

TITLE 4.
CALIFORNIA GAMBLING CONTROL COMMISSION
NOTICE OF PROPOSED REGULATORY ACTION
Surveillance
CGCC-GCA-2023-01-R

NOTICE IS HEREBY GIVEN that the California Gambling Control Commission (Commission) is proposing to take the action described in the Informative Digest after consideration of all relevant public comments, objections, and recommendations received concerning the proposed action. Comments, objections, and recommendations may be submitted as follows:

WRITTEN COMMENT PERIOD

Any interested person, or his or her authorized representative, may submit written comments relevant to the proposed regulatory action to the Commission at any time during the 45-day public comment period, which closes on **May 22, 2023**. Written comments relevant to the proposed regulatory action may be sent by mail, facsimile, or e-mail, directed to one of the individuals designated in this notice as a contact person. To be eligible for the Commission's consideration, all written comments must be **received at its office no later than May 22, 2023**. **Comments sent to persons and/or addresses other than those specified under Contact Persons, or received after the date and time specified above, will be included in the record of this proposed regulatory action, but will not be summarized or responded to regardless of the manner of transmission.**

PUBLIC HEARING

The Commission has not scheduled a public hearing on this matter. Any interested person, or his or her authorized representative, may request a hearing pursuant to Government Code section 11346.8. A request for a hearing should be directed to the person(s) listed under Contact Persons no later than 15 days prior to the close of the written comment period.

ADOPTION OF PROPOSED ACTION

After the close of the public comment period, the Commission, upon its own motion or at the instance of any interested party, may thereafter formally adopt the proposals substantially as described below or may modify such proposals if such modifications are sufficiently related to the original text. With the exception of technical or grammatical changes, the full text of any modified proposal will be available for 15 days prior to its adoption from the person designated in this Notice as contact person and will be mailed to those persons who submit oral or written testimony related to this proposal or who have requested notification of any changes to the proposal.

AUTHORITY AND REFERENCE

Pursuant to the authority vested by sections 19840, 19841 and 19924 of the Business and Professions Code; and to implement, interpret or make specific sections 19827, 19841, 19922 and 19924 of the Business and Professions Code; the Commission is proposing to adopt the

following changes to Chapter 7 of Division 18 of Title 4 of the California Code of Regulations (CCR):

INFORMATIVE DIGEST AND POLICY STATEMENT

INTRODUCTION:

The Commission is the state agency charged with the administration and implementation of the Gambling Control Act (Act).¹ The Commission is authorized to adopt regulations governing the operation of gambling establishments in California and to the extent appropriate, must take into consideration the operational differences of large and small establishments.² In part, the Commission is mandated to adopt regulations prescribing minimum policies and procedures for adoption by owner licensees (cardroom business licensees) to exercise effective control over their gambling affairs, as well as regulations that restrict, limit, or otherwise regulate any activity related to the conduct of controlled gambling.³ The Act also requires cardroom business licensees to maintain security controls over the gambling premises and all operations therein related to gambling, and specifies those security controls are subject to the approval of the Commission.⁴ The Department of Justice, Bureau of Gambling Control (Bureau) is the agency responsible for performing all investigatory functions required by the Act.⁵ This includes investigating suspected criminal violations and the violation of state laws related to gambling, including any activity prohibited by Chapters 9 or 10 of Title 9 of Part 1 of the Penal Code.

EXISTING CALIFORNIA LAW AND REGULATION:

Business and Professions Code section 19827 provides the Bureau has all powers necessary and proper to enable it to carry out the duties and responsibilities of the Bureau specified in the Act. In part, the investigatory powers of the Bureau include, but are not limited to, taking the following actions upon approval of the chief, without notice or warrant:

- Visit, investigate, and place expert accountants, technicians, and any other person, as it may deem necessary, in all areas of the premises wherein controlled gambling is conducted for the purpose of determining compliance with the rules and regulations adopted pursuant to the Act;
- Inspect all equipment and supplies in any gambling establishment;
- Summarily seize, remove, and impound any equipment, supplies, documents, or records from any licensed premises for the purpose of examination and inspection. However, upon reasonable demand by the licensee or the licensee's authorized representative, a copy of all documents and records seized shall be made and left on the premises; and,
- Demand access to, and inspect, examine, photocopy, and audit all papers, books, and records of an owner licensee on the gambling premises in the presence of the licensee or his or her agent.

¹ Business and Professions Code, Division 8, Chapter 5, section 19800 et seq.

² Business and Professions Code section 19840.

³ Business and Professions Code section 19841, subdivisions (h) and (o).

⁴ Business and Professions Code section 19924.

⁵ Business and Professions Code section 19826.

Additionally, the Bureau may investigate, for purposes of prosecution, any suspected criminal violation of the Act and issue subpoenas to require the attendance and testimony of witnesses and the production of books, records, documents, and physical materials.

Business and Professions Code section 19840 provides the Commission may adopt regulations for the administration and enforcement of the Act. To the extent appropriate, regulations of the Commission and the Bureau shall take into consideration the operational differences of large and small establishments.

Business and Professions Code section 19841 requires, in part, the Commission adopt regulations that prescribe minimum procedures for adoption by owner licensees to exercise effective control over their internal fiscal and gambling affairs, which must include, but not be limited to:

- Requirements for the safeguarding of assets and revenues, including the recording of cash and evidences of indebtedness; and,
- The provision of reliable records, accounts, and reports of transactions, operations, and events, including reports to the Bureau.

Business and Professions Code section 19922 provides that no owner licensee will operate a gambling enterprise in violation of any provision of the Act or any regulation adopted pursuant to the Act.

Business and Professions Code section 19924 requires each owner licensee to maintain security controls over the gambling premises and all operations therein related to gambling, and specifies that those security controls are subject to the approval of the Commission.

