

CALIFORNIA GAMBLING CONTROL COMMISSION
INITIAL STATEMENT OF REASONS
CGCC-GCA-2023-01-R

HEARING DATE: None Scheduled

SUBJECT MATTER OF PROPOSED REGULATIONS: Surveillance

SECTIONS AFFECTED: California Code of Regulations, Title 4, Division 18:
Section 12396.

SPECIFIC PURPOSE OF REGULATORY PROPOSAL:

INTRODUCTION:

The California Gambling Control Commission (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.

The Commission is proposing to amend its Minimum Internal Control Standards (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

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.

would require a Tier IV cardroom business licensee to have a separate surveillance unit and provide dedicated cameras for all gaming tables. The amendments also make necessary updates to requirements concerning the quality and format of video recordings consistent with modern-day digital surveillance technologies.

PROBLEM ADDRESSED:

Currently, the separation of surveillance duties and required active monitoring of gambling operations during all hours of operation is only required for Tier V cardroom business licensees (authorized to operate 61 gaming tables or more), which is inconsistent with the current requirements of other similar states. Because unattended surveillance systems can only provide evidence after a crime or suspicious event takes place, Tier IV cardroom business licensees (authorized to operate 31 to 60 gaming tables) do not possess the same foundation for strong internal controls as Tier V cardroom business licensees and equivalent gambling operations conducted in other similar states. Additionally, current regulations do not expressly require a Tier I cardroom business licensee's (authorized to operate one to five gaming tables) surveillance system to cover and record card values, wagers, and game outcomes at the gaming tables. Existing requirements applicable to all cardroom business license Tiers allow surveillance recordings of the gambling establishment entrances, exits, and parking areas to only be recorded in time lapse mode at a minimum speed of 15 frames per second. Since California Code of Regulations (CCR), Title 4, Section 12396 became operative in 2010, the use of digital surveillance systems has become more economically feasible and an essential means for recording, storing, and copying video footage with sufficient, high-resolution clarity. This technology, which is now the surveillance industry norm, has made it necessary for the Commission to update its existing surveillance requirements to align with modern-day digital technologies.

PURPOSE:

The proposed action has been prepared to strengthen and update the surveillance requirements for all cardroom business licensees—especially Tier IV cardroom business licensees—to better align with modern-day digital surveillance technologies and the requirements found in other similar states. Enhancing the capabilities of security and investigations will better protect the health, safety, and welfare of the public, maintain the integrity of California's controlled gaming industry, and better assist the Bureau and other law enforcement agencies in conducting thorough investigations.

ANTICIPATED BENEFITS OF PROPOSED REGULATION:

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.

CONSISTENCY WITH EXTERNAL GAMBLING REGULATIONS:

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
- Category D - Less than \$3 million

Pursuant to NVGC Regulation 5, Section 1.020 (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.
- Provides Surveillance department employees assigned to monitor the activities must be independent of all other departments.

PROPOSED ACTION:

This proposed action will make changes within 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. The additional specificity is necessary to further protect the integrity of the gambling operations conducted by Tier I cardroom business licensees, strengthen control over security, and provide an additional deterrent against illegal activity. Further, requiring the additional surveillance coverage enhances the ability of the Bureau and other law enforcement agencies to investigate alleged illegal activities that occur at gaming tables.

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. Making the recording requirements for these locations consistent with the quality required of other areas in the gambling establishment is necessary to enhance the ability of the Bureau and other law enforcement agencies to investigate alleged illegal activities that occur on the premises and/or in the parking lot, and to accurately identify persons or vehicles of interest.

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." Currently, the regulations only contemplate the repair of malfunctioning surveillance equipment within 72 hours of discovering a malfunction; however, in some instances, replacing such equipment is a better and less burdensome alternative than making attempts to repair it. In other instances, repairing the equipment may not be an option at all. Adding the replacement of malfunctioning

surveillance equipment to the existing requirement as an option is necessary to provide a commonsense change and clarify that the equipment may be replaced in lieu of being repaired.

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. This additional requirement is necessary to protect the health, safety, and welfare of the public and maintain the integrity of the gambling operation by ensuring operations do not continue in areas where recorded surveillance is required, but not possible. 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. This language is necessary to make complying with the regulations achievable by the cardroom business licensee and ensures compliance does not cause the cardroom business licensee to violate other federal, state, or local laws, such as fire and panic safety standards.

Paragraph (5) provides specific standards if the surveillance system utilizes a DVR system.

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. Currently, this paragraph is permissive and provides standards that are only applicable if DVRs are used.

The requirement to utilize a DVR, NVR, or equivalent system will effectively prohibit the use videocassette recorders (VCRs) in surveillance systems. The advantages in surveillance to requiring the use of DVRs, NVRs, or equivalent systems over a dated, analog-based VCR are well known. The image quality of a digital recording is considerably better than a VCR recording and is much more consistent. While analog systems record to Video Home System (VHS) tapes with a maximum horizontal resolution of 240 lines, digital systems provide a resolution starting at 500 lines. The digital format also allows for digital video archiving and the transfer of high-resolution recordings to digital storage devices. Recording the information digitally allows recordings to be reproduced an unlimited number of times without losing any image or audio quality. Additionally, analog recording systems provide linear records and only allow media to be played back in the order in which it was recorded, while digital recording systems provide non-linear recordings, which allow for any parts of the recording to be played back in any order with no gaps. Requiring cardroom surveillance systems to utilize a DVR, NVR or equivalent system is necessary to ensure the Bureau and other law enforcement agencies are provided with high-resolution recordings to effectively conduct investigations and better identify individuals of interest. The proposed changes address Bureau agent comments made at the April 2016 Gaming Policy Advisory Committee (GPAC) meeting, where Bureau agents indicated concerns in their ability to download and view video recordings and the clarity and quality of the recordings. Bureau agents also stated they have experienced difficulty viewing approximately 50 percent of the surveillance recordings.

Further, language is proposed to apply existing DVR standards to NVRs or equivalent systems. Both DVRs and NVRs perform the same function for recording and storing surveillance video

footage. The differences are in how the systems record the footage. DVRs take video directly from the cameras over coaxial cable and then process it for recording. NVRs are similar but they do not process video, and instead catalog and store video that Internet Protocol (IP) cameras stream to the NVR. In more technical terms, a DVR encodes and stores video signals, while an NVR stores video that a camera encodes. NVR systems rely on newer, more advanced technology and offer higher image/video quality (among other benefits) than a DVR at the same resolution. Adding language that contemplates NVRs or equivalent systems to the existing DVR standards specified in the regulations is necessary to ensure that as cardroom business licensees transition to digital systems, as needed, they have flexibility in selecting a DVR, NVR, or equivalent system meeting specified requirements. Use of these systems will better assist the Bureau in conducting investigations.

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. Since the existing regulations became effective, digital storage devices have become a superior, more reliable, affordable, and climate-conscious option to analog storage systems [e.g., VHS tapes] and DVDs, which are more prone to degradation and damage over time. Digital storage devices are now extremely portable and have the capability of storing more data than a single DVD or VHS, with a smaller footprint. They also provide a more efficient and faster means of copying and storing data and are not susceptible to scratches that can easily occur on DVDs, which can corrupt and make data inaccessible. Adding portable digital storage devices as an option for copying and storing surveillance media is necessary to take into account technological advancements that have improved how information can be accessed, copied, and stored.

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 should be 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. The additional proposed requirements are necessary to ensure the Bureau is provided with viewable surveillance recordings of sufficient quality. Further, allowing the cardroom business licensee to either provide the Bureau with any software necessary to view a recording *or* provide the recording in an acceptable format, appropriately takes into account potential issues with licensing fees and rights concerning the use of proprietary software, making compliance less onerous on a cardroom business licensee while ensuring the goal of the requirement is still achieved. These additional requirements address Bureau agent comments made at the April 2016 GPAC meeting, in which Bureau agents expressed concerns with the ability to download and view video recordings and the clarity and quality of the recordings, indicating that the Bureau has difficulty viewing approximately 50 percent of surveillance recordings. The proposed language is necessary to better assist the Bureau in conducting investigations of alleged illegal activities and to further protect the health, safety, and welfare of the public.

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. The change is necessary to address challenges cited by GPAC members in regards to difficulty in mounting cameras inside or outside of the entrances and exits of certain gambling establishments based on existing layouts. Further, requiring the use of dedicated cameras provides tighter surveillance controls by ensuring the entrances and exits are monitored and recorded at all times and that every person entering and exiting can be clearly identified. The proposed change is necessary to strengthen the Bureau’s ability to conduct investigations by clearly identifying persons of interest that may be associated with criminal activity, as well as provide additional protection to the public.

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). The additional specificity is necessary to meet the intent of the requirement, better assist the Bureau in conducting investigations of alleged illegal activities, further safeguard the cardroom business licensee’s assets, protect patrons and their property, and maintain the integrity of controlled gambling.

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. The additional and more specific requirements address Bureau agent comments made at the April 2016 GPAC meeting concerning issues with viewing copies of poor quality surveillance recordings. The proposed change is necessary to strengthen the Bureau’s ability to conduct investigations and identify vehicles of interest that may be associated with criminal activity, as well as provide additional protection to the public.

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) and as such, existing subsection (d) is no longer necessary. 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 minimum surveillance standards required for the policies and procedures of Tier V cardroom business licensees (discussed above) additionally applicable to Tier IV cardroom business licensees.

Requiring a separate surveillance unit with dedicated employees for Tier IV cardroom business licensees is necessary to establish a foundation for strong internal controls and to provide a more robust safety net. Well-trained surveillance operators provide an additional layer of safety by attentively watching surrounding parking lots, suspicious persons, and sensitive areas within the gambling establishment (e.g., count room, cage, vault, etc.), in addition to monitoring the entire drop box collection process which is currently required of Tier IV cardroom business licensees. Further, unattended surveillance systems can only provide evidence after a crime or suspicious event occurs, with no opportunity for security personnel or law enforcement to intervene while such events are taking place. A secure surveillance room staffed with trained and experienced employees, solely responsible for surveillance functions and the monitoring of gambling operations during all hours of operation is necessary to better protect these larger-sized gambling establishments, their patrons, and the state, bolstering the industry's legitimacy and integrity. Additionally, requiring Tier IV cardroom business licensees to maintain the same security activity log required of Tier V cardroom business licensees provides these substantially sized cardrooms with detailed records that can be utilized to better assist the Bureau and other law enforcement agencies in their investigations. Further, requiring each gaming table to have a dedicated surveillance camera provides an additional layer of safety and security and benefits all gambling establishments in further safeguarding assets, protecting patrons and their property, and maintaining the integrity of games and gaming. In general, the changes to add Tier IV cardroom business licensees to the requirements previously reserved for Tier V cardroom business licensees are necessary to ensure California remains a leader in providing and maintaining a safe and well-regulated controlled gambling industry, consistent with the requirements of other comparable states. Further, the amendments will improve the capabilities of security and law enforcement investigations, providing better protections for the health, safety, and welfare of the public and maintaining the integrity of California's controlled gaming industry. In turn, this should increase public trust in gaming throughout California.

California gambling establishments are unique in operation with the involvement of licensed third-party providers of proposition player services businesses. Gambling establishