

1 CALIFORNIA GAMBLING CONTROL COMMISSION
2 MODIFIED TEXT OF PROPOSED REGULATIONS – 2ND 15-DAY CHANGES
3 COMMISSION FEES MODERNIZATION PROJECT
4 CGCC-GCA-2021-07-R/C
5

6 California Code of Regulations
7 Title 4. Business Regulations.
8 Division 18. California Gambling Control Commission.
9 CHAPTER 3. CONDITIONS OF OPERATION FOR TPPPS BUSINESSES

10 ARTICLE 1. GENERAL PROVISIONS

11 § 12250. Definitions.

12 (a) Except as otherwise provided in Section 12002 and in subsection (b) of this section, the definitions
13 in Business and Professions Code section 19805 govern the construction of this chapter.

14 (b) For the purposes of this chapter, the following definitions apply:

15 (1) “Active Licensee” means a valid TPPPS business licensee ~~or cardroom business licensee~~ who has
16 generated revenue for at least the last year as reported pursuant to Section 12313.

17 (2) “Annual Fee” is the amount that a TPPPS business licensee is required to pay to cover Non-
18 Application Costs, ~~calculated~~ pursuant to Section 12252.24.

19 (3) “Application Cost” means all costs, including the deposit, related to the processing of an
20 application.

21 (4)(+) “Authentication” means the verification that an individual is authorized to access a system.

22 (A) “Active authentication” means the identification information of an individual with permission to
23 use or access an electronic playing book system.

24 (B) “Inactive authentication” means the identification information of an individual that no longer has
25 permission to use or access an electronic playing book system.

26 (5)(2) “Backup” means the process of copying files to a physical and removable second medium that
27 is accessible to the Bureau or other law enforcement, including but not limited to disk, tape, or flash
28 memory.

29 (6) ~~“Cost Pool 1” or “Even Across All” means a cost allocation for all Non-Application Costs that~~
30 ~~are not directly attributed to an application fee or deposit, and are appropriately borne by all TPPPS~~
31 ~~business licensees and cardroom business licensees equally. This includes such costs associated with, but~~
32 ~~may not be limited to, administration, information technology, and legislative and regulatory workload.~~
33

34 Additions shown in underline; deletions shown in ~~strikeout~~.
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1 ~~(7) “Cost Pool 2” or “Application Split” means a cost allocation for all Non Application Costs on a~~
2 ~~per application basis that relate to both TPPPS business licensees and cardroom business licensees that~~
3 ~~have a direct connection to the processing of applications for the controlled gambling industry, and are~~
4 ~~not directly attributed to an application fee or deposit. This includes such costs associated with, but may~~
5 ~~not be limited to, responding to general phone calls, and the processing electronic and regular mail.~~

6 ~~(8) “Cost Pool 3” or “Entity Split” means a cost allocation for all Non Application Costs generated~~
7 ~~by non Commission actions that relate to both TPPPS business licensees and cardroom business~~
8 ~~licensees. This includes such costs associated with, but may not be limited to, compliance and~~
9 ~~enforcement, financial audits, calls for service, and incident reports borne separately amongst TPPPS~~
10 ~~business licensees and cardroom business licensees.~~

11 ~~(9) “Cost Pool 4” or “Commission Actions” means a cost allocation for all Non Application Costs~~
12 ~~and generated by matters requiring Commission action that relates to TPPPS business licensees or~~
13 ~~cardroom business licensees. This includes such costs associated with, but may not be limited to,~~
14 ~~administrative hearings and decisions, and Commission meetings.~~

15 ~~(10) “Cost Pool 5” or “Cardroom Only” means a cost allocation for all Non Application Costs that~~
16 ~~are specific to cardroom business licensees but not directly linked to a Commission approval such as, but~~
17 ~~may not be limited to, compliance reviews of games, reviews of reports, and local ordinance reviews.~~

18 ~~(11) “Cost Pool 6” or “TPPPS Only” means a cost allocation for all Non Application Costs that are~~
19 ~~specific to TPPPS business licensees but not directly linked to a Commission approval such as, but may~~
20 ~~not be limited to, contract renewal notices and non investigation industry inquiries or correspondence.~~

21 ~~(6)(12)(3)~~ “Electronic playing book” refers to a collection of digital playing book forms.