Title 4, CCR, Division 18, Section 12380 provides “Minimum Internal Control Standards,” or “MICS,” are the minimum requirements to operate a gambling establishment as set forth in Chapter 7, and include, but are not limited to, administration controls, and controls requiring segregation of duties. A cardroom business licensee must meet or exceed these requirements in controlling their gambling operation.

The purposes of the MICS are to better ensure the maintenance of accurate records, the recording of all income, the safeguarding of assets and records of the gambling establishment, operational efficiency and integrity, and adherence to prescribed policies and procedures.

Failure by a cardroom business licensee to comply with the requirements of Article 3 constitutes an unsuitable method of operation and is a ground for disciplinary action.

This section also defines the five different licensee Tiers for gambling establishments as follows:

- Tier I licensee – a cardroom business licensee authorized to operate one to five tables.
- Tier II licensee – a cardroom business licensee authorized to operate six to ten tables.
- Tier III licensee – a cardroom business licensee authorized to operate eleven to thirty tables.

- Tier IV licensee – a cardroom business licensee authorized to operate thirty-one to sixty tables.
- Tier V licensee – a cardroom business licensee authorized to operate sixty-one or more tables.

Title 4, CCR, Division 18, Section 12395 requires, in part, the policies and procedures of all Tiers must meet or exceed the following standards for security:

- Access to restricted areas of the gambling establishment, including but not limited to cages, count rooms, vaults, security offices and surveillance rooms, must be limited to authorized personnel in the performance of their duties and must be closely controlled.
- For the purpose of video surveillance recordings, gambling establishments must provide adequate lighting of all public areas, entrances and exits, and for all adjoining parking areas owned, operated or otherwise controlled by the cardroom business licensee for use by its patrons.
- In addition to the requirements for all Tiers, the policies and procedures for Tiers IV and V must meet or exceed the following standards for security:
 - Cardroom business licensees must install and maintain a backup generator that is sufficient, during power outages, to provide for the operation of lighting systems, information systems, and surveillance and recording systems for a time necessary to protect the safety and security of patrons and employees, patrons' property, and the cardroom business licensee's assets and property while gambling operations are terminated and patrons exit the premises.
 - Any gambling establishment that elects to continue gambling operations during a power outage must install and maintain a backup generator that is sufficient to provide for the full and continued operation of all lighting systems, all information systems, and all surveillance and recording systems.

CONSISTENCY WITH THE GAMBLING REGULATIONS OF OTHER STATES:

Nevada Gaming Regulations

The Nevada Gaming Commission's Surveillance Standards for Non-restricted Licensees specify the following categories based on annual gross gaming revenue during the preceding calendar year (NVGC Regulation 5, Section 1.020 [Rev. 11/21]):

- Category A - \$40 million or more;
- Category B - \$15 million or more, but less than \$40 million;
- Category C - \$3 million or more, but less than \$15 million; and
- Category D - Less than \$3 million.

Pursuant to NVGC Regulation 5, Section 2.010 (Rev. 11/21), surveillance equipment standards require that:

- For all category "A" and "B" licensees, the surveillance system must be maintained and operated from a "surveillance room" (defined as a secure location(s) in a licensed gaming establishment used primarily for casino surveillance).
- The entrance to the surveillance room or secured location must be located so that it is not readily accessible by either casino employees who work primarily on the casino floor, or the general public.

- Access to a surveillance room must be limited to surveillance personnel, key employees, and other personnel authorized in accordance with the licensee’s policy as set forth in its written surveillance system plan. Immediately upon request and presentation of proper identification presented to any authorized person, any agent of the Nevada Gaming Control Board (Board) must be provided access.
- For all category “A” licensees, in the event of power loss to the surveillance system, an auxiliary or backup power source must be available and capable of providing immediate restoration of power to all elements of the surveillance system that enable surveillance personnel to observe the table games remaining open for play and all areas covered by dedicated cameras.
- For all category “A” and “B” licensees, the surveillance room must be attended at all times by personnel trained in the use of the equipment, knowledge of the games, and house rules. When necessary, surveillance rooms may be unattended for periods of time not to exceed one hour in any eight-hour period to allow appropriate meal and rest breaks.
- Reasonable effort must be made to repair each malfunction of surveillance system equipment required by these standards within 72 hours after the malfunction is discovered.

Standard 2. Required Surveillance Coverage: Table Games.

The surveillance system of all licensees operating three or more table games must possess the capability to monitor and record:

- Each table game area, with sufficient clarity to identify patrons and dealers; and,
- Each table game surface, with sufficient coverage and clarity to simultaneously view the table bank and determine the configuration of wagers, card values, and game outcome.

Standard 3. Required Surveillance Coverage: Card Games.

The surveillance system of category “A,” “B,” and “C” licensees must possess the capability to monitor and record each card game area, with sufficient coverage to view patrons, dealers, and activities on the card table surfaces.

Standard 7. Required Surveillance Coverage: Count Rooms.

The surveillance system of category “A,” “B,” and “C” licensees must possess the capability to monitor and record all areas where coin may be stored or counted, including the hard count room, all doors to the hard count room, all scales and wrapping machines and all areas where uncounted coin may be stored during the drop and count process.

Standard 9. Records.

Surveillance records requirements:

- All video recordings of coverage provided by the dedicated cameras or motion-activated dedicated cameras required by these standards must be retained for a minimum of seven days, except for recordings of detentions and questioning by security personnel, which must be retained for a minimum of 30 days. All other recordings must be retained a minimum of three days.

- Category “A” and “B” licensees must have the capability to produce a still copy or photograph of the images depicted on a video recording, which must be provided to a board agent upon request. This may be accomplished using a video printer, still camera or other available means.
- Each licensee must maintain a log that documents each malfunction and surveillance system repair. The log must state:
 - The time, date, and nature of each malfunction;
 - The efforts expended to repair the malfunction and the date of each effort;
 - The reasons for any delays in repairing the malfunction; and,
 - The date the malfunction is repaired and, where applicable, any alternative security measures that were taken.

Standard 12. Digital Video Recording Standards.

Digital video recording (DVR) standards:

- All DVR equipment and systems used by a licensee in their surveillance system to comply with the Surveillance Standards requirements, must:
 - Be capable of recording and thereafter, being viewed, at a minimum of 30 images per second, full screen, in real time.
 - Have visual resolution of sufficient clarity to meet all published Surveillance Standards (e.g., identifying patrons, dealers, other employees, wagers, game outcomes, etc.).
 - Maintain for a period of not less than seven days, all images obtained from the video cameras.
 - Have a failure notification system that provides an audible, as well as a visual notification of any failure in the surveillance system or the DVR media storage system.
 - Have a media storage system that is configured so that a failure of any single component will not result in the loss of any data from the media storage system.
 - Any part of a Category “A,” “B,” or “C” licensee’s surveillance system that uses a DVR, must not have more than eight cameras required by the published surveillance standards in the first stage of concentration, unless the licensee has a fault tolerant or redundant system so there is no loss of data in the event of a failure of a single first stage of concentration.
 - All digital video disks or other storage media produced from the DVR system must contain the data with the time and date it was recorded superimposed, the media player that has the software necessary to view the DVR images, as well as a video verification encryption code (also known as a watermark).
 - A video verification encryption code (watermark), must be submitted to the Board, at no cost to the Board, before the Board’s inspection and approval of the DVR system.
 - Any failure of a DVR storage media system, must be repaired or replaced within eight hours of the failure.
 - All DVR equipment must be located in the surveillance room of Category “A” and “B” licensees, and the secure location required of Category “C” and “D” licensees by Surveillance Standard 2.010(2), and the Surveillance Department shall be ultimately responsible for its proper operation and maintenance.

Standard 13. Surveillance System Standards.

The surveillance system of a category “A,” “B,” or “C” licensee, must be established and thereafter, maintained, so that a failure of any part or component will not result in the cessation of more than 50 percent of the surveillance coverage of the gaming area.

Mississippi Gaming Regulations – Title 13, Part 3, Chapter 6

Rule 6.2. Access to Monitor Rooms.

- Access to “monitor rooms” (defined as the designated room(s) on the licensee’s property that houses the surveillance system, used exclusively for casino surveillance purposes and dedicated to providing the coverage prescribed by this regulation) shall be limited to only those personnel who are employed exclusively for surveillance purposes and those personnel whose names appear on the monitor room access list approved by the Executive Director.
- Additional personnel may be granted access, with prior written approval from the Executive Director, for management purposes, or to repair, install or maintain equipment residing in the monitor room. Any person that is not employed exclusively for surveillance purposes, must, upon entry to the monitor room, enter their name, the date, the reason for their visit and the time they arrived and departed from the monitor room on a visitor’s log.

Rule 6.3. Surveillance Systems: General Requirements and Minimum Standards.

- Every licensee shall install, maintain and operate at all times a surveillance system either comprised of cameras, monitors, video recorders and a video printer; or an alternative system approved by the Executive Director that provides the coverage required by this regulation.
- The entrance to the monitor room must be located away from the view of casino employees and the general public.
- The monitor room must be staffed and the surveillance equipment monitored at all times by trained surveillance personnel.
- The individual responsible for the operation of the Surveillance Department shall not share any duties with the individual responsible for the operation of the Security Department. The duties of the Security and Surveillance Departments shall be separate and distinct and neither department nor individual responsible for either department shall have supervisory authority over the other.

Rule 6.5. Surveillance Systems: Table Games and Card Rooms.

- Every licensee who operates table games or a card room shall install, maintain and operate at all times a surveillance system that shall possess the capacity to monitor and record clear and unobstructed views of all active table games or card table surfaces, including table bank trays, with sufficient clarity to permit identification of all chip, cash, dice and card values and the outcome of the game.
- Every licensee who operates table games or a card room shall install, maintain, and operate at all times a surveillance system that shall possess the capability to monitor and record clear and unobstructed views of the following:

- All table game and card room areas with sufficient clarity to permit identification of all dealers, patrons, spectators and pit personnel;
- All drop boxes and table numbers; and,
- Simultaneous coverage of both the table game area and the table game surface.

Rule 6.9 Casino Surveillance System Equipment Malfunctions.

- Every licensee shall establish and maintain a log, in a format approved by the Executive Director, of any and all casino surveillance system equipment malfunctions, and retain the log for a period of three years.
- Each malfunction of the surveillance system must be repaired within 24 hours of the malfunction. If, after 24 hours, activity in the affected area cannot be monitored, the game(s) or machine(s) shall be closed until such coverage can be provided. A record of all malfunctions shall be kept and reported to the Executive Director each day. In the event of a dedicated coverage malfunction, the licensee must immediately provide alternative camera coverage or other security measures that will protect the subject activity. If other security measures are taken, the licensee must immediately notify the Executive Director. The Executive Director may, in his or her discretion, determine whether the other security measures are adequate. Further, all activity in the area(s) affected by the malfunction will be suspended pending repair if adequate alternative coverage cannot be provided.

Rule 6.10 Surveillance System Recording Requirements.

- Every licensee shall record and maintain a shift activity log of all specific activities observed by casino surveillance personnel, and any activities that appear unusual or irregular, or that violate or appear to violate the Mississippi Gaming Control Act, the regulations promulgated thereunder, an internal control or procedure, or any commonly known criminal statute of Mississippi or the United States, and notify the Executive Director by telephone immediately. The log entry shall be recognized by a unique number or identifier by the employee(s) making the entry in digital systems and signed by the employee(s) that utilize an analog system.
- All recordings produced by a surveillance system must present a clear and unobstructed view of the scene depicted thereon.
- Every licensee must retain all video recordings for at least 14 days after the recording is produced, unless a shorter time period is allowed by another section of this regulation, or by order of the Executive Director, the Commission, or a court of competent jurisdiction.

Louisiana Gaming Regulations – Title 42, Part III, Chapter 33

Section 3301. Required Surveillance Equipment.

- All cameras shall be installed in fixed positions with matrix control or with pan, tilt and zoom capabilities, concealed from public and non-surveillance personnel view, to effectively and clandestinely monitor activity in detail, from various vantage points.
- Cameras, as approved by the division, shall monitor in detail, from various vantage points, the following:
 - The entrance and exits to the casino and the count rooms;
 - For all live games regardless of patron or employee position:

- Hands of all gaming patrons and dealers;
- Tray; and,
- The overall layout of the table area capable of capturing clear individual images of gaming patrons and dealers, inclusive of, without limitation, facial views and the playing surface so that the outcome of each game may be clearly observed.

Section 3302. Digital Video Recording Standards.

- Pursuant to the division's specifications and at the licensee's or casino operator's costs, the licensee or casino operator shall provide the division with the necessary software and hardware, to review a downloaded recording and the video verification encryption code or watermark, before the division's inspection and approval of the digital video system.

Section 3304. Surveillance Personnel Employment Provisions.

- Surveillance department employees must be independent of all other departments and must report directly to the general manager or higher corporate official.
- Licensee or casino operator employees assigned to monitoring duties in the surveillance room are prohibited from being concurrently employed in any other capacity by the licensee or casino operator, or any affiliate of the licensee or casino operator.

Section 3305. Surveillance and Division Room Requirements.

- Employees of the licensee or casino operator assigned to monitoring duties in the surveillance room shall have no other duties.
- The surveillance room shall be manned at all times by a sufficient number of surveillance operators as approved in the internal controls. The division may require additional surveillance personnel should it be determined that an inadequacy of surveillance monitoring exists.

Section 3309. Surveillance Logs.

- The licensee and the casino operator shall maintain a division-approved surveillance log. The log shall be maintained by surveillance room personnel in the surveillance room. The division shall have access to the log at all times. A log entry shall be made in the surveillance log of each surveillance activity. Each log entry shall include the following:
 - The identity of any person entering and exiting the surveillance room;
 - A summary, including date, time and duration, of each surveillance activity;
 - A record of any equipment or camera malfunctions;
 - A description of any unusual events occurring; and
 - Any additional information as required by the division.

Section 3315. Maintenance and Testing.

- Any malfunction of surveillance equipment shall necessitate the immediate replacement of the faulty equipment. If immediate replacement is not possible, alternative live monitoring shall be provided by security personnel.
- The division shall determine if gaming should continue with live monitoring and shall have authority to cease gaming operations not monitored by the surveillance system.

Washington State Gambling Regulations – WAC, Title 230, Chapter 15

Section 430. Internal Control Requirements.

- Licensees must establish separate departments or functions that must be independent from each other. At a minimum, these departments or functions must include:
 - Surveillance;
 - Security;
 - Gambling; and,
 - Accounting.

New Jersey State Gaming – NJAC, Title 13, Chapter 69D

Section 1.10. Closed circuit television system; surveillance department control; surveillance department restrictions.

- Each casino licensee must install in its establishment a closed circuit television (CCTV) system that must be under the surveillance department's exclusive control.
- Each casino licensee must maintain a surveillance log of all surveillance activities in the monitoring room. At a minimum, the following information shall be recorded in a surveillance log:
 - The date and time each surveillance commenced;
 - The name and license credential number of each person who initiates, performs or supervises the surveillance;
 - The reason for surveillance, including the name, if known, alias or description of each individual being monitored, and a brief description of the activity in which the person being monitored is engaging;
 - The times at which each video or audio recording is commenced and terminated;
 - The time at which each suspected criminal offense is observed, along with a notation of the reading on the meter, counter or device (as specified) that identifies the point on the video recording at which such offense was recorded;
 - The time of termination of surveillance; and
 - Summary of results of the surveillance.
- Surveillance department employees assigned to monitor the activities must be independent of all other departments.

EFFECT OF REGULATORY ACTION:

The Commission is proposing to amend its MICS regulations concerning surveillance requirements for gambling establishments, which take into account the variations in size of different gaming operations in existing cardroom business licensee Tiers I through V that are based on the number of gaming tables a cardroom business licensee is licensed to operate. The proposed amendments make specified surveillance requirements currently only applicable to Tier V cardroom business licensees additionally applicable to Tier IV cardroom business licensees. Specifically, these proposed regulations require a Tier IV cardroom business licensee to have a separate surveillance unit with dedicated staff, a dedicated camera installed at each gambling table, and one Pan/Tilt/Zoom camera installed at every ten or fewer authorized tables present in the gambling operations area, as specified. The amendments also make necessary updates to requirements for all Tiers concerning the quality and format of video recordings consistent with modern-day digital surveillance technologies.

ANTICIPATED BENEFITS FROM THE PROPOSED REGULATIONS:

The proposed amendments would add Tier IV cardroom business licensees to specified surveillance requirements previously reserved only for Tier V cardroom business licensees; namely requiring a separate surveillance unit to be staffed during all hours while gambling operations are taking place and dedicated surveillance cameras at all gaming tables. Doing so will strengthen internal controls for Tier IV cardroom business licensees and provide an extra layer of safety and security. Adding Tier IV cardroom business licensees to the more stringent surveillance requirements previously reserved for Tier V cardroom business licensees will make California’s standards similar to those found in other states, including Nevada and New Jersey. For all cardroom business license Tiers, requiring digital surveillance recordings be captured, recorded, copied, and stored with sufficient clarity will better assist the Bureau and local law enforcement in conducting investigations. Further, the proposed action will benefit cardroom business licensees in further safeguarding their assets, protecting patrons and their property, while maintaining the integrity of controlled gambling. The proposal will also increase public trust in gaming throughout California.

SPECIFIC PROPOSAL:

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

General Changes

A general change has been made in the proposal to replace the word “shall” with other words less subject to interpretation. Shall is a potentially ambiguous word. In most connotations it is used to convey an obligation. However, the word has been used in a variety of contexts to convey a range of ideas including “may,” defining a term, meaning “should,” compelling as “must,” etc. In an effort to foreclose any such ambiguity, shall is replaced throughout the text with other words subject to less interpretation. These are non-substantive, clarifying changes to syntax within the meaning of Section 100(a)(4), Title 1 of the CCR.

CHAPTER 7. CONDITIONS OF OPERATION FOR GAMBLING ESTABLISHMENTS.

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

Amend Section 12396. Surveillance.

In general, this section requires cardroom business licensees to adopt specified minimum policies and procedures concerning surveillance. The requirements increase throughout this section based on the relative size (Tier) of the gambling establishment, which is determined by the number of tables the cardroom business licensee is authorized to operate. Existing Section 12380(d) defines the five different license Tiers as follows:

- Tier I licensee – a cardroom business licensee authorized to operate one to five tables.
- Tier II licensee – a cardroom business licensee authorized to operate six to ten tables.
- Tier III licensee – a cardroom business licensee authorized to operate eleven to thirty tables.
- Tier IV licensee – a cardroom business licensee authorized to operate thirty-one to sixty tables.

- Tier V licensee – a cardroom business licensee authorized to operate sixty-one or more tables.

Subsection (a) provides minimum surveillance system requirements applicable to cardroom business licensees in all Tiers.

Paragraph (1) requires all cardroom business licensees to install and maintain on site in the gambling establishment, a surveillance system with video recording and CCTV monitoring capabilities. The surveillance system is required to record the gambling establishment’s critical gambling operation areas and activities (as specified) as well as the interior of the entrances and exits with reasonable coverage and clarity. Additionally, the video recording equipment must meet specified parameters in displaying the current date and time of recorded events. Although remote, off-site access capabilities are allowed for the surveillance system, those capabilities may only be used for secondary support of any required on-site systems.

This paragraph is proposed for amendment to add *card values, wagers, and game outcomes* to the list of things that must be recorded with reasonable coverage and clarity by the surveillance system; applicable to all cardroom business license Tiers. Additionally, language is added to clarify that an overhead view of the card values, wagers, and game outcomes is acceptable, and to exempt specified demonstration and instructional tables from the requirement when cash or prizes are not involved. The proposed change would make these requirements and exemptions, which already exist for cardroom business licensees in Tiers II through V [see subsection (b)(2)], applicable to Tier I cardroom business licensees.

Paragraph (2) requires all surveillance recordings to be made in real time mode, or at a speed sufficient to capture and record the actions of all individuals being observed. The provision provides an exemption that allows for gambling establishment entrances, exits, and parking areas to be recorded in time lapse mode at a minimum speed of 15 frames per second.

This paragraph is proposed for amendment to remove the exemption that currently allows gambling establishment entrances, exits, and parking areas to be recorded in time lapse mode at a minimum of 15 frames per second.

Paragraph (4) requires surveillance system operation to be checked on a daily basis to ensure that the equipment is functioning properly. Reasonable efforts must be made to repair malfunctioning surveillance equipment within 72 hours of the discovery of a malfunction.

This paragraph is proposed for amendment to add “or replace” after “repair.”

Additionally, this paragraph is proposed for amendment to add language that specifies if the surveillance system ceases to be able to record any area of the gambling establishment that is required to be recorded by this Article, the cardroom business licensee must take lawful steps to ensure the area is not used for any activity subject to the surveillance requirements until the surveillance system is able to record the area. The provision provides an exemption for parking lots and a sentence is added to clarify the term “lawful” means in accordance with federal, state, and local requirements.

Paragraph (5) provides specific standards if the surveillance system utilizes a DVR system. Currently, this paragraph is permissive and provides standards that are only applicable if DVRs are used.

This paragraph is proposed for amendment to require the surveillance system utilize a DVR, network video recorder (NVR), or equivalent system, which is consistent with current surveillance industry standards and practice. The requirement to utilize a DVR, NVR, or equivalent system will effectively prohibit the use videocassette recorders (VCRs) in surveillance systems. Further, language is proposed to apply existing DVR standards to NVRs or equivalent systems.

Additionally, subparagraph (C) is proposed for amendment to allow portable digital storage devices to be used in addition to digital video discs (DVDs) when reproducing or copying surveillance data stored on a media storage system.

Other non-substantive amendments proposed throughout this paragraph are technical in nature.

Paragraph (7) establishes retention requirements for surveillance recordings.

This paragraph is proposed to be amended with non-substantive changes concerning the minimum timeframe recordings must be retained (unless otherwise requested by the Bureau), which increased on June 1, 2013, from 7 to 14 days. Now that the implementation date has passed, the current requirement is being appropriately codified along with the repeal of the sunrise clause in subparagraph (B).

