

CALIFORNIA GAMBLING CONTROL COMMISSION

**SUPPLEMENT TO THE INITIAL STATEMENT OF REASONS -
for the Modified Text of Proposed Regulations (15-Day Changes)**
CGCC-GCA-2021-07-R/C

HEARING DATE: None Scheduled

**SUBJECT MATTER OF
PROPOSED REGULATIONS:** Commission Fees Modernization Project

SECTIONS AFFECTED: California Code of Regulations, Title 4, Division 18:
Sections 12090, 12108, 12112, 12114, 12120, 12122,
12250, 12252, 12252.1, 12260, 12261, 12264, 12272,
12274, 12276, 12278, 12309, 12364, 12470, 12472,
12474, 12492, 12500, and 12503

SPECIFIC PURPOSE OF REGULATORY PROPOSAL:

INTRODUCTION:

The California Gambling Control Commission (Commission) is the state agency charged with the administration and implementation of the California Gambling Control Act (Act).¹ Under the Act, the Commission is authorized to determine fees, and the Department of Justice, Bureau of Gambling Control (Bureau) is required and authorized to collect fees and determine and collect certain deposits. These fees and deposits are required for many purposes, such as to recover the costs associated with conducting an investigation of an applicant's background. The Commission and Bureau recently contracted for and conducted a detailed fee assessment and have determined that some fees and deposits collected are in excess of what is required for the associated costs to the Commission and Bureau while others are being collected at an insufficient level for the associated costs. As such, the Commission is proposing to adjust certain fees and deposits collected to align them with the administrative and functional needs of the Commission and Bureau. Additionally, for the annual fees collected from the third-party providers of proposition player services (TPPPS), the Commission is proposing a new annual fee determination methodology that would include an annual calculation process.

PROBLEM ADDRESSED:

During Fiscal Year (FY) 2018-2019, at the request of the California Legislature's Joint Legislative Audit Committee (JLAC), the California State Auditor (CSA) conducted an audit on the Commission and the Bureau. On May 16, 2019, the CSA released their findings and recommendations in the published report 2018-132 (CSA Report). As outlined in the CSA Report, the CSA made the following recommendations to both the Commission and the Bureau:

¹ Business and Professions Code, Division 8, Chapter 4, section 19800 et seq.

To better align the revenue in the Gambling [Control] Fund with the costs of the activities that the fund supports, the [B]ureau and the [C]ommission should conduct cost analyses of those activities by July 2020. At a minimum, these cost analyses should include the following: The entities' personnel costs, operating costs, and any program overhead costs. Updated time estimates for their core and support activities, such as background investigations. The cost of their enforcement activities. Using this information, the [B]ureau and [C]ommission should reset their regulatory fees to reflect their actual costs.

In May 2019, the Commission and Bureau began the process of contracting with a qualified vendor to analyze the State's (Commission and Bureau's) costs compared to the fees collected. While mostly reflecting costs of the Commission and Bureau, other agencies also have administrative costs over the controlled gambling industry. For brevity, this document will often refer to the costs of the Commission and Bureau; however, this is not intended to exclude the appropriate costs of other agencies that are included in this process. The resulting report² (MGT Report), included with this proposed action as a document relied upon (along with noted attachments), identified that the Commission and Bureau's regulatory fee structure indeed does not match with its personnel costs, operating costs, and program overhead costs. This proposed action, utilizing the MGT Report, will address the disconnect between those regulatory fees and deposits that are collected and the Commission and Bureau's actual costs.

PURPOSE:

This proposed action, utilizing the MGT Report, will address the disconnect between those regulatory fees collected and the Commission and Bureau's actual costs by adjusting the fees included in regulation by the Commission and collected by the Bureau to correspond with the costs necessary to complete those actions that accompany the request for which the fee has been collected. Furthermore, this package serves as the compliance filing for the Commission's emergency regulations adoption package (CGCC-GCA-2021-05-E).

ANTICIPATED BENEFITS OF PROPOSED REGULATION:

This proposed action will have the benefit of ensuring that the Commission and Bureau do not collect, through fees provided in the Commission's regulations, more or less funds than are necessary for the associated functions and State operational costs for which the fees have been collected.

PROPOSED ACTION:

This proposed action will make changes within California Code of Regulations (CCR) Title 4 Division 18 as follows:

² MGT Consulting Group. 2021. Department of Justice's Bureau of Gambling Control and California Gambling Control Commission Fee Study Report of Findings

CHAPTER 1. GENERAL PROVISIONS

ARTICLE 4. FEES

Adopt 12090. Schedule of Fees Required for Applications, Approvals, and Registrations.

New Section 12090 requires an applicant must submit the completed form and fee amount pursuant to the table provided in this section with their completed application. This section also specifies that the Bureau may request for additional background investigation deposits pursuant to other statutes or regulations. In essence, the prior subsections and forms wherein fees were listed have all been relocated to this section.

Each row of the proposed table identifies the form number, form name, a description of the type of fees associated with the form and dollar amounts, as described below. (Note: For details on proposed changes to each form, please see the respective regulatory section where the form is attached as an Appendix to the applicable chapter of the regulations.)

BGC-025, Application for Registration of Manufacturers or Distributors of Gambling Equipment:

- The application fee for an initial or renewal registration of a Class A equipment manufacturer or distributor is being reduced from \$500 to \$32, pursuant to the cost and fee analysis data provided in the Commission’s fee study.
- The application fee for an initial or renewal registration of Class A Equipment Manufacturer or Distributor as an “Antique Collector” is being reduced from \$40 to \$32, pursuant to the cost and fee analysis data provided in the Commission’s fee study.

CGCC-CH2-01, Badge Replacement Request:

- The application fee for a badge replacement request for all license and permit types has been reduced from \$25 to \$8, pursuant to the cost and fee analysis data provided in the Commission’s fee study.

CGCC-CH2-04, Application for Employee Category License:

- Initial application fees:
 - For a Key Employee License (\$750), TPPPS Supervisor License (\$750), TPPPS Worker License (\$500), and Commission Work Permit (\$250), the fees have all been reduced to \$164, pursuant to the cost and fee analysis data provided in the Commission’s fee study.
 - For a Temporary Employee Category License/Commission Work Permit, the fee has been increased from \$25 to \$30. Pursuant to the recent licensing regulations, which became effective while the Commission’s fee study was already well underway, the process for requesting any temporary employee category license is now streamlined into a single checkbox on this form; however, there still remains staff time associated with the creation of a badge and review of initial criminal background information, if applicable. As such the associated fee for this process was increased to \$30 to cover the associated costs, which is the same as all other temporary requests.
 - A reference to the background investigation deposit as required in Title 11, CCR, Section 2037 has been added. Providing notification of the required deposit here

in the regulation, while duplicative of the form, is necessary to increase the clarity of what is required to be submitted.

- Renewal application fees:
 - For a Key Employee License (\$750), TPPPS Supervisor License (\$750), TPPPS Worker License (\$500), and Commission Work Permit (\$250), the fees have all been reduced to \$164, pursuant to the cost and fee analysis data provided in the Commission's fee study.
 - A reference to the background investigation deposit as required in Title 11, CCR, Section 2037 has been added. Providing notification of the required deposit here in the regulation, while duplicative of the form, is necessary to increase the clarity of what is required to be submitted.

CGCC-CH2-05, Application for Owner Category License:

- Initial application:
 - The initial application fee has been reduced for all owner category license types (Cardroom Business License, Cardroom Endorsee License, TPPPS Business License, and TPPPS Endorsee License) from \$1000 to \$164, pursuant to the cost and fee analysis data provided in the Commission's fee study.
 - The additional application fee required for a temporary owner category license when submitting an initial application has been increased from \$25 to \$30. Pursuant to the recent licensing regulations, which became effective while the Commission's fee study was already well underway, the process for requesting any temporary owner category license is now streamlined into a single checkbox on this form; however, there still remains staff time associated with the creation of a badge and review of initial criminal background information, if applicable. As such the associated fee for this process was increased to \$30 to cover the associated costs, which is the same as all other temporary requests.
 - A reference to the background investigation deposit as currently required in Title 11, CCR, Section 2037 has been added. Providing notification of the required deposit here in the regulation is necessary to increase the clarity of what is required to be submitted.
- Renewal application:
 - The renewal application fee has been reduced from \$1000 to \$164 for all owner category license types (Cardroom Business License, Cardroom Endorsee License, TPPPS Business License, TPPPS Endorsee License), pursuant to the cost and fee analysis data provided in the Commission's fee study.
 - The delinquency fee for submitting a renewal application has been reduced from \$1000 to \$492. Business and Professions Code section 19876(g), specifies the Commission may assess reasonable delinquency fees not to exceed three times the usual application fee. As such, the reduction in the delinquency fee is necessary to not exceed the statutory limit (three times the proposed \$164 application fee).
 - A reference to the background investigation deposit as currently required in Title 11, CCR, Section 2037 has been added. Providing notification of the required

deposit here in the regulation, while duplicative of the form, is necessary to increase the clarity of what is required to be submitted.

- Badge Required fee (currently required on form):
 - The current \$25 fee for an owner category licensee badge (when needed) has been removed from the form as the cost for a badge is now included in the application fee, pursuant to the cost and fee analysis data provided in the Commission's fee study. As such, this fee is not being listed in the new fee table of this section. This change simplifies the requirement and ensures the fees charged to applicants that require a badge (as applicable) are consistent with the state costs to process the application.