22 ~~(7)(13)(4)~~ “Electronic Playing Book Device” or “playing book device” means a terminal used to
23 access an electronic playing book.

24 ~~(8)(14)(5)~~ “Hardcopy playing book” means a tangible collection of paper playing book forms.

25 ~~(9)(15)(6)~~ “Independent gaming test laboratory” means a gaming test laboratory that is either:

26 (A)(1) Licensed or registered to test, approve, and certify gambling equipment, systems, and software
27 in any United States jurisdiction; and,

28 (2) Accredited by a signatory to the International Laboratory Accreditation Cooperation Mutual
29 Recognition Arrangement; or,

30 (B) Operated by a state governmental gaming regulatory agency.

31 ~~(10)(16)(7)~~ “Information technology technician” or “IT technician” means any person who is
32 responsible for and has the system permissions necessary to access an electronic playing book system,

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1 including but not limited to the software coding, data storage functions, all critical components of system
2 functioning, and the receipt of system alerts in accordance with paragraph (5) of subsection (a) of Section
3 12263.

4 ~~(11)(17)(8)~~ “Ink” means a pigmented liquid or paste used especially for writing or printing. For
5 purposes of this chapter, ink also includes printer toner powder or other means of placing an indelible
6 mark onto paper.

7 ~~(18) “Non-Operational Licensee” means a TPPPS business licensee or cardroom business licensee~~
8 ~~that maintains a valid TPPPS business license or cardroom business license or registration, and has not~~
9 ~~generated revenue in the past year as reported pursuant to Section 12313.~~

10 ~~(19) “New Business Licensee” means a TPPPS business licensee or cardroom business licensee who~~
11 ~~first became licensed prior to August 31 of the year the invoices are created.~~

12 ~~(20) “Non-Application Cost” means all costs other than Application Costs borne by the Commission,~~
13 ~~Department of Justice, and all other State operations expenditures for the administration and enforcement~~
14 ~~of the Act.~~

15 *(18) “New Business Licensee” means a TPPPS business licensee or cardroom business licensee who*
16 *first became licensed prior to August 31 of the year the invoices are created.*

17 (12)(19) “Non-Application Cost” means all costs other than Application Costs borne by the
18 Commission, Department of Justice, and all other State operations expenditures for the administration and
19 enforcement of the Act.

20 (13)(20) “Non-Operational Licensee” means a TPPPS business licensee *or cardroom business*
21 *licensee that maintains a valid TPPPS business license *or cardroom business license* or registration, and*
22 *has not generated revenue in the past year as reported pursuant to Section 12313.*

23 ~~(14)(21)(9)~~ “Permissions” means the assigned level of system access rights of an individual to view
24 or make changes to the content of a system.

25 ~~(15)(22)(10)~~ “Playing Book” means a record documenting each session of play by an authorized
26 player.

27 ~~(16)(23)(11)~~ “Primary database” or “database” means a collection and storage of all electronic
28 playing book information.

29 ~~(17)(24)(12)~~ “Rebate” means a partial return by an authorized player of chips or money to a patron
30 who has lost the chips or money to the authorized player through play in a controlled game at a gambling
31 establishment.

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1 ~~(18)(25)(13)~~ “Session of play” as used in Section 12260 means the time period when a TPPPS
2 business licensee operates an authorized player at a gaming table before the gaming table closes;
3 however, provided that in no event may a time period be longer than 24 consecutive hours.

4 ~~(19)(26)~~ “Surrendered or Revoked Licensee” means a former TPPPS business licensee ~~or cardroom~~
5 ~~business licensee~~ who stopped operating and ceased to maintain a TPPPS business license prior to August
6 31 of the year the invoices are created.

7 ~~(20)(27)(14)~~ “Synchronization” or “synch” means the process of uploading information from a
8 terminal to a primary database.

9 ~~(21)(28)(15)~~ “System” means a group of interdependent components that interact regularly to perform
10 a task.

11 ~~(22)(29)(16)~~ “Terminal” means computer hardware that is used to enter data into or display
12 information from a system.

13 Note: Authority cited: Sections 19840, 19841, 19853 and 19984, Business and Professions Code. Reference:
14 Sections 19805, 19841, 19853 and 19984, Business and Professions Code.
15

16 § 12252. TPPPS Annual Fee.

17 (a) ~~No later than September 1 of each year,~~ The Bureau will provide each TPPPS business license an
18 invoice, pursuant to Section 12006, by October 1, 2022, and each October 1 thereafter, of their annual
19 fee, as provided in Section 12252.2. Beginning January 1, 2023 and each January 1 thereafter, each
20 TPPPS business licensee must submit to the Bureau the annual fee Annual Fee set forth as determined by
21 Section 12252.1, subsection (a) of this section, based on the total number of TPPPS endorsee licensees
22 and TPPPS employee type licensees affiliated with the TPPPS business licensee on the immediately
23 preceding August 1.

24 (b) ~~Each TPPPS business licensee must pay the annual sum of two thousand eight hundred dollars~~
25 ~~(\$2800) for each TPPPS endorsee licensee and each TPPPS employee type licensee.~~

26 (e) The ~~annual fee~~ Annual Fee annual fee may be paid in installments. The TPPPS business licensee
27 must submit a written request to the Bureau to make installment payments within 30 calendar days from
28 the date the invoice was served mailed prior to August 1 of that same year.

29 (c) A request for installment payments will be considered approved, unless within 14 calendar days of
30 the request being received, the Bureau provides notification, pursuant to Section 12006, that the request
31 has been disapproved. Upon Subject to approval by the Bureau, in accordance with the Bureau’s
32 approval notification, installment Installment payments must be made in the year following the request
33 pursuant to subsection (b) as follows: one-third of the annual fee Annual Fee annual fee to be submitted

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1 no later than ~~September~~ January 1, one-third no later than ~~December~~ April 1, and the balance no later than
2 ~~March~~ June 30. *If installment payments were not requested or a request for installment payments was*
3 *disapproved, the entire amount of the annual fee must be submitted no later than January 1.*

4 ~~(d) Refunds will not be available in the event of a subsequent decrease in the number of TPPPS~~
5 ~~endorsee licensees or TPPPS employee type licensees upon which the annual fee payment was based.~~

6 ~~(e)(1) Following assessment of the annual fee, if the TPPPS business licensee increases the number of~~
7 ~~its TPPPS endorsee licensees and TPPPS employee type licensees above the number upon which the~~
8 ~~annual fee assessment was based, the TPPPS business license must submit to the Bureau the additional~~
9 ~~per player annual fee set forth in subsection (b) within 30 calendar days of employment or transfer of~~
10 ~~ownership.~~

11 ~~(2) Upon the first issuance of a TPPPS business license, be it either a temporary TPPPS business~~
12 ~~license or an initial TPPPS business license, the TPPPS business licensee must submit to the Bureau the~~
13 ~~annual fee appropriate for its TPPPS endorsee licensees and any TPPPS employee type licensees.~~

14 ~~(d)~~ The TPPPS *license* certificate will not be issued until the Bureau has received the ~~annual fees~~
15 *Annual-Fee annual fee* or ~~has is~~ approved the TPPPS business licensee for installment payments.

16 ~~(3) Annual fees due under this subsection will be prorated on a monthly basis.~~

17 ~~(4) Annual fees due under this subsection may be paid in installments, on the conditions that the~~
18 ~~installment payment request is submitted in writing, that one third of the fees are paid upon submission of~~
19 ~~the installment request, and that two subsequent equal payments are paid at reasonable intervals prior to~~
20 ~~expiration of the applicable term, subject to the approval of the Bureau.~~

21 ~~(f)(e)~~ Any ~~renewal~~ application ~~for a renewal for the~~ TPPPS business licensee will not be approved by
22 the Commission until any delinquent ~~annual fee~~ *Annual-Fee annual fee* has have been paid in full.

23 ~~(g)(f)~~ No application for a TPPPS contract may be approved by the Bureau until any delinquent
24 ~~annual fees~~ *Annual-Fee annual fee* has have been paid in full.

25 (g)(1) Upon the first issuance of a TPPPS business license, as either a temporary TPPPS business
26 license or an initial TPPPS business license, whichever occurs first, the Bureau will issue an invoice,
27 *pursuant to Section 12006, in the annual fee amount required of an active licensee with a gross gaming*
28 *revenue under \$1,500,000, as provided in Section 12252.2, divided by 12, multiplied by the number of*
29 *whole months remaining in the current calendar year determined in subsection (b) of Section 12252.1.*
30 The TPPPS business licensee must submit to the Bureau the *Annual-Fee annual fee* appropriate for its
31 *TPPPS business license* within 30 calendar days from the date the invoice ~~were~~ was of service mailed.