Paragraph (8) authorizes Bureau staff, with approval of the chief, to demand immediate access to the surveillance room and any area of the gambling establishment in which surveillance equipment is installed or maintained or where surveillance video recordings are stored, at any time during the gambling establishment's actual hours of operation. Additionally, paragraph (8) requires cardroom business licensees or their authorized representatives to provide such access to Bureau staff. Furthermore, this paragraph authorizes the Bureau to take custody of and remove from the gambling establishment original video recordings or copies of digital recordings that are required to be made and maintained pursuant to the Act or regulations, limits disclosure of surveillance video recordings by the Bureau, and provides a process for Bureau staff to make copies of surveillance recordings taken into Bureau custody upon reasonable request.

This paragraph is proposed for amendment to divide the paragraph into two subparagraphs (A and B), which provides for better readability. A non-substantive change to capitalize the word "chief" in subparagraph (A) is proposed for consistency with the term as defined in Chapter 1.

Further, two clauses are proposed to be added to subparagraph (B). Clause (i) would require digital copies to be a clear representation of the original. Clause (ii) requires the cardroom business licensee to provide the Bureau with any software that may be necessary to view the digital copies or in a format that is acceptable to the Bureau.

Subsection (b) provides surveillance standards for cardroom business licensees in Tiers II through V in addition to the requirements of subsection (a).

Paragraph (1) requires the surveillance system to, at a minimum, record both the interior and exterior of the gambling establishment entrances and exits.

This paragraph is proposed for amendment to require the surveillance system of a Tier II through V cardroom business licensee to have dedicated cameras for monitoring and recording the gambling establishment entrances and exits with sufficient clarity to afford reasonable opportunity to identify persons entering and exiting. The existing requirement, which specifies the “interior and exterior” of the entrances and exits must be recorded, is proposed to be modified to meet the intended performance goal of the regulation concerning video clarity while ensuring compliance is achievable.

Paragraph (2) requires the surveillance system to have a sufficient number of cameras dedicated to gambling tables for viewing and recording patrons, dealers, wagers, cards, and game outcomes at each table.

This paragraph is proposed for amendment to replace the term “cards” with “card values,” which aligns with the proposed language in Section 12396(a)(1).

Subsection (c) requires, in addition to the requirements of subsections (a) and (b), the surveillance system for a Tier III through V cardroom business licensee to include coverage and recording of all adjoining patron parking areas owned, operated, or otherwise controlled by the cardroom business licensee.

This subsection is proposed for amendment to be more specific by requiring the coverage and recording to be done with sufficient clarity to provide opportunity to obtain a description of the vehicles entering and exiting the parking areas. Notably, existing Section 12395(a)(2) already requires all gambling establishments to provide adequate lighting of all public areas, including adjoining parking areas, for the purpose of video surveillance recordings.

Subsection (d) provides, in addition to the requirements of subsections (a), (b), and (c), the policies and procedures of a Tier IV cardroom business licensee must require, during all hours of operation, a cardroom owner type licensee or key employee licensee who has the ability to access live and previous surveillance video recordings, to be on duty at the gambling establishment.

This subsection is proposed to be repealed. The amendment proposed to former subsection (e), relabeled as subsection (d) in the proposed regulations, makes the surveillance requirements previously reserved only for Tier V cardroom business licensees additionally applicable to Tier IV cardroom business licensees. In part, this would require Tier IV cardroom business licensees to have at least one surveillance employee present in the surveillance room during all hours of operation. The existing requirement for Tier IV cardroom business licensees is being expanded upon under the changes proposed in subsection (e). Please see that section for more details on the additional requirements.

Subsection (e), which has been renumbered to subsection (d), provides surveillance requirements specific to Tier V cardroom business licensees in addition to the requirements of subsections (a), (b), (c), and (d).

Paragraph (1) requires Tier V cardroom business licensees to establish a surveillance unit separate and apart from the security department with dedicated staff that have no other gambling-related duties.

Paragraph (2) requires Tier V cardroom business licensees to establish and maintain a separate surveillance room with controlled access through a secured door or doors, which is under constant recorded video surveillance, and with no entrance or exit door readily observable or accessible from the gambling operation area.

Paragraph (3) provides that routine access and entry to the surveillance room must be limited to on-duty surveillance unit employees assigned to monitor gambling operations. However, access may be granted to other cardroom employee type licensees for the purpose of performing their duties, and other persons may be granted limited access for educational, investigative or maintenance purposes, if accompanied at all times by a surveillance unit employee.

Paragraph (4) requires at least one surveillance employee to be present in the surveillance room and actively monitoring the gambling operations during all hours of operation. Although the provision allows the surveillance room to be unattended for a maximum total of one hour during any shift or eight-hour period for required meal and rest breaks, no controlled gambling may take place when a surveillance employee is not present and on duty in the establishment, whether on a break or not.

Paragraph (5) requires the surveillance of the count room to include CCTV monitoring and video recording.

Paragraph (6) requires Tier V cardroom business licensees to maintain a surveillance activity log of all surveillance room activity that occurs during a surveillance period or shift. Entries in the surveillance activity log must be made by on-duty surveillance personnel and include the following:

- (A) The date and time of commencement of the surveillance period or shift;
- (B) The printed name(s) of the person(s) conducting the surveillance;
- (C) The date and time of termination of the surveillance period or shift;
- (D) A summary of the results of the surveillance, including a notation of the time of recording of any event, activity, occurrence, process or procedure that was monitored during the surveillance period or shift, whether the recording or monitoring was required or not;
- (E) A notation of the time of the discovery or occurrence of any equipment or camera malfunctions during the surveillance period or shift;
- (F) A notation of the time of the correction or repair of any equipment or camera malfunctions occurring during the surveillance period or shift, if corrected or repaired during that period or shift;

- (G) A notation of the time of the correction or repair of any equipment or camera malfunctions discovered and noted in a previous surveillance period or shift, if corrected or repaired during the current period or shift;
- (H) A notation of the time of occurrence of any medical emergency event or law enforcement event, including any incident number generated by the responding entity, if available;
- (I) A notation of the time(s) of drop box collection occurring during the surveillance period or shift;
- (J) A notation of the time of drop count procedure(s) occurring during the surveillance period or shift; and,
- (K) A notation of the times of patron disputes occurring during the surveillance period or shift that required the intervention of the security department, if any.