CGCC-CH3-01, Application for Playing Book Approval:

- Initial Approval Request:
 - The current application fees for an initial approval request of a hard copy playing book form (\$75) and an electronic playing book system (\$1200) have both been changed to \$94. These fee amounts have been determined necessary to cover the state costs incurred to process each type of application, pursuant to the cost and fee analysis data provided in the Commission's fee study. Additionally, making the fees consistent for both types of applications simplifies the requirement and provides consistency with the state costs incurred for processing the applications.
 - A new deposit amount is being required for an initial approval request of a hard copy playing book form (\$187) and an electronic playing book system (\$4,378). Currently deposits are not required for these applications and were previously covered by the application fees. Depending on the amount of work necessary to analyze an initial hard copy playing book form or electronic playing book system, the cost could be more or less than the deposit amount. Adding a new separate deposit requirement ensures these costs are covered, an accounting of time and funds expended is created, and any excess deposit is refunded to the applicant. The Commission has delegated authority to set this particular deposit amount, and as such, it is necessary for the Commission to adopt the new requirement of the deposit to align with the cost and fee analysis data provided in the Commission's fee study.
- Amendment Approval Request:
 - The current application fees for an amendment approval request of a hard copy playing book form (\$75) and an electronic playing book system (\$1200) have both been changed to \$94. These fee amounts have been determined necessary to cover the state costs incurred to process each type of application, pursuant to the cost and fee analysis data provided in the Commission's fee study. Additionally, making the fees consistent for both types of applications simplifies the requirement and provides consistency with the state costs incurred for processing the applications.
 - Unlike the new deposit amounts being proposed for initial approvals (discussed above), reviewing amendments to existing hard copy playing book forms or electronic playing book systems do not always require the depth of analysis

associated with the new/initial forms or systems. As such, a deposit is not being required for these applications at this time, which is consistent with current regulations, making this a non-substantive change. However, the Commission does have delegated authority to set this particular deposit amount in the future, which will be determined by routine analysis of the associated fees and state costs.

CGCC-CH3-02, Application for Contract Approval to Provide Proposition Player Services:

- Application for a new contract or extension of an existing contract:
 - The current \$1000 application fee for approval of a new contract or the extension of an existing contract is being reduced to \$57 in accordance with the cost and fee analysis data provided in the Commission's fee study.
 - A reference to the background investigation deposit as currently required in Title 11, CCR, Section 2037 has been added. Providing notification of the required deposit here in the regulation, while duplicative of the form, is necessary to increase the clarity of what is required to be submitted.

- Application for the expedited review of a new contract:
 - As discussed above, the current \$1000 application fee for approval of a new contract or the extension of an existing contract is being reduced to \$57 in accordance with the cost and fee analysis data provided in the Commission's fee study.
 - The current expedited processing fee of \$150 remains unchanged in accordance with the cost and fee analysis data provided in the Commission's fee study. The fee has been moved to this section so the fee and deposit amounts are in a central location. This is a nonsubstantive change.
 - A reference to the background investigation deposit as currently required in Title 11, CCR, Section 2037 has been added. Providing notification of the required deposit here in the regulation, while duplicative of the form, is necessary to increase the clarity of what is required to be submitted.

- Application for an amended contract:
 - The current \$500 application fee for approval of an amended contract is being reduced to \$57 in accordance with the cost and fee analysis data provided in the Commission's fee study.
 - A reference to the background investigation deposit as currently required in Title 11, CCR, Section 2037 has been added. Providing notification of the required deposit here in the regulation, while duplicative of the form, is necessary to increase the clarity of what is required to be submitted.

CGCC-CH7-07, Cardroom Business Licensee: Gaming Tables:

- Application for Additional Permanent Tables:
 - The current \$500 application fee is being reduced to \$164 in accordance with the cost and fee analysis data provided in the Commission's fee study and added to the table in this section, which provides the applicant a central location to find and reference what costs will be required when submitting an application.

- A reference to the background investigation deposit as currently required in Title 11, CCR, Section 2037 has been added. Providing notification of the required deposit here in the regulation, while duplicative of the form, is necessary to increase the clarity of what is required to be submitted.
- Application for Additional Temporary Tables:
 - The current \$500 application fee is being reduced to \$164 in accordance with the cost and fee analysis data provided in the Commission’s fee study and added to the table in this section, which provides the applicant a central location to find and reference what costs will be required when submitting an application.
 - A reference to the background investigation deposit as currently required in Title 11, CCR, Section 2037 has been added. Providing notification of the required deposit here in the regulation, while duplicative of the form, is necessary to increase the clarity of what is required to be submitted.

This new section is proposed to provide a single place where the fees and deposits associated with various applications and requests can be found. This central location makes it simple for an applicant to find and reference what costs will be required when submitting an application for a license, work permit, or registration; requesting a replacement badge; requesting the review of a TPPPS contract or playing book; or, requesting an alteration to the number of tables a cardroom is authorized to operate.

Starting in May of 2019 and concluding in September 2021, the Commission and Bureau worked with a qualified vendor, MGT, to analyze the Commission and Bureau’s costs compared to the fees and deposits being charged for the various services being provided by the Commission and Bureau. In completing this analysis, MGT determined the appropriate fee and deposit amounts that the Commission should set in its regulations.

This proposed action is necessary to implement those determinations.

Methodology

The specific methodology used in determining the fee and deposit amounts uses a standard approach for analyzing the cost of providing fee-related services and is commonly referred to as a “bottom-up” approach. This bottom-up approach incorporates personnel costs, operating costs, and any program overhead costs to determine the full cost of the services being provided on a per unit basis.

This bottom-up approach begins by identifying all direct staff time spent on those activities or services related to a specific fee. This requires a detailed review of the Commission and Bureau’s workload database systems and assigning each entry to a specific fee or other category of work (this is discussed further in Section 12252.1 and is referred to as “cost pools” in the proposed action). Once the direct costs (activities and services) related to a specific fee or deposit were identified, that cost was divided by the number of times that fee or deposit was paid (which represents the number of times the service was requested) to determine the amount.

First, to identify all direct staff time spent on specific fee-related activities or services, MGT conducted a series of meetings with staff from the Commission and Bureau to identify every employee, by classification, who performs work directly in support of fee-related services. Direct staff costs are incurred by employees who are “on the front line” and most visible to the industry. Once all direct staff were identified, subject matter experts for each section calculated the costs incurred to perform the associated tasks of each task type. These calculations were developed by the subject matter experts within each fee area leveraging quantitative data analyses to arrive at the averages of time taken for each task. Thereafter the direct cost of staff time for each fee was determined using productive hourly rates. “Productive hours” is defined as the time staff are in their office or in the field. The average productive hours for the State’s staff providing services is 1,800 hours per year. Following the analysis of each individual license application type and determining the associated cost using the above methodology, MGT recommended that the initial and renewal applications be consolidated into one new fee called Application Fee (initial/2- year renewal), since the time to provide the service did not vary depending on whether it was an initial or renewal application. The annual cost for this new fee is \$982,332. The current average revenue is \$2,074,825 for initial applications and \$1,095,500 for renewals. MGT recommended collapsing the application fees into one fee titled “application fee (initial/2-year renewal)”. This new, consolidated application fee is limited to recovering the cost of processing an application form, including the intake and initial badging workload, and therefore is much lower than the previous 27 separate application fees. All application fees are calculated under this approach. Of the remaining fees in this category subject to this regulation, MGT found that the replacement key employee badge fee, replacement Commission work permit (WP) badge fee, and the replacement third-party (TPPPS) badge fee, all took the same amount of time to process and by extension, had the same cost recovery amount that should be charged. MGT recommended collapsing these fees into one replacement badge fee. The full cost to provide a replacement badge is \$8, which is lower than the current \$25 per replacement badge fee. As such, MGT recommended lowering the replacement badge fee to align with 100% full cost recovery. This is applicable to all fees that are subject to these regulations.

The MGT Report and associated attachments provide the specifics for each of the proposed fees. Please see these documents for the specific workload data and calculations used to determine their amounts. The updates to the fees and deposits are within the jurisdiction of the Commission to set and/or adjust. The Commission set the fees and deposits within the text of this regulation in accordance with the MGT Report. Here is an example:

Licensing Fees

After reviewing the direct costs associated with the application fees for initial and renewal license applications, MGT determined that there was not a substantial difference and recommended that these two fees be consolidated into one consistent fee. Notably, the scope of work for the application fee does not include the background investigation, which is covered by the background deposit required in Title 11, CCR, Section 2037 (Section 2037). MGT determined that the Commission and Bureau spent an annual amount of \$982,332 on the work associated with this application type. This new, consolidated application fee is limited to recovering the cost of processing an application form, including the intake and initial badging workload. Comparing this to the expected annual number of applications submitted, a new application fee of \$164 was determined.

CHAPTER 2. LICENSES AND WORK PERMITS

ARTICLE 1. DEFINITIONS AND GENERAL PROVISIONS

Amend 12108. Replacement of a Badge.

Section 12108 provides the process a licensee can use to request a replacement badge should one be lost, stolen, damaged, or if a person's name has changed.