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1 (2) For the first full calendar year of licensure, the Bureau will invoice, pursuant to Section 12006, the
2 TPPPS business licensee will be invoiced the unadjusted Annual Fee annual fee required of an active
3 licensee with a gross gaming revenue under \$1,500,000, as provided in Section 12252.2, due under
4 clause 1 of subparagraph (A) of paragraph (6) of subsection (a) of Section 12252.1 for the following
5 calendar year. If the license is approved after October 1, this the invoice will be issued at the same time as
6 the invoice required in paragraph (1) of this subsection.

7 Note: Authority cited: Sections 19823, 19824, 19826, 19840, 19841 and 19984, Business and Professions Code.
8 Reference: Sections 19841 and 19984, Business and Professions Code.
9

10 **§ 12252.1. TPPPS Annual Fee Calculation.**

11 ~~(a) The Commission will conduct the following six step analysis to determine the Annual Fee invoiced~~
12 ~~pursuant to subsection (a) of Section 12252.~~

13 ~~(1) Step One. The Commission will take all Bureau and Commission Non Application Costs and~~
14 ~~allocate them to Cost Pools 1 through 6. For future years, each costs pool will need to account for any~~
15 ~~prior year adjustments through a carry forward. A carry forward as used in this section will account for~~
16 ~~and reconcile any over and under costs allocated in prior years for each cost pool. The cost pools will~~
17 ~~determine how the Commission will allocate Non Application Costs to TPPPS business licensees and~~
18 ~~cardroom business licensees. Other costs may be included in a specific Cost Pool that the Commission~~
19 ~~determines are necessary for the administration and enforcement of the Act based on the responsibilities~~
20 ~~of the Commission and Bureau pursuant to Business and Professions Code sections 19823 and 19826~~
21 ~~respectively.~~

22 ~~(2) Step Two. Application Split. The Commission will determine the percentage of total TPPPS~~
23 ~~business licensee and cardroom business licensee applications, which the individual total of each~~
24 ~~constitutes by averaging the annual total of each license type's initial and renewal applications from the~~
25 ~~previous five fiscal years immediately prior to the forthcoming October 1st invoice issuance date, and~~
26 ~~dividing each individual average TPPPS business licensees and cardroom business licensees' total by the~~
27 ~~combined average TPPPS business licensees and cardroom business licensees' total. The Commission~~
28 ~~will multiply the Application Split funds by this percentage to determine the amounts payable by TPPPS~~
29 ~~business licensees pursuant to this step.~~

30 ~~(3) Step Three. Entity Split. The Commission will determine the percentage of total Active and Non~~
31 ~~Operational TPPPS business licensees and cardroom business licensees, which the individual total~~
32 ~~TPPPS business licensees versus cardroom business licensees each constitutes, by dividing the separate~~
33 ~~totals of Active and Non Operational TPPPS business licensees and Active and Non Operational~~

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1 ~~cardroom business licensees, by the total of both Active and Non-Operational TPPPS business licensees~~
2 ~~and cardroom business licensees to distribute the funds allocated to this Cost Pool between TPPPS~~
3 ~~business licensees and cardroom business licensees. The Commission will multiply the total of Even~~
4 ~~Across All and Entity Split funds by this percentage to determine the amounts payable by TPPPS business~~
5 ~~licensees pursuant to this step.~~

6 ~~(4) Step Four. Commission Actions. The Commission will determine the percentage of total~~
7 ~~Commission actions for TPPPS business licensees and cardroom business licensees, which the individual~~
8 ~~totals of each constitutes by calculating the total average annual number of Commission actions from the~~
9 ~~last three fiscal years for TPPPS business licensees and cardroom business licensees and convert that~~
10 ~~into a percentage by dividing the separate total of actions for TPPPS business licensees and cardroom~~
11 ~~business licensees respectively by the total applications for both TPPPS business licensees and cardroom~~
12 ~~business licensees. The Commission will multiply the Commission Actions funds by this percentage to~~
13 ~~determine the amounts payable by TPPPS business licensees pursuant to this step.~~

