in a gambling establishment.
  - New subparagraph (K) provides an incident report must be filed for any bomb threat, pursuant to Penal Code 148.1, or any other event that requires the immediate evacuation of the gambling establishment. Bomb threats affect the public safety of a gambling establishment, and can affect the integrity of controlled games. A bomb threat, or any other event that requires the immediate evacuation of the gambling establishment could be used to disrupt security and other systems designed to protect chips, equipment, etc. which could result in a breakdown in the integrity of the controlled games. The Bureau must be promptly notified of these events so that they can be involved in the process that ensures the re-establishment of security procedures and that the integrity of the controlled games has not been put into jeopardy.
  - New subparagraph (L) provides incident types identified currently in subparagraph (A). Twelve additional references have been added and five have been repealed. Additionally, the descriptive text for existing provisions has been revised. This change to the descriptive text is non-substantive as they do not alter the requirement and are only there to provide a summary.

Penal Code section 148.10, resisting a peace officer resulting in death or serious bodily injury to a peace officer, is added. The death or injury of a police officer is a serious crime and prompt notification will allow the Bureau to ensure that appropriate measures were taken to maintain the safety of the public. Additionally, this crime is similar to the requirement of subparagraphs (E) and (F) and including it here provides increased specificity and clarity to the regulated industry.

Penal Code section 220, assault with intent to commit mayhem, rape, sodomy, oral copulation or other specified offense, is added. This crime is added alongside the proposed adoption of rape, criminal sodomy, and criminal oral copulation. The threat to commit a serious crime is itself serious and prompt notification to the Bureau allows them to ensure that appropriate measures were taken to maintain the safety of the public.

Penal Code section 236.1, human trafficking, is added. Penal Code section 236.2 requires that law enforcement agencies, which includes the Bureau, shall use due diligence to identify all victims of human trafficking. By requiring the cardroom to report any reasonably suspected human trafficking situations, the Bureau is provided support in this requirement.

Penal Code sections 243.4 (sexual battery), 261 (rape), 286 (criminal sodomy), 287 (criminal oral copulation), 288 (lewd and lascivious acts on a child), 289 (forcible acts of sexual penetration), and 347 (poisoning food or drink) are added. The Act requires that all gambling establishments be operated in a manner to protect the public health, safety, and general welfare. Physical assaults, including those of a sexual nature, are events that are extremely inconsistent with this requirement. While it is not expected that the Bureau will conduct the criminal investigations related to these incidents, the prompt notification of these events will allow the Bureau to work with the gambling enterprise to revise its security plan to prevent a similar situation from occurring in the future.

Penal Code section 422, criminal threat, is added. Criminal threat is a crime of moral turpitude and involves: (1) the threat to perform a crime which will result in the death or great bodily injury to another person; (2) that the threat is clear, immediate, unconditional, and specific; and, (3) that the recipient of the threat was in actual fear of their safety. The threat to commit a serious crime is itself serious and prompt notification to the Bureau allows them to ensure that appropriate measures were taken to maintain the safety of the public. Additionally, as a crime of moral turpitude making a criminal threat could directly impact an employees' temporary approval or be cause for an accusation to rescind a Commission approval. Without prompt notification of these types of violations, an unsuitable person would be allowed to continue working in a gambling establishment.

Penal Code section 459, burglary, is repealed. This crime's reporting requirement has been replaced with the requirement of subparagraph (D) which has been crafted broadly enough to most include incidents of this nature.

Penal Code section 470b, display or possession of forged driver's license or identification card, is added. California law prohibits the participation in a controlled game for persons under the age of 21. As part of that requirement, cardrooms frequently verify their customers or potential customers' ages and identities by inspecting their driver's license or other identification card. As part of this inspection, the cardroom eventually comes across forged copies. By reporting such discovery to the Bureau, the Bureau is able to provide information to other cardrooms in order to limit or prevent the same individual from using their forged identification at another cardroom.

Penal Code section 487, grand theft, is repealed. This crime's reporting requirement has been replaced with the requirement of subparagraph (D) and so its removal here is non-substantive.

Penal Code section 488, petty theft, is repealed. Incidents of petty theft can include minor issues, like the theft of a soda can. They often neither rise to the standard warranting Bureau investigation nor speak to the general safety situation of the cardroom.

Penal Code section 503, embezzlement, is repealed. This crime's reporting requirement has been replaced with the requirement of subparagraph (D) which has been crafted broadly enough to include incidents of this nature within the proposed dollar limitation.

Penal Code section 648, counterfeit currency, is repealed. This crime's reporting requirement has been replaced with the requirement of subparagraph (H), discussed above. The limitation proposed as part of this action would remove minor incidents from the requirement to have an incident report filed.

- Existing subparagraph (B) of paragraph (3) provides an additional reporting standard of an owner or key employee obtaining knowledge or notice of any reasonably suspected violation of the provisions identified in subparagraph (A). Existing subparagraph (A) provided a reporting standard of "any owner or key employee contacting local law enforcement" while existing subparagraph (B) provided a reporting standard of "any owner or key employee obtaining knowledge or notice." These two requirements are redundant. In all cases existing subparagraph (B) would apply. Should the owner contact law enforcement, then they must have obtained knowledge of an incident. Due to this redundancy, subparagraph (B) is repealed and subparagraph (A) is amended to remove the unnecessary language.
- Existing paragraph (4) is repealed. As discussed in paragraph (3), the incident report process has been replaced with an Incident Report Form and the requirements of this provision has been moved there.
- Paragraph (5) provides that when a gambling enterprise submits a Title 31 Suspicious Activity Report with the Financial Crimes Enforcement Network (FinCEN), the Bureau must submit an Incident Report Form and be provided a copy of the report along with any transactions or documents upon which the report was based. This is necessary to assist the Bureau in monitoring potential criminal activity taking place within the gambling enterprise in order to ensure the public health, welfare, and general safety.
- Paragraph (6) provides that when a forfeiture of any unredeemed jackpot or prize is made consistent with the gambling establishment's policies and procedures for either the Self-Restriction or Self-Exclusion Program, the gambling enterprise must provide notification to the Bureau. This provision is necessary to assist the Bureau in monitoring the compliance of gambling enterprises with both their procedures and regulation Sections

12463 and 12464. Without the gambling enterprise providing notice to the Bureau, the Bureau is required to routinely request compliance information from the gambling enterprise. By streamlining the process, each party is able to effectively provide and receive information on an ongoing basis.

- Paragraph (7) provides that the cardroom business licensee must submit an incident report within five business days of determining that any associated work permittee or licensee was arrested. The Act provides that only suitable persons may be licensed to offer a controlled game. A licensee who has been arrested of a crime is not necessarily no longer suitable; however, the Bureau may wish to monitor the licensee's situation in case something should be reported to the Commission for consideration in either an ongoing licensing process or the filing of an accusation.
- Paragraph (8) provides that a cardroom must submit an incident report within five business days of any of its employees or owners having a local city, county, or city and county license, permit, or authorization to work in a gambling establishment approved with conditions, denied, suspended, or revoked. For a denial, a report need only be filed if the denial is for a reason reasonably similar to, or pursuant to Business and Professions Code section 19912 or either subdivision (a) or (b) of Business and Professions Code section 19857. All cardroom owners and key employees receive Commission licenses. Therefore, in local jurisdictions where they receive local approvals and Commission licenses they receive two approvals. If a local jurisdiction is to do something other than issue an approval, their reasons for not issuing that approval are directly relevant to the Commission's consideration on whether the Commission should itself issue an approval.

### **REQUIRED DETERMINATIONS:**

#### **LOCAL MANDATE:**

A mandate is not imposed on local agencies or school districts.

#### **UNDERLYING DATA:**

Technical, theoretical, or empirical studies or reports relied upon: None.

#### **BUSINESS IMPACT:**

The Commission has made a determination that the proposed regulatory action would have no significant statewide adverse economic impact directly affecting business, including the ability of California businesses to compete with businesses in other states. This determination is based on the following facts or evidence/documents/testimony:

It is estimated that there will be an industry wide savings for cardrooms and an industry wide cost for TPPPS. Specifically, it is anticipated that there will be an annual savings of \$515,262 for cardrooms and a cost of \$83,028 for TPPPS' for a total of savings of \$432,234 per year. These costs and savings will not inhibit a California business from competing with business in other states as the gambling industry does not cross state lines and the amounts involved are not significant enough to effect industry competitiveness.

**SPECIFIC TECHNOLOGIES OR EQUIPMENT:**

The proposed action does not mandate the use of specific technologies or equipment.

**ECONOMIC IMPACT ASSESSMENT/ANALYSIS:**

**IMPACT ON JOBS/NEW BUSINESSES:**

The Commission has determined that this regulatory proposal will not have a significant impact on the creation of new jobs or businesses, the elimination of jobs or existing businesses, or the expansion of businesses in California. For this purpose, the definition of a small business as defined by the federal Small Business Administration was utilized.

The basis for this determination is that this proposed action amends an existing reporting requirement for cardroom business licenses, which is currently conducted by employees and managers who have other work tasks that they are of a higher priority. The Commission is estimating an annual savings of \$8,310 for an average cardroom. Additionally, the new reporting requirement of TPPPS business licensees will likely not be sufficient to require the hiring of additional staff. The Commission estimating an annual cost of \$4,370 for an average TPPPS.

**HEALTH AND WELFARE OF CALIFORNIA RESIDENTS:**

It has been determined that the proposed action will protect the health, safety, and general welfare of California residents by aiding and preserving the integrity of controlled gambling.

**WORKER SAFETY:**

It has been determined that the proposed action will not affect worker safety because it does not pertain to working conditions or worker safety issues.

**STATE'S ENVIRONMENT:**

It has been determined that the proposed action will not affect the State's environment because it has nothing to do with environmental issues.

**CONSIDERATION OF ALTERNATIVES:**

No reasonable alternative to the regulations would be more effective in carrying out the purpose for which the action is proposed. No reasonable alternative would be as effective as and less burdensome to affected private persons than the proposed action, nor would be more cost-effective to affected private persons and equally effective in implementing the statutory policy or other provision of law.

Set forth below are the alternatives that were considered and the reasons each alternative was rejected: No reasonable alternative has been developed or otherwise identified and brought to the attention of the Commission.