Subsection (a) provides the specific conditions that must be met for the Bureau to issue a replacement badge. Paragraph (2) of this subsection provides that the licensee must submit the form Badge Replacement Request, CGCC-CH2-01. The form date is proposed to be amended. This is a non-substantive change and corresponds to the amendment of the form. Clarifying language is also proposed to attach the form to Appendix A of this chapter so that the form is correctly incorporated as part of the regulation. Additionally, reference to the fee required in Section 12090 has been added. Currently, the fee is required on the form; however, like in other places in this proposed action it has been moved to Section 12090. Providing notification here in the regulation, while duplicative of the form, will increase the clarity of what is required to be submitted.

The amendments proposed to the form are as follows:

- The instructions of the form have been amended to remove the \$8 fee and replace it with a citation to Section 12090. As previously discussed, the Commission has moved all fees to Section 12090. Please see that section for further discussion on the change to the fee amount. Additionally, the language "who requires a replacement badge" has been added to the end of the last sentence for additional clarity concerning licenses held by natural persons who operate as a sole proprietorship (see additional details below). This amendment is a non-substantive change and is consistent with existing regulation.
- Section 2 of the form is amended to add cardroom business license and TPPPS business license (natural persons only) to the types of approvals that can be indicated. In rare cases, cardroom and TPPPS business licenses are held by natural persons who operate as a sole proprietorship and therefore the cardroom and TPPPS business licensees, and not endorsees, are required to have badges. By adding the category here, it makes it clear that these licensees may also request a replacement badge. This change is necessary for consistency with existing regulation.

ARTICLE 2. INITIAL AND RENEWAL LICENSES AND WORK PERMITS

Amend 12112. Initial License Applications; Required Forms.

Section 12112 provides the documents a person applying for an initial Commission approval must submit to the Bureau.

Subsection (a) provides that either the form Application for Employee Category License, CGCC-CH2-04, or the form Application for Owner Category License, CGCC-CH2-05, must be submitted. The form dates are proposed to be amended, which are non-substantive changes and correspond to the amendments of the forms.

Additionally, references to the fees required in Section 12090 and the deposits required pursuant to Section 2037 have been added. Currently, the fees and deposits are required on the forms; however, like in other places in this proposed action they have been moved to Section 12090. Providing notification here in the regulation, will increase the clarity of what is required to be submitted.

Amendments to the forms, which are attached in Appendix A to this chapter via this subsection, are explained below.

The form Application for Employee Category License, CGCC-CH2-04, is amended as follows:

- Section 2B is amended to remove the initial and renewal fees for a Key Employee License (\$750), TPPPS Supervisor License (\$750), TPPPS Worker License (\$500), and Commission Work Permit (\$250), along with the additional temporary license fee of \$25, and is replaced with a citation to Section 12090. As previously discussed, the Commission has moved all fees to Section 12090. Please see that section for further discussion on changes to the fee amounts. This amendment is a non-substantive change.
- Section 2B is also amended to provide better instructions for when each of the fees are required to be paid/included, clarifying that the application fee is mandatory while the temporary license fee need only be paid if selected. This amendment is a non-substantive change that is consistent with existing regulation.

The form Application for Owner Category License, CGCC-CH2-05, is amended as follows:

- Section 1A, under the TPPPS endorsee license checkbox, “owner” is replaced with “endorsee licensee” to fix an existing error. This technical amendment is consistent with existing regulation and is a nonsubstantive change.
- Section 1B, under the checkboxes for the initial application, initial application with request for temporary license, and renewal application, is amended to remove the \$1000 fee for all license types, including the additional temporary license fee of \$25, and delinquency fee of \$1000. The fee amounts have been replaced with a citation to Section 12090. As previously discussed, the Commission has moved all fees to Section 12090. Please see that section for further discussion on any changes to the fees. This amendment is a non-substantive change.

Language has also been added to include directions for the TPPPS business licensee to pay the first issuance annual fee as provided in Section 12252. This provides clear instruction to the applicant that this fee is required, if applicable. See Section 12252 for further discussion on this fee.

Further, this section of the form is amended to provide better instructions for when each of the fees needs to be paid, clarifying that the application fee is mandatory while the temporary license fee need only be paid if selected, which is identified as an additional

fee under Section 12090. This change is necessary to provide additional clarity to the reader.

- Section 1B, under the checkbox for the renewal application, the language “Cardroom business licensee or Cardroom endorsee licensee” is removed from the second bullet point regarding the delinquency fee to make the requirement consistent across all owner category license types.

Also under the checkbox for the renewal application, instructions for the cardroom business licensee to include a payment in the amount determined by the schedule in subdivision (c) of Business and Profession Code section 19951, unless the application is due to a change in the ownership structure of a currently licensed gambling establishment, has been added. Additionally, under the last bullet point, clarifying amendments for the owner-category licensee applicant to include a payment for a deposit to the Bureau pursuant to Title 11, CCR, Section 2037, for associated background deposits is proposed. This language has also been added as a bullet point under the columns for an initial application and initial application with request for a temporary license, as it applies to all owner-category licenses (not just cardroom business licensees). These changes are necessary to provide licensees notification of the existing statutory and regulatory requirements and as such, is a non-substantive change.

Further, the “Badge Required” checkboxes and associated \$25 fee has been removed from under each application type as the cost for a badge is now included in the application fee, pursuant to the cost and fee analysis data provided in the Commission’s fee study. Respectively, a new checkbox has been added for an applicant to request a badge upon application approval so that in the event the applicant also needs a replacement badge, the applicant may request one using this form by checking the box. Because only one checkbox is necessary, the two additional checkboxes are proposed to be removed, which is a non-substantive change.

Paragraph (d)(1) provides that, if an applicant is a California resident, they must submit a Request for Live Scan Service. The provision is modified to inform the applicant that any fees required to complete the form are the responsibility of the applicant. Historically, some license types would provide billing codes for their payment, with the Bureau utilizing the funds paid by the applicant to the Bureau to cover the costs. This was a pass-through fee. With the amendment to the Commission’s fees, the Bureau will no longer be collecting money designated for the payment of an applicant’s live service fees and so the applicant will be responsible to directly pay the fees themselves. This will not require any change to the amount required of the applicant, as they will simply be paying for the live scan directly instead of making the payment through the Bureau.

Amend 12114. Renewal License Applications; Required Forms.

Section 12114 provides the documents an applicant applying for a renewal of their Commission approval must submit to the Bureau.

Subsection (c) provides for the documents required for a complete application, as applicable.

Paragraph (1) provides that either the form Application for Employee Category License, CGCC-CH2-04 or the form Application for Owner Category License, CGCC-CH2-05 must be submitted. These forms are attached to Appendix A for this chapter in Section 12112, and therefore the form date is unnecessary in this section. As the Commission has adopted this form into its regulations by attaching it to the Appendix, the form itself is a regulation and the constant re-referral to the version date is unnecessary as both Section 12112 provides it and the most recent version of the form can be found in the CCR. A nonsubstantive change is also being made to remove the specific reference to paragraph (1), regarding subsection (a) of Section 12112, which is an existing error. The repeal of paragraph (1) from the reference is necessary to provide the correct location of the provision, which is subsection (a) of Section 12112.

To continue, a reference to the applicable fees required in Section 12090 is added. Currently, the fees are required on the form; however, like in other places in this proposed action the fees have been moved to Section 12090. Providing the reference to Section 12090 here in the regulation, while duplicative of the form, will increase the clarity of what is required to be submitted.

Paragraph (4) provides that, if a California resident, an applicant must submit a Request for Live Scan Service. The provision is modified to inform the applicant that any fees required to complete the form are the responsibility of the applicant. Historically, some license types would provide billing codes for their payment, with the Bureau utilizing the funds paid by the applicant to the Bureau to cover the costs. With the amendment to the Commission's fees, the Bureau will no longer be collecting money earmarked for the payment of an applicant's live service fees and so they will be responsible to directly pay the fees themselves. This will not require any change to the amount required of the applicant, as they will simply be paying for the live scan directly instead of making the payment through the Bureau.

Additionally, the form date is proposed to be repealed. This form is attached to Appendix A for this chapter in Section 12112(d)(1), and therefore the form date is unnecessary in this section. As the Commission has adopted this form into its regulations by attaching it to the Appendix, the form itself is a regulation and the constant re-referral to the version date is unnecessary as both Section 12112(d)(1) provides it and the most recent version of the form can be found in the CCR.

Paragraph (5) provides that the form Spousal Information, CGCC-CH2-12, must be submitted and makes reference to the form Application for Owner Category License, CGCC-CH2-05. The form dates are proposed to be repealed. These forms are attached to Appendix A for this chapter in Section 12112, and therefore the form date is unnecessary in this section. As the Commission has adopted this form into its regulations by attaching it to the Appendix, the form itself is a regulation and the constant re-referral to the version date is unnecessary as both Section 12112 provides it and the most recent version of the form can be found in the CCR.

Amend 12120. Findings of Suitability Associated with a Tribal Compact.

Section 12120 provides consistency with Tribal-State Compacts (Compacts) ratified by Government Code section 12012.25 and other sections providing for newer or amended Compacts. These Compacts require Tribal key employees, gaming resource suppliers, and

financial sources to secure licenses from Tribal Gaming Agencies and findings of suitability from the Commission.

This provision is amended to clarify that applicants who are Tribal key employees, gaming resource supplies, and financial sources are not required to pay any fees required to complete the form. Applicants for these approvals have these fees paid for out of the Special Distribution Fund.

ARTICLE 3. TEMPORARY LICENSES AND WORK PERMITS.

Amend 12122. General Provisions.

Section 12122 provides general provisions for temporary licenses.

Subsection (c) provides the duration that a temporary license or temporary Commission work permit will be in effect. The duration of a temporary license is currently two years while the duration of a temporary Commission work permit is specifically separated out and is only effective for 120 calendar days. This proposed action would repeal the separate effective periods and replace the provision with a consistent two-year effective period. AB 649 (Garcia, Chapter 432, Statutes of 2019) repealed the express temporary period of 120 days provided for in Business and Professions Code section 19912(d) and replaced it with the standard in (d)(2) of "...a period specified by the [Commission]..." By making the effective period of a temporary work permit the same as all other license types, the Commission is able to further make the licensing of all license types more consistent, which further follows a recommendation provided in the CSA Report.

CHAPTER 3. CONDITIONS OF OPERATION FOR TPPPS BUSINESSES

ARTICLE 1. GENERAL PROVISIONS

Amend 12250. Definitions.

Section 12250 provides the definitions that pertain only to Chapter 3. The Commission is proposing to add 13 new definitions to this section. All existing definitions are renumbered accordingly, which is a non-substantive change.

Paragraph (b)(1) provides the definition of "Active Licensee" to mean a TPPPS business licensee or cardroom business licensee who has generated revenue for at least the last year as reported in Section 12313. This means that if a TPPPS business licensee or cardroom business licensee has reported revenue in the previous year's financial statement, they are considered active. This definition is necessary to allow other provisions to easily reference this category of licensee.

Paragraph (b)(2) provides the definition of "Annual Fee" to mean the amount a TPPPS business licensee is required to pay to cover Non-Application Costs pursuant to Section 12252.1. This definition is necessary as it allows for the easy reference of a multi-step mathematical calculation.

Paragraph (b)(3) provides the definition of “Application Cost” to mean all costs, including the deposit, an applicant pays for the processing of their application. This definition is necessary as it allows for the easy reference to a series of fees and deposits that may be required.

Paragraph (b)(6) provides the definition of “Cost Pool 1” or “Even Across All” to mean a cost allocation for all non-application costs that are not directly attributed to an application fee or deposit, and allocated as a cost to all TPPPS business licensees and cardroom business licensees equally. This includes all costs associated with, but may not be limited to, administration, information technology, and legislative and regulatory workload. This describes the portion of the Commission and Bureau’s operational and other costs that are not linked to the payment of a fee or deposit, such as for the review of an application, and are related to the Commission and Bureau’s general work related to the oversight of the controlled gambling industry. This definition provides a simple term to refer to these costs so that they can be easily referenced in the annual fee calculations.

Paragraph (b)(7) provides the definition of “Cost Pool 2” or “Application Split” to mean a cost allocation for all non-application costs on a per-application basis that relate to both TPPPS business licensees and cardroom business licensees that have a direct connection to the processing of applications for the controlled gambling industry, and are not directly attributed to an application fee or deposit. This includes such costs associated with, but may not be limited to, responding to general phone calls, and the processing of electronic and regular mail. This describes costs generally associated with the processing of applications, but cannot be directly linked to the fee or deposit associated with the review of an application. This definition provides a simple term to refer to these costs so that they can be easily referenced in the annual fee calculations.

Paragraph (b)(8) provides the definition of “Cost Pool 3” or “Entity Split” to mean a cost allocation for all non-application costs generated by non-Commission actions that relate to both TPPPS business licensees and cardroom business licensees. This includes costs associated with, but may not be limited to, compliance and enforcement, financial audits, calls for service, and incident reports born separately amongst TPPPS business licensees and cardroom business licensees. This definition provides a simple term to refer to these costs so that they can be easily referenced in the annual fee calculations.

Paragraph (b)(9) provides the definition of “Cost Pool 4” or “Commission Actions” to mean a cost allocation for all non-application costs generated by matters requiring Commission action that relates to TPPPS business licensees or cardroom business licensees. This includes such costs associated with, but may not be limited to, administrative hearings and decisions, and Commission meetings. This definition provides a simple term to refer to these costs so that they can be easily referenced in the annual fee calculations.

Paragraph (b)(10) provides the definition of “Cost Pool 5” or “Cardroom Only” to mean a cost allocation for all non-application costs that are specific to cardroom business licensees but not directly linked to a Commission approval, such as, but not limited to, compliance reviews of games, reviews of reports, and local ordinance reviews. This definition provides a simple term to refer to these costs so that they can be easily referenced in the annual fee calculations.

Paragraph (b)(11) provides the definition of “Cost Pool 6” or “TPPPS Only” to mean a cost allocation for all non-application costs that are specific to TPPPS business licensees but not directly linked to a Commission approval, such as, but may not be limited to, contract renewal notices and non-investigation industry inquiries or correspondence. This definition provides a simple term to refer to these costs so that they can be easily referenced in the annual fee calculations.

Paragraph (b)(18) provides the definition of “New Business Licensee” to mean a TPPPS business licensee or cardroom business licensee who first became licensed prior to August 31 of the year the invoices were created. This definition is necessary to allow other provisions to easily reference this category of licensee.

Paragraph (b)(19) provides the definition of “Non-Application Cost” to mean all costs other than application costs borne by the Commission, Department of Justice, and all other State operations expenditures for the administration and enforcement of the Act. This definition is necessary as it allows for the easy reference of a multi-step mathematical calculation.

Paragraph (b)(20) provides the definition of “Non-Operational Licensee” to mean a TPPPS business licensee or cardroom business licensee that maintains a valid license but did not generate revenue in the past year as reported in Section 12313. This means that if a TPPPS business licensee or cardroom business licensee has not reported revenue in the previous year’s financial statement they are considered non-operational. This definition is necessary to allow other provisions to easily reference this category of licensee.

Paragraph (b)(26) provides the definition of “Surrendered or Revoked Licensee” to mean a former TPPPS business licensee who stopped operating and ceased to maintain a valid license prior to August 31 of the year the invoices are created. This definition is necessary to allow other provisions to easily reference this category of licensee.

Amend 12252. TPPPS Annual Fee.

Section 12252 provides the process and timelines for a TPPPS business licensee to submit their annual fee.

Subsection (a) provides that no later than September 1 of each year, a TPPPS business licensee must submit to the Bureau its annual fee. This provision is amended to require that by October 1 of each year an invoice in an amount determined by the Commission pursuant to Section 12252.1 will be sent by the Bureau to each TPPPS business licensee; the TPPPS business licensee will have until January 1 of the following year to submit the invoiced annual fee to the Bureau. This is necessary to provide clear guidance to the Bureau and TPPPS business licensees on the timelines for invoicing and paying an annual fee. The revised timelines are required to provide adequate time for every party to complete each step to ensure payment is on time. As the annual fee will be determined based, in part, on the previous year’s fiscal situation and the projected expenditures of the Commission and Bureau for the current fiscal year, the Commission and Bureau will require time to analyze the concluding fiscal year’s information, which includes assessing operation and other costs and separating them into each cost pool, and the Bureau will

report their information to the Commission so that the Commission can complete the necessary calculations required in Section 12252.1.

Subsection (b) provides that the TPPPS annual fee is equal to \$2,800 for each associated TPPPS endorsee licensee and TPPPS employee type licensee. This provision is repealed and the new calculation to determine a TPPPS' annual fee is replaced with Section 12252.1.

Subsection (c), renumbered to subsection (b), provides that the annual fee may be paid in installments if the TPPPS business licensee submits a written request to the Bureau. This provision is amended to add a 30-day deadline from the date the invoice was mailed. This deadline provides clarity to the provision, informing both the Bureau and industry how a request is submitted. Moreover, the deadline ensures that the Bureau has adequate time to review, approve, and provide approval notice to the TPPPS business licensee with enough time for the TPPPS business licensee to pay their payment timely, either the first installment payment if approved, or the full amount if denied.

New subsection (c), once a part of existing subsection (c), which was renumbered to subsection (b), provides that once approved for installment payments, a TPPPS business licensee will provide its payments by September 1, December 1, and March 1 of the payment year, with each payment being one-third of the total invoiced amount. This provision is amended to change the payment dates to January 1, April 1, and June 30 of the payment year, as these dates better correspond to the revised timelines.

Subsection (d) provides that should the TPPPS business licensee see a reduction in the number of associated TPPPS endorsee licensees and TPPPS employee category licensees after the TPPPS annual fee has been determined, no refund of the paid TPPPS annual fee will be provided. This provision is repealed. As explained further in Section 12252.1, the TPPPS annual fee will no longer be determined based on associated licenses and thus this provision is unnecessary.

Subsection (e)(1) provides that following the assessment of the TPPPS annual fee, if the TPPPS business licensee increases the number of its associated licenses above the number that was used to determine the TPPPS annual fee, the TPPPS business licensee must submit to the Bureau an additional per associated license fee within 30 days of the increase. Additionally, subparagraph (2) provides that for new TPPPS business licensees, an initial year annual fee must be submitted upon the issuance of the new license. Subparagraphs (3) and (4) specify the annual fee will be prorated on a monthly basis and that the fees due may be paid in three installment payments as specified. This subsection is repealed, with the exception of retaining the last sentence under subparagraph (2) as discussed under new subsection (d) below. As explained further in Section 12252.1, the TPPPS annual fee will no longer be determined based on associated licenses and thus this provision is unnecessary.

New subsection (d), once a part of existing subsection (e), provides that the TPPPS certificate will not be issued until the Bureau has received the TPPPS annual fee, or has approved the TPPPS business licensee for installment payments. This provision has proposed non-substantive amendments to clarify the existing requirement.

Subsection (f), renumbered to subsection (e), provides that that any renewal application for a TPPPS business licensee may not be approved if the TPPPS business licensee has any outstanding annual fees. This provision has proposed non-substantive amendments to clarify the existing requirement.

Subsection (g), renumbered to subsection (f), provides that no application for a contract may be approved by the Bureau until any delinquent annual fees have been paid in full. This provision has proposed non-substantive amendments to clarify the existing requirement and capitalizes “Annual Fee” as the term is now being defined in Section 12250(b)(2).

New subsection (g) provides the invoice amounts for TPPPS business licensees when they first receive their licenses. Since the definition of an active license requires the submittal of fiscal information, it is likely that a newly approved TPPPS business licensee will not have operated for a sufficient time to have completed a full fiscal year in the timeframe required for the calculation of an annual fee. This subsection is necessary in order to include an operating TPPPS business licensee in the payment of the necessary operation fees of the Commission and Bureau during this interim period.

Paragraph (1) provides that upon the first issuance of a TPPPS business license, either as a temporary or a permanent license, the Bureau will issue an invoice in the amount determined in Section 12252.1(b), the TPPPS business licensee must submit to the Bureau the annual fee within 30 days from the date the invoice was mailed. This provision provides a replacement to paragraph (e)(2) and provides direction on how invoices are issued to TPPPS business licensees who are approved mid fiscal year.

Paragraph (2) provides that for the first full calendar year of licensure, a TPPPS business licensee will be invoiced the unadjusted annual fee, as if they were a TPPPS business licensee whose average gross gaming revenue was less than \$1.5 million as determined in Section 12252.1(a)(6)(A)(1). As previously mentioned, while a newly issued TPPPS business licensee may be active, the definition of active licensee might exclude the TPPPS business licensee from having to pay annual fees due to there not being time for a full fiscal year, and this requirement ensures that they still share in the payment of all necessary costs required by the Commission and Bureau. For the invoice period, if the TPPPS business licensee has had their license issued prior to October 1, their invoice will be issued alongside all other TPPPS business licensee invoices, on October 1. If the TPPPS business licensee has had their license issued after October 1, their invoice will be issued alongside their partial year invoice required in paragraph (1) of this subsection. This is necessary to provide clarity on how a TPPPS business licensee will have their invoice issued for this interim time period.

Adopt 12252.1. TPPPS Annual Fee Calculation.

Section 12252.1 provides the calculation method of the TPPPS annual fee. The TPPPS annual fee is determined using a step-by-step calculation method that begins with the Commission’s and Bureau’s operation costs, which are not directly related to any charged fee or deposit, to determine how each type of operation cost relates to the TPPPS industry and divides the costs into cost pools dependent on the average annual revenue of a TPPPS business licensee to determine an annual fee.

Subsection (a) provides the calculation method for determining a TPPPS business licensee's annual fee. This six-step calculation method provides a clear, specific method for the Commission to follow when determining the TPPPS annual fee amounts.

Paragraph (1) provides the first step in the calculation method. The Commission and Bureau will collect their cost data from the previous and current fiscal years. The Commission will analyze the information and divide the allocation of costs into the six cost pools, as they are defined in Section 12250. If necessary, other costs may be included in specific cost pool(s) as the Commission determines is required for administration and enforcement of the Act based on the responsibilities of the Commission and Bureau pursuant to Business and Professions Code sections 19823 and 19826.

Additionally, should it be determined, for whatever reason, that a previous year's TPPPS annual fees were inaccurate, an additional sum either added to or subtracted from the appropriate cost pool(s) will be included as a carry forward to reconcile the previous year(s). This step is necessary to separate the different types of Commission and Bureau costs so that in later steps the different division rates can be applied to these different types of costs.

Paragraph (2) provides the second step of the calculation method. The Commission will calculate the percentage of total applications for TPPPS business licensees compared to the total of all applications for TPPPS business licensees and cardroom business licensees and multiply it by cost pool 2. This ratio allows cost pool 2 to be divided between the two industries to determine the percentage of workload that was spent on TPPPS business licensees. This step is necessary to split these costs between the industries to determine the share of costs borne specifically by TPPPS business licensees.

Paragraph (3) provides the third step of the calculation method. The Commission will determine the percentage of active and non-operational TPPPS business licensees compared to the total of all active and non-operational TPPPS business licensees and cardroom business licensees and multiply it by cost pool 3. This ratio allows cost pool 3 to be divided between the two industries to determine the general percentage of workload spent on each industry. This step is necessary to split these costs between the industries to determine the share borne specifically by TPPPS business licensees.

Paragraph (4) provides the fourth step of the calculation method. The Commission will determine the percentage of total Commission actions for TPPPS business licensees and cardroom business licensees using the average number of applicable Commission actions over the previous three fiscal years and multiply the percentages by cost pool 4. This ratio allows cost pool 4 to be divided between the two industries to determine the general workload spent on each industry. This step is necessary to split these costs between the industries to determine the share specifically borne by TPPPS business licensees.

Paragraph (5) provides the fifth step of the calculation method. The Commission will add the TPPPS business licensee values determined in steps 2 through 4 along with the value of cost pool 6. This is the total fee to be paid by all active and non-operational TPPPS business licensees.

The Commission will then divide the total annual fee by the total average annual number of Commission actions from the last three fiscal years for TPPPS business licensees to determine the unadjusted annual fee amount. This step is necessary to combine the different TPPPS industry amounts previously determined and create a baseline per-TPPPS business licensee annual fee.

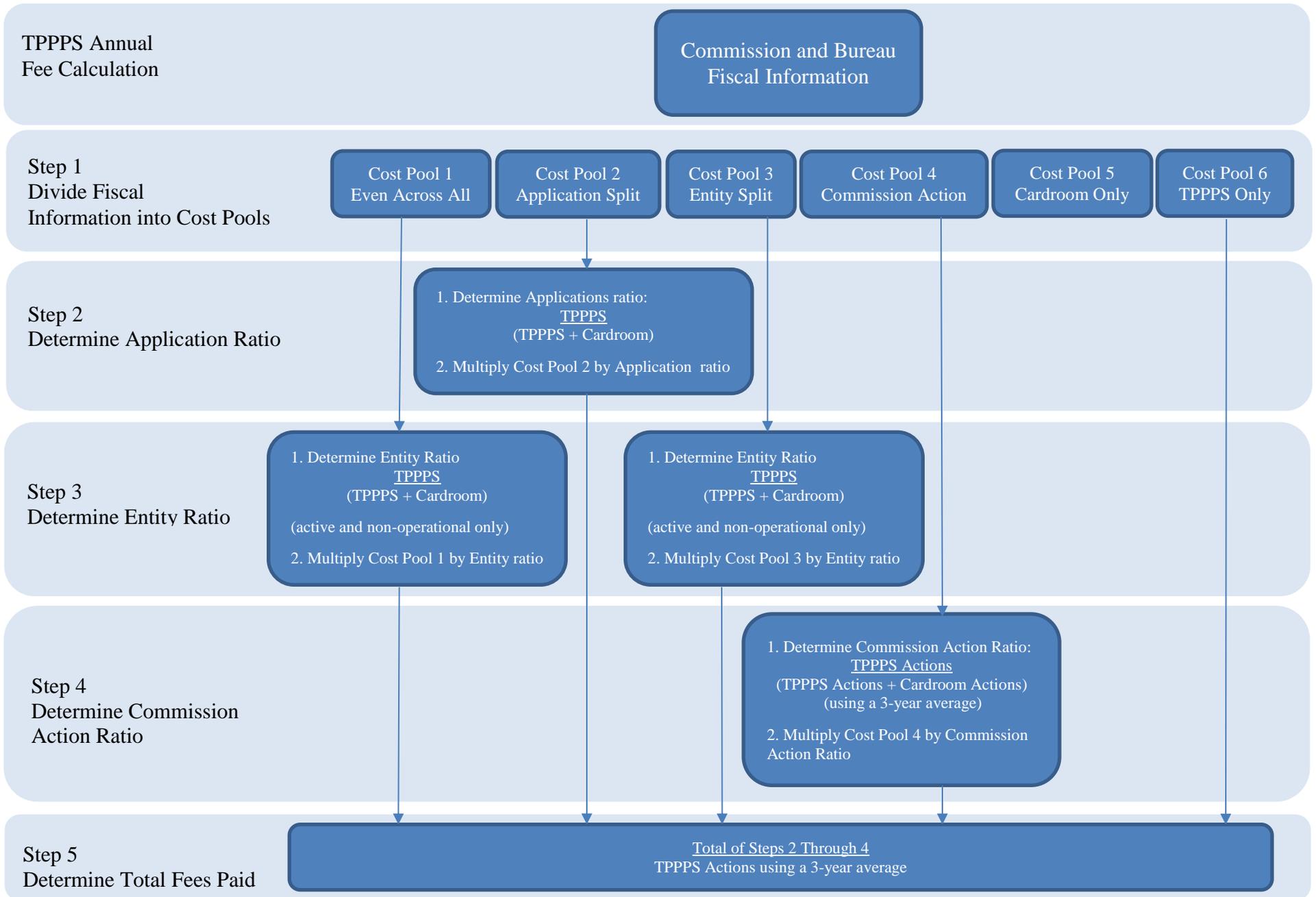
Paragraph (6) provides the sixth step of the calculation method. The Commission will determine for each TPPPS business licensee if they are an active licensee, surrendered or revoked licensee, or non-operational licensee. Additionally, for each active licensee, the Commission will determine their annual average gross gaming revenue based upon the TPPPS business licensee's previous three fiscal years as reported pursuant to Section 12313. If three years of gross gaming revenue data is unavailable, such as if the TPPPS business licensee has not been operating for the previous three years, the Commission will utilize however many years are available to create the average. Using this average, the Commission will separate the active licenses into two groups, those whose average is below \$1,500,000 and those whose average is equal to or above \$1,500,000. The reason this separation is necessary, as detailed further below, is that the actual invoiced annual fee for each TPPPS is weighted based upon this separation, pursuant to the cost and fee analysis data provided in the Commission's fee study. Generally speaking, a TPPPS business licensee whose gross gaming revenue is higher means that TPPPS business licensee is present in more cardroom(s) and/or is responsible for providing services for more tables, and has a higher number of employees licensed by the Commission. This means these TPPPS business licensees will be receiving a higher proportion of those administrative costs that were originally included in the TPPPS industry's portion of the cost pools. Additionally, a straight split amongst all TPPPS business licensees would result in lower revenue TPPPS business licensees paying a disproportional amount of the TPPPS industry's annual fees and would likely result in smaller TPPPS business licensees being unable to continue operating due to the high percentage of gross gaming revenue that would be required to pay their annual fee.

- Subparagraph (A) provides the instructions to the Bureau for the final determinations of the amounts to be invoiced by the Bureau pursuant to subsection (a) of Section 12252.
 - Clause 1 provides that active TPPPS business licensees whose average gross gaming revenue was determined to be below \$1,500,000 will be billed an amount equal to the baseline per-licensee annual fee determined in paragraph (5). As active but smaller TPPPS business licensees generally require less non-application administrative costs since they operate in less cardrooms, provided services for less tables, have fewer employees/licensees, and have less revenue, this baseline fee requires a participation in the Commission and Bureau's non-fee administrative costs while not forcing a disproportionate payment given their revenues or use of services.
 - Clause 2 provides that non-operational TPPPS business licensees pay half the amount of the baseline per-licensee annual fee determined in paragraph (5). Non-operational TPPPS business licensees have not generated revenue in the previous year and as such the Commission and Bureau do not, generally speaking, spend non-application fee resources on these licensees. However, their minimal

participation in these costs is necessary as the Commission does provide general services for which these licensees are included, such as maintaining the Commission's website, upkeep of current laws and regulations, providing monthly newsletter and other industry media materials, and otherwise being available should a non-operational licensee contact the Commission with questions. As such, requiring the payment of a minimal fee is reasonable.

- Clause 3 provides that surrendered or revoked TPPPS business licensees will not receive an invoice. As these persons are no longer licensees with the Commission, they are no longer a going concern for the administration of controlled gambling and are therefore not required to participate in the payment of the total annual fee.
- Clause 4 provides that active TPPPS business licensees, who had previously been identified to have an average gross gaming revenue equal to or above \$1,500,000, will be invoiced an annual fee that is a proportional amount of the remainder of the total fees to be paid based upon the TPPPS business licensee's proportional three-year average gross gaming revenue when compared to all other active TPPPS business licensees who had previously been identified to have an average gross gaming revenue equal to or above \$1,500,000. As larger TPPPS business licensees generally require more non-application administrative costs since they operate in more cardrooms, provide services for more tables, and have more employees/licensees, it makes sense to have these licensees pay a larger portion of the required total fee amount as their annual fee. By splitting up the remainder of the total fee amongst these licensees and utilizing their three-year average revenue, each TPPPS business licensee is required to pay a proportional percentage of the total fee while still ensuring that the Commission and Bureau receive all fees necessary to cover the costs of these necessary services.

Subsection (b) provides that for New TPPPS business licensees who receive an approval of their application for licensure, either temporary or permanent, they will be required to pay a proportional amount of the unadjusted annual fee required of TPPPS business licensees whose three-year average gross gaming revenue is less than \$1,500,000 based on the number of months remaining in the current calendar year. This is necessary to provide clarity on how much a TPPPS business licensee will be required to pay during the incomplete year of operation.



ARTICLE 2. PLAYING BOOKS

Amend 12260. General Provisions

Notably, the language being amended under this section (12260(j)) was inadvertently included under section (12261(j)) of the text noticed for the initial 45-day comment period. As such, the language and amendments to (j) have been appropriately moved to this section in the modified text version. The proposed change amends the specific reference to paragraph (7) of subsection (b) of Section 12250, to more generally refer to subsection (b) of Section 12250. This nonsubstantive amendment is consistent with the proposed changes as the terms under that section are being renumbered due to additional definitions being proposed therein.

Amend 12261. Review of Playing Book Forms.

Section 12261 provides general information and requirements about the review and approval of a hardcopy playing book form. Additionally, this section provides the process for requesting the approval of a hardcopy playing book.

Subsection (b) provides which documents and fees are required to be submitted to the Bureau in order to request the review of their hardcopy playing book by completing the form Application for Playing Book Approval, located in Appendix A of this chapter. This subsection is being amended to correct the outdated number of the form, BGC-APP 036 (Rev. 1/18), which is no longer in use, to the current form number, CGCC-CH3-01. Additionally, the form date is proposed to be amended, which is a non-substantive change and corresponds to the amendment of the form.

Amendments to the form are as follows:

- Section 1 of the form provides checkboxes for the applicant to identify the type of form being submitted for approval (Hard Copy Playing Book Form or Electronic Playing Book System) and provides instructions on the applicable sections of the form that must be completed. This section of the form is being amended to remove the stated fee amounts, and to avoid unnecessary duplication of the information in Section 7.
- Section 7 of the form provides the nonrefundable fee amounts to apply for the review and approval of an initial or amended hardcopy playing book form or electronic playing book system. The specific dollar amounts of the fees have been removed from this section and replaced with a citation to Section 12090. As previously discussed, the Commission has moved all fees to Section 12090. Please see that section for further discussion on any proposed changes to the fee amounts. This amendment is a non-substantive change.

Paragraph (1) provides that an initial or amended hardcopy playing book must include a \$75 fee. The specific dollar amounts of the fees have been removed from this provision and replaced with a citation to Section 12090. As previously discussed, the Commission has moved all fees to Section 12090. Please see that section for further discussion on any proposed changes to the fee amounts. This amendment is a non-substantive change.

Paragraph (1) is amended to add the requirement of a deposit. This deposit amounts are provided in Section 12090. Please see that section for further discussion. The Commission has delegated authority to set this particular deposit amount, and as such, it is necessary for the Commission to adopt the new requirement of the deposit to align with the cost and fee analysis data provided in the Commission's fee study. Additionally, the amendment provides that the Chief of the Bureau may request additional money in addition to the initial deposit required in Section 12090 if it is necessary to pay for the final costs of the review. The Commission has adopted the Bureau's deposit language from Title 11, CCR, Section 2037(a), necessary to maintain consistent deposit requirements, which includes a 15-day payment requirement, the refund of any excess deposits received, and a final itemized accounting of the costs incurred by the Bureau.

Note: Subsection (j), and the proposed amendment, have been correctly relocated in the modified text. See Section 12260 above for additional details.

Amend 12264. Review and Certification of Electronic Playing Book Systems.

Section 12264 provides the process by which an electronic playing book system is reviewed prior to its use.

Subsection (a) provides which documents and fees are required to be submitted to the Bureau in order to request the review of their electronic playing book system. Subsection (a) provides that the TPPPS business licensee must submit form Application for Playing Book Approval, CGCC-CH3-01. The form date is proposed to be repealed. This form is attached to Appendix A of this chapter in Section 12261(b), and therefore the form date is unnecessary in this section. As the Commission has adopted this form into its regulations by attaching it to the Appendix, the form itself is a regulation and the constant re-referral to the version date is unnecessary as both Section 12261(b) provides it and the most recent version of the form can be found in the CCR. For additional details on amendments to the form, please see Section 12261(b) above.

Paragraph (1) includes an initial application processing fee of \$1,200. The specific dollar amounts of the fees have been removed from this provision and replaced with a citation to Section 12090. As previously discussed, the Commission has moved all fees to Section 12090. Please see that section for further discussion on any changes to the fee amounts. This amendment is a non-substantive change.

Paragraph (1) is amended to add the requirement of a deposit. This deposit is provided in Section 12090. Please see that section for further discussion. The Commission has delegated authority to set this particular deposit amount, and as such, it is necessary for the Commission to adopt the new requirement of the deposit to align with the cost and fee analysis data provided in the Commission's fee study. Additionally, the amendment provides that the Chief of the Bureau may request additional money in addition to the initial deposit required in Section 12090 if it is necessary to pay for the final costs of the review. The Commission has adopted the Bureau's deposit language from Title 11, CCR, Section 2037(a), necessary to maintain consistent deposit requirements, which includes a 15-day payment requirement, the refund of any excess deposits received, and a final itemized accounting of the costs incurred by the Bureau.

ARTICLE 3. TPPPS CONTRACTS

Amend 12272. Review and Approval of TPPPS Contracts.

Section 12272 provides general requirements and the standard process by which a TPPPS business licensee can request their TPPPS contract be reviewed.

Subsection (a) provides that proposition player services may only be provided pursuant to a written TPPPS contract that has been approved in advance by the Bureau. Additionally, the provision provides what requirements must be met in order for the Bureau to issue an approval.

Subparagraph (2)(A) provides that the TPPPS business licensee must submit form Application for Contract Approval to Provide Proposition Player Services, CGCC-CH3-02. The form date is proposed to be amended. This is a non-substantive change and corresponds to the amendment of the form.

Additionally, the citation of the form as being referenced in subparagraph (2)(A) is proposed to be amended to instead attach the form to Appendix A of Chapter 3. This is the first citation in the Commission's regulations to the form, and as currently drafted provides a citation to this provision. Additionally, the two other references to this form found in the Commission's regulations both indicate that this provision is the proper citation for this form. This is a non-substantive change to provide better clarity.

Amendments to the form are as follows:

- Section 3 of the form provides the nonrefundable fee amount of \$1000 for the review of a new contract or the extension of an existing contract. The specific dollar amounts of the fee has been removed from this provision and replaced with a citation to Section 12090. As previously discussed, the Commission has moved all fees to Section 12090. Please see that section for further discussion.
- Additionally, the form provides for an expedited processing fee of \$150 for an expedited review of a new contract. The specific dollar amounts of the fees have been removed from this provision and replaced with a citation to Section 12090. As previously discussed, the Commission has moved all fees to Section 12090. Please see that section for further discussion. This amendment is a non-substantive change.
- Section 3 of the form requires the submittal of form Appointment of Designated Agent, CGCC-CH1-04 (New 05/20), in two places; when submitting an application for a new contract / extension of an existing contract, or an amended contract. The form date is proposed to be repealed. This form is attached to Appendix A for Chapter 1 in Section 12080(a), and therefore the form date is unnecessary to include on the form, Application for Contract Approval to Provide Proposition Player Services. As the Commission has adopted form Appointment of Designated Agent into its regulations by attaching it to the Appendix, the form itself is a regulation and the constant re-referral to the version date is unnecessary as Section 12080(a) provides it and the most recent version of the form can be found in the CCR.

Subparagraph (D) currently requires a nonrefundable fee of \$1000. The specific dollar amount of the fee has been removed from this provision and replaced with a citation to Section 12090. As previously discussed, the Commission has moved all fees to Section 12090. Please see that section for further discussion on any changes to the fee amount. This amendment is a non-substantive change.

Amend 12274. Expedited Review and Approval of TPPPS Contracts.

Section 12274 provides a process by which a TPPPS business licensee can request their TPPPS contract be reviewed under a faster timeline than normal.

Subsection (c) provides which documents and fees are required to be submitted to the Bureau in order to make the request for an expedited review and approval of a TPPPS contract.

Paragraph (1) provides that the TPPPS business licensee must submit form Application for Contract Approval to Provide Proposition Player Services, CGCC-CH3-02. The form date is proposed to be repealed. This form is proposed to be attached to Appendix A for this chapter in Section 12272(a)(2), and therefore the form date is unnecessary in this section. As the Commission has adopted this form into its regulations by attaching it to the Appendix, the form itself is a regulation and the constant re-referral to the version date is unnecessary as both Section 12272(a)(2) provides it and the most recent version of the form can be found in the CCR.

Paragraph (4) requires a nonrefundable application fee of \$1000. The specific dollar amount of the fee has been removed from this provision, and replaced with a citation to Section 12090. As previously discussed, the Commission has moved all fees to Section 12090. Please see that section for further discussion on any changes to the fee amount. This amendment is a non-substantive change.

Paragraph (5) requires an expedited processing fee of \$150. The specific dollar amount of the fee has been removed from this provision and replaced with a citation to Section 12090. As previously discussed, the Commission has moved all fees to Section 12090. Please see that section for further discussion. This amendment is a non-substantive change.

Additionally, the reference to a sum of money as determined by the Chief of the Bureau pursuant to Business and Professions Code section 19867 has been replaced with a reference to Section 2037. Section 2037 is the regulation section through which the Bureau implements and makes specific the provisions of Business and Professions Code section 19867. Specifically, the Bureau provides for a deposit amount of \$750 in Section 2037(a)(2)(A) for expedited contract approval. Additionally, the reference to Section 2037 is consistent with how other similar provisions reference the Bureau's authority to require deposits.

Amend 12276. Review and Approval of Amendments to TPPPS Contracts.

Section 12276 provides a process by which a TPPPS business licensee can request approval of amendments to an existing contract.

Subsection (a) provides which documents and fees are required to be submitted to the Bureau in order to make the request to amend an existing contract. This section contains a non-substantive amendment to fix an existing error in the reference to Section 12272(a)(3)(A), which is being corrected to 12272(a)(2)(A). Subsection (a) also includes a nonrefundable fee of \$500. The specific dollar amount of the fee has been removed from this provision and replaced with a citation to Section 12090. As previously discussed, the Commission has moved all fees to Section 12090. Please see that section for further discussion on the change to the fee amount. This amendment is a non-substantive change.

Amend 12278. Extension of TPPPS Contracts.

Section 12278 provides a process by which a TPPPS business licensee can request approval to have an existing TPPPS contract extended.

Subsection (a) provides which documents and fees are required to be submitted to the Bureau in order to make the request to extend an existing TPPPS contract.

Paragraph (1) provides that the TPPPS business licensee must submit form Application for Contract Approval to Provide Proposition Player Services, CGCC-CH3-02. The form date is proposed to be repealed. This form is proposed to be attached to Appendix A for this chapter in Section 12272(a)(2), and therefore the form date is unnecessary in this section. As the Commission has adopted this form into its regulations by attaching it to the Appendix, the form itself is a regulation and the constant re-referral to the version date is unnecessary as both Section 12272(a)(2) provides it and the most recent version of the form can be found in the CCR.

Paragraph (2) provides that the TPPPS business licensee must submit a nonrefundable application fee of \$1000. The specific dollar amount of the fee has been removed from this provision and replaced with a citation to Section 12090. As previously discussed, the Commission has moved all fees to Section 12090. Please see that section for further discussion. This amendment is a non-substantive change.

CHAPTER 4. GAMBLING EQUIPMENT MANUFACTURERS OR DISTRIBUTORS

Amend 12309. Forms; Fees.

Section 12309 provides a process by which a person can apply for registration as a gambling equipment manufacturer or distributor.

Subsection (a) provides that an applicant must submit the form Application for Registration of Manufacturers or Distributors of Gambling Equipment, BCG-025, with is attached in Appendix a to this chapter. The form date is proposed to be amended, which is a non-substantive change and corresponds to the amendment of the form. Additionally, a non-substantive correction is also being made to correct the form number to match the number on the existing form (BGC-025).

Amendments being proposed to the form are as follows:

- Item 11 of the information required by the form provides that a non-refundable application fee of \$500 is required for a Class A registration. Additionally, this item

provides that a non-refundable application fee of \$40 shall be submitted by any manufacturer or distributor applying for Class A registration that sells, leases, inspects, tests, repairs, refurbishes, or stores ONLY slot machines or devices which are “antique slot machines” as specified. The specific dollar amounts of the fees have been removed from this provision and replaced with a citation to Section 12090. As previously discussed, the Commission has moved all fees to Section 12090. Please see that section for further discussion on specific fee changes.

- The final paragraph on the last page of the form includes a direction to where the Commission’s regulations can be found on the Commission’s website. This is proposed to be repealed. The local direction of “under ‘Laws and Regulations’” is incorrect as the Commission has amended its website since this form had been last updated. The Commission does not want to be in the position of being required to amend its regulations any time it chooses to reorganize or re-categorize its website.

Subsection (c), paragraphs (1) and (2), provide the fee amounts for the initial and renewal registration of a Class A equipment manufacturer or distributor and an “antique collector” as specified. This section is amended to replace the fee amount with a reference to Section 12090. As previously discussed, the Commission has moved the application fees to Section 12090. Please see that section for further discussion on specific fee changes.

CHAPTER 7. CONDITIONS OF OPERATION FOR GAMBLING ESTABLISHMENTS

ARTICLE 1. GENERAL PROVISIONS

Amend 12364. Relocation of Gambling Establishment.

Section 12364 provides a process by which a cardroom can inform the Commission and Bureau of its intent to relocate to a different location.

Subsection (b) provides that the cardroom must notify the Bureau of the planned relocation at least 90 days in advance of the intended commencement of gambling operations in the new location. This notification is provided by using the form Notice of Relocation, CGCC-CH7-02. The form date is proposed to be amended. This is a non-substantive change and corresponds to the amendment of the form. Notably, the version date of the form, (Rev. 01/21), was adopted via the emergency rulemaking, Emergency Sanitation Plan (CGCC-GCA-2021-02-E, OAL File #2021-02-E), which expired on January 12, 2022, during the initial 45-day comment period for this regulation package. Now that the Emergency Sanitation Plan regulations have lapsed, the form version (New 05/20) is being displayed in red strikethrough in the modified text, which was the original version of the form prior to those emergency regulations.