14 ~~(5) Step Five. The Commission will determine the total fees to be paid by TPPPS business licensees~~
15 ~~by adding each of the respectively apportioned TPPPS business licensee costs outlined in paragraphs (2)~~
16 ~~through (4) of this subsection with the total from Cost Pool 6. The Commission will divide the total fees~~
17 ~~by the total average annual number of Commission actions from the last three fiscal years for TPPPS~~
18 ~~business licensees to determine the unadjusted Annual Fee for each TPPPS business licensee. The~~
19 ~~amount invoiced will not be more than the maximum or less than the minimum amount as provided in~~
20 ~~Section 12252.2.~~

21 ~~(6) Step Six. Final Adjusted Annual Fee Calculation. The Commission will determine for each TPPPS~~
22 ~~business licensee if they are an Active Licensee, Surrendered or Revoked Licensee, or Non-Operational~~
23 ~~Licensee, and if an Active Licensee, if they have average gross gaming revenues below \$1,500,000 or~~
24 ~~equal to or greater than \$1,500,000 based on the immediate previous three year, or less if three years is~~
25 ~~unavailable, the annual average of gross gaming revenue as reported pursuant to Section 12313.~~

26 ~~(A) The Bureau will invoice the Annual Fee to TPPPS business licensees after the Commission~~
27 ~~calculates and sends the invoice amounts to the Bureau to be invoiced pursuant to subsection (a) of~~
28 ~~Section 12252, as follows:~~

29 ~~1. Active TPPPS business licensees that have collected less than \$1,500,000 \$1.5 million average~~
30 ~~gross gaming revenue, as determined in paragraph (6), the unadjusted Annual Fee as determined in~~
31 ~~paragraph (5).~~

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1 ~~2. Non-Operational TPPPS business licensees, half the amount of the unadjusted Annual Fee~~
2 ~~determined in paragraph (5).~~

3 ~~3. Surrendered or Revoked TPPPS business licensees, \$0.~~

4 ~~4. Active TPPPS business licensees that have collected equal to or greater than \$1,500,000 average~~
5 ~~gross gaming revenue as reported pursuant to Section 12313, as determined in paragraph (6), will be~~
6 ~~invoiced an amount equal to the amount of the TPPPS business licensee total Annual Fee, minus the~~
7 ~~amount invoiced in clauses 1 and 2, multiplied by the percentage the TPPPS business licensee's gross~~
8 ~~gaming revenue from the previous three year annual average constitutes of the previous three year~~
9 ~~annual average of all Active TPPPS business licensees' gross gaming revenue.~~

10 ~~(b) A New Business Licensee, that is either a temporary TPPPS business licensee or an initial TPPPS~~
11 ~~business licensee, whichever occurs first, must pay the unadjusted Annual Fee due under clause 1 of~~
12 ~~subparagraph (A) of paragraph (6) of subsection (a) divided by 12, multiplied by the number of whole~~
13 ~~months remaining in a calendar year from the date of licensure until the end of the calendar year for the~~
14 ~~incomplete calendar year of licensure.~~

15 ~~Note: Authority cited: Sections 19823, 19824, 19826, 19840, 19841, and 19984, Business and Professions Code.~~
16 ~~Reference: Sections 19826, 19867, 19841 and 19984, Business and Professions Code.~~

17
18 § 12252.2. TPPPS Annual Fee Amounts.

<u>Type of TPPPS Business Licensee</u>	<u>Annual Fee</u>
<u>Surrendered or Revoked Licensee</u>	<u>\$0</u>
<u>Non-Operational Licensee</u>	<u>\$2,035</u>
<u>Active Licensee – 3-Year Gross Gaming Revenue Under \$1.5M</u>	<u>\$4,069</u>
<u>Active Licensee – 3-Year Gross Gaming Revenue Over \$1.5M</u>	<u>1.54%</u> <u>of the 3-year Average</u> <u>Gross Gaming Revenue</u>

19 ~~Note: Authority cited: Sections 19823, 19824, 19826, 19840, 19841, and 19984, Business and Professions Code.~~
20 ~~Reference: Sections 19826, 19867, 19841 and 19984, Business and Professions Code.~~

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