Paragraph (7) requires Tier V cardroom business licensees to have a dedicated camera at each gambling table that records in real time mode or at a speed sufficient to capture and record the actions of all individuals being observed. These gambling table cameras must provide clear surveillance coverage of all controlled gambling at all hours of operation. Additionally, one Pan/Tilt/Zoom camera must be installed for every ten or fewer authorized tables present in any gambling operations area of the gambling establishment, and a reasonable attempt must be made to pan the faces of patrons and dealers for identification at least once per work shift of surveillance unit employees.

This subsection is proposed to be relabeled as subsection (d) to conform to the proposed repeal of existing subsection (d), which is a nonsubstantive change. Additionally, this subsection is proposed to be amended to make the minimum surveillance standards currently required for the policies and procedures of Tier V cardroom business licensees (discussed above) additionally applicable to Tier IV cardroom business licensees.

Further, amendments are proposed to existing paragraph (4) of this subsection to establish an exception for Tier IV cardroom business licensees concerning the requirement for at least one surveillance employee to be present in the surveillance room and actively monitoring the gambling operations during all hours of operation, as specified. This exception allows Tier IV cardroom business licensees to utilize a contingency plan previously approved by the Bureau to use a cardroom employee type licensee to fulfill the requirements of this paragraph when a surveillance employee is unavailable due to unforeseen exigencies. Additionally, subparagraphs (A) through (C) are proposed to be added. These provisions provide a process for a Tier IV cardroom business licensee to submit a written request for the Bureau's review and approval of its contingency plan and provide automatic approval of the plan if not disapproved by the Bureau in writing within 30 calendar days of the Bureau's receipt of the request. A Tier IV cardroom business licensee is required to notify the Bureau in writing within five calendar days after utilizing the contingency plan option.

CONSISTENCY OR COMPATIBILITY WITH EXISTING STATE REGULATIONS:

The Commission has evaluated this regulatory action and determined that the proposed regulations are neither inconsistent nor incompatible with any other existing state regulations.

COMPARABLE FEDERAL LAW:

There are no existing federal regulations or statutes comparable to the proposed regulations.

FISCAL IMPACT ESTIMATES

FISCAL IMPACT ON PUBLIC AGENCIES INCLUDING COSTS OR SAVINGS TO STATE AGENCIES OR COSTS/SAVINGS IN FEDERAL FUNDING TO THE STATE:

The proposed action is estimated to have no fiscal impact to the Commission.

The Bureau has determined that the proposed action will result in a minor, absorbable fiscal impact to make copies of the digital media, which includes additional costs of approximately \$600 per year for purchasing external hard drives. The Bureau suggests that gambling establishments are required to supply a minimum of two copies (one evidentiary copy and one working copy) to the Bureau of digital media. This would increase efficiency for evidence collection and result in cost savings for the Bureau.

There are no costs or savings in federal funding to the state.

NON-DISCRETIONARY COST OR SAVINGS IMPOSED UPON LOCAL AGENCIES:

None.

MANDATE IMPOSED ON ANY LOCAL AGENCY OR SCHOOL DISTRICT FOR WHICH PART 7 (COMMENCING WITH SECTION 17500) OF DIVISION 4 OF THE GOVERNMENT CODE REQUIRES REIMBURSEMENT:

None.

COST TO ANY LOCAL AGENCY OR SCHOOL DISTRICT FOR WHICH PART 7 (COMMENCING WITH SECTION 17500) OF DIVISION 4 OF THE GOVERNMENT CODE REQUIRES REIMBURSEMENT:

None.

EFFECT ON HOUSING COSTS:

None.

IMPACT ON BUSINESS:

The Commission has made a determination that the proposed regulatory action would have no significant statewide adverse economic impact directly affecting businesses, 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:

The proposed action updates existing MICS requirements concerning surveillance at gambling establishments and takes into account the variations in size of different gaming operations. The proposed action makes specified surveillance requirements currently only applicable to Tier V cardroom business licensees (authorized to operate 61 or more gaming tables) additionally applicable to Tier IV cardroom business licensees (authorized to operate 31 to 60 gaming tables).

Specifically, this would require a Tier IV cardroom business licensee to establish a separate surveillance unit with dedicated surveillance staff and provide a dedicated camera installed at each gambling table and one Pan/Tilt/Zoom camera installed at every ten or fewer authorized tables present in the gambling operations area, as specified. The amendments also make necessary updates to the requirements for cardroom business licensees in all Tiers concerning the quality and format of video recordings consistent with modern-day digital surveillance technologies. To provide cardroom business licensees enough time to upgrade their existing surveillance systems in compliance with the regulatory changes, these regulations will be submitted to the Office of Administrative Law for final review with a request for a delayed effective date of 12 months from the date of filing with the Secretary of State.

Although there are 84 licensed cardrooms, only 61 are active and impacted by this proposed action. Out of the 61 cardrooms that are impacted, 50 are small businesses and 11 are typical businesses. The total statewide dollar costs that businesses may incur to comply with this regulation over its lifetime is estimated to include average initial one-time costs of \$63,776 per small business cardroom and \$150,976 per typical business cardroom in the first year, and average annual ongoing costs of \$30,571 per small business cardroom and \$79,635 per typical business cardroom in all subsequent years. This results in an estimated industry-wide total cost of \$4,849,524 in the first year and an ongoing cost of \$2,404,516 per year thereafter. Notably, the actual industry-wide total costs may be substantially lower, as many cardrooms already meet the proposed requirements.