Amendments proposed to the form are as follows:

- Section 4 of form CGCC-CH7-02 provides that prior to requesting its site visit, the Bureau will request a deposit amount as required by their regulations. Currently, the form provides the specific amount required by the Bureau at \$600. The form is proposed to be amended to remove the specific dollar amount, leaving only the reference to the Bureau’s regulation Section 2037. The removal of the specific dollar amount ensures that

the Commission's form does not inadvertently indicate an incorrect dollar amount due to the Bureau's amendment of its regulations.

ARTICLE 10. GAMING TABLES

Note: In the following subsections of this article concerning 12470(a)(1), 12472(a)(1), and 12474(a), the version date of the form, (Rev. 02/21), was adopted via the emergency rulemaking, Financial Reporting Requirements and Temporary Table Decreases (CGCC-GCA-2021-02-E, OAL File #2021-02-E), which expired on January 8, 2022, during the initial 45-day comment period for this regulation package. Now that the regulations for Financial Reporting Requirements and Temporary Table Decreases have lapsed, changes to the form and version date (New 05/20) are being displayed in red strikeout in the modified text, which was the original version of the form prior to those emergency regulations.

Amend 12470. Request for Additional Temporary Tables for Tournaments or Special Events.

Section 12470 provides a process by which a cardroom business licensee can request the Commission to increase temporarily, the number of tables for which they are authorized.

Subsection (a) provides the submittal requirements such as when the request must be submitted and what must be submitted to the Bureau in order to have the request considered.

Paragraph (1) provides that the cardroom must submit form Cardroom Business License: Gaming Tables, CGCC-CH7-07, which is attached as Appendix A to this chapter. The form date is proposed to be amended. This is a non-substantive change and corresponds to the amendment of the form.

Amendments being proposed to the form are as follows:

- Section 2 of form CGCC-CH7-07 provides a place for the requestor to inform the Commission and Bureau what type of request is being made, since this form is used in conjunction with three types of requests pertaining to the permanent and temporary increase and decrease in authorized gaming tables.

This section is amended to fix existing errors and change the incorrect references to the fees in Sections 12166 and 12164 of Title 11, with a reference to Section 12090. As previously discussed, the Commission has moved all fees to Section 12090. Please see that section for further discussion on any changes to the fee amounts. This amendment is a non-substantive change. Other nonsubstantive amendments are proposed to this section for additional clarity, which are consistent with existing regulations.

Paragraph (2) provides that the cardroom must submit a nonrefundable application fee of \$164. The specific dollar amount of the fee has been removed from this provision and replaced with a citation to Section 12090. As previously discussed, the Commission has moved all fees to Section 12090. Please see that section for further discussion on any changes to the fee amounts. This amendment is a non-substantive change.

Amend 12472. Request for Additional Permanent Tables.

Section 12472 provides a process by which a cardroom can request the Commission to permanently increase the number of tables for which they are authorized.

Subsection (a) provides which documents and fees are required to be submitted to the Bureau in order to make the request to permanently increase the number of tables for which they are authorized.

Paragraph (1) provides that the cardroom must submit form Cardroom Business License: Gaming Tables, CGCC-CH7-07. The form date is proposed to be repealed. This form is attached to Appendix A for this chapter in Section 12470(a)(1), and therefore the form date is unnecessary in this section. As the Commission has adopted this form into its regulations by attaching it to the Appendix, the form itself is a regulation and the constant re-referral to the version date is unnecessary as both Section 12470(a)(1) provides it and the most recent version of the form can be found in the CCR.

Paragraph (2) provides that the cardroom must submit a nonrefundable application fee of \$164. The specific dollar amount of the fee has been removed from this provision and replaced with a citation to Section 12090. As previously discussed, the Commission has moved all fees to Section 12090. Please see that section for further discussion on any changes to the fee amounts. This amendment is a non-substantive change.

Amend 12474. Reduction in Permanent Tables.

Section 12474 provides a process by which a cardroom can request the Commission permanently reduce the number of tables for which they are authorized.

Subsection (a) provides a reference to form CGCC-CH7-07. The form date is proposed to be repealed. This form is attached to Appendix A for this chapter in Section 12470(a)(1), and therefore the form date is unnecessary in this section. As the Commission has adopted this form into its regulations by attaching it to the Appendix, the form itself is a regulation and the constant re-referral to the version date is unnecessary as both Section 12470(a)(1) provides it and the most recent version of the form can be found in the CCR.

(Removed) Amend 12474.1. Temporary Reduction in Permanent Tables.

Note: This section (12474.1) was adopted via the emergency rulemaking, Financial Reporting Requirements and Temporary Table Decreases (CGCC-GCA-2021-02-E, OAL File #2021-02-E), which expired on January 8, 2022, during the initial 45-day comment period for this regulation package. As such, Section 12474.1, which is no longer in effect, has since been removed from existing regulation and is no longer be included in the proposed text.

CHAPTER 8. BINGO

ARTICLE 2. MANUFACTURERS, DISTRIBUTORS, AND VENDORS OF BINGO EQUIPMENT, DEVICES, SUPPLIES, AND SERVICES

Amend 12492. Interim Licenses; Initial and Renewal; Conditions.

Section 12492 provides the process through which an applicant can apply for an initial or renewal interim license to manufacture, distribute, or provide remote caller bingo equipment, supplies, services or card-minding devices.

Paragraphs (d)(3) and (e)(3) provide that, if a California resident, an applicant must submit a Request for Live Scan Service. These provisions are modified to inform the applicant that any fees required to complete the form are the responsibility of the applicant. Historically, some license types would provide billing codes for their payment, with the Bureau utilizing the funds paid by the applicant to the Bureau to cover the costs. With the amendment to the Commission's fees, the Bureau will no longer be collecting money earmarked for the payment of an applicant's live service fees and so they will be responsible to directly pay the fees themselves.

Additionally, the form date is proposed to be repealed. This form is attached to Appendix A for this chapter in Section 12112(d)(1), and therefore the form date is unnecessary in this section. As the Commission has adopted this form into its regulations by attaching it to the Appendix, the form itself is a regulation and the constant re-referral to the version date is unnecessary as both Section 12112(d)(1) provides it and the most recent version of the form can be found in the CCR.

ARTICLE 10. REMOTE CALLER BINGO INTERIM LICENSES AND INTERIM WORK PERMITS

Amend 12500. Interim Licenses; Initial and Renewal; Conditions.

Section 12500 provides the process through which an applicant can apply for an initial or renewal interim license for a fiduciary or caller.

Paragraph (c)(3) provides that, if a California resident, an applicant must submit a Request for Live Scan Service. The provision is modified to inform the applicant that any fees required to complete the form are the responsibility of the applicant. Historically, some license types would provide billing codes for their payment, with the Bureau utilizing the funds paid by the applicant to the Bureau to cover the costs. With the amendment to the Commission's fees, the Bureau will no longer be collecting money earmarked for the payment of an applicant's live service fees and so they will be responsible to directly pay the fees themselves.

Additionally, the form date is proposed to be repealed. This form is attached to Appendix A for this chapter in Section 12112(d)(1), and therefore the form date is unnecessary in this section. As the Commission has adopted this form into its regulations by attaching it to the Appendix, the form itself is a regulation and the constant re-referral to the version date is unnecessary as both Section 12112(d)(1) provides it and the most recent version of the form can be found in the CCR.

Amend 12503. Interim Work Permits; Initial and Renewal; Conditions.

Section 12503 provides the process through which an applicant can apply for a remote caller bingo initial or renewal interim work permit.

Paragraph (b)(3) provides that, if a California resident, an applicant must submit a Request for Live Scan Service. The provision is modified to inform the applicant that any fees required to complete the form are the responsibility of the applicant. Historically, some license types would provide billing codes for their payment, with the Bureau utilizing the funds paid by the applicant to the Bureau to cover the costs. With the amendment to the Commission's fees, the Bureau will no longer be collecting money earmarked for the payment of an applicant's live service fees and so they will be responsible to directly pay the fees themselves.

Additionally, the form date is proposed to be repealed. This form is attached to Appendix A for this chapter in Section 12112(d)(1), and therefore the form date is unnecessary in this section. As the Commission has adopted this form into its regulations by attaching it to the Appendix, the form itself is a regulation and the constant re-referral to the version date is unnecessary as both Section 12112(d)(1) provides it and the most recent version of the form can be found in the CCR.

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:

1. MGT Consulting. 2021. Department of Justice's Bureau of Gambling Control and California Gambling Control Commission Fee Study Report of Findings
2. Excel Workbooks for Annual Fees and Licensing Application/Deposit Fees

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: This proposed action imposes no mandatory requirement on businesses. The Commission built a financial model for the current number of applications by fee type and license type. The findings reflect that the regulatory amendments for the costs decrease the amounts that the industry will pay by \$7,176,757.80. This amount does not reflect the necessary annual fee adjustment for the cardroom which must occur with statutory amendments that are outside the regulatory abilities of the Commission at this time.

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 only adjusts fees and specified deposits collected for various functions performed by the Commission and the Bureau, which is unlikely to result in additional or reduced industry participation or performance.

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.