These costs will not inhibit a California business from competing with businesses in other states as the gambling industry does not cross state lines and the amounts involved are not significant enough to affect industry competitiveness. Furthermore, the proposed changes would make the surveillance standards for California cardrooms consistent with the surveillance requirements of similar-sized gaming facilities found in other states, including Nevada and New Jersey.

Cost Impact on Representative Private Person or Business:

The Commission anticipates a cost impact on a typical cardroom business licensee resulting from the proposed requirements for cardroom business licensees in all Tiers concerning the quality and format of video recordings, and additional surveillance-related requirements for Tier IV cardroom business licensees.

As noted above, the Commission estimates that the proposed action will have an average initial cost of \$150,976 per typical business in the first year and an average ongoing cost of \$79,635 per typical business in each subsequent year. Notably, the actual industry-wide total costs may be substantially lower, as many cardrooms already meet the proposed requirements.

The proposed regulation will have no impact on a representative private person.

Effect on Small Business:

The Commission has determined that the proposed regulatory action will have a similar impact on small business to comply with the proposed regulations. As noted above, the Commission estimates that the proposed action will have an average initial cost of \$63,776 per small business in the first year and an average ongoing cost of \$30,571 per small business in each subsequent

year. Notably, the actual industry-wide total costs may be substantially lower, as many cardrooms already meet the proposed requirements.

RESULTS of 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 federal Small Business Administration (SBA) definition of a small business was utilized. An average annual gross gaming revenue of \$30 million per year was used as the threshold, as specified in the North American Industry Classification System Code section 713210 and referenced by the SBA in Section 121.201 of Title 13 Part 121 of the Electronic Code of Federal Regulations. Cardroom business licensees having a three-year average annual gross gaming revenue of no more than \$30 million were identified as small businesses. Due to mandatory closures resulting from the COVID-19 pandemic, 2019 was the last full year of operation; information from 2020 and 2021 was not used.

The proposed action may result in a small increase in the number of surveillance jobs available at Tier IV cardroom business licensees due to requiring Tier IV cardroom business licensees to establish a separate surveillance unit that is independent and apart from the security department and staffed with personnel that have no other gambling-related duties. However, the increase in jobs is difficult to quantify because many Tier IV cardroom business licensees already meet the proposed requirement. Additionally, due to the limited number of gaming tables a Tier IV cardroom business licensee is allowed to operate (31 to 60 gaming tables), the statewide increase in new jobs would not be significant.

Benefits of Proposed Regulation:

The proposed regulation will benefit cardroom business licensees in further safeguarding their assets, protecting patrons and their property, while maintaining the integrity of controlled gambling. The proposal will also increase public trust in gaming throughout California. For all cardroom business license Tiers, requiring digital surveillance recordings be captured, recorded, copied, and stored with sufficient clarity will better assist the Bureau and local law enforcement in conducting investigations.

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 the controlled gambling industry. Strengthening the capabilities of cardroom surveillance and security controls will provide an additional deterrent against illegal activity, better protect patron assets, and better assist the Bureau and other law enforcement agencies in conducting thorough investigations.

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 does not pertain to environmental issues.

CONSIDERATION OF ALTERNATIVES

The Commission must determine that no reasonable alternative considered by the Commission or that has otherwise been identified and brought to the attention of the Commission would be more effective in carrying out the purpose for which the action is proposed, would be as effective and less burdensome to affected private persons than the proposed action, or would be more cost-effective to affected private persons and equally effective in implementing the statutory policy or other provision of law.

INITIAL STATEMENT OF REASONS, INFORMATION AND TEXT OF PROPOSAL

The Commission has prepared an Initial Statement of Reasons and the exact language for the proposed action and has available all the information upon which the proposal is based. Copies of the language and of the Initial Statement of Reasons, and all of the information upon which the proposal is based, may be obtained upon request from the Commission at 2399 Gateway Oaks Drive, Suite 220, Sacramento, CA 95833-4231.

AVAILABILITY AND LOCATION OF THE RULEMAKING FILE AND THE FINAL STATEMENT OF REASONS

All the information upon which the proposed action is based is contained in the Rulemaking File that will be available for public inspection and copying at the Commission's office throughout the rulemaking process. Arrangements for inspection and/or copying may be made by contacting the primary contact person named below.

You may obtain a copy of the Final Statement of Reasons, once it has been prepared, by making a written request to one of the contact persons named below or by accessing the Commission's Website listed below.

Contact Persons:

All comments and inquiries concerning the substance of the proposed action should be directed to the following **primary** contact person:

Alex Hunter, Legislative and Regulatory Specialist
Legislative and Regulatory Affairs Division
California Gambling Control Commission
2399 Gateway Oaks Drive, Suite 220, Sacramento, CA 95833-4231
Telephone: (916) 263-1301
Fax: (916) 263-0499
E-mail: ahunter@cgcc.ca.gov

Requests for a copy of the Initial Statement of Reasons, proposed text of the regulation, modified text of the regulation, if any, or other technical information upon which the proposed action is based should be directed to the following **backup** contact person:

NOTICE OF PROPOSED REGULATORY ACTION
SURVEILLANCE
CGCC-GCA-2023-01-R

Joshua Rosenstein, Legislative and Regulatory Specialist
Legislative and Regulatory Affairs Division
California Gambling Control Commission
2399 Gateway Oaks Drive, Suite 220, Sacramento, CA 95833-4231
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Website Access:

Materials regarding this proposed action are also available on the Commission's Website at www.cgcc.ca.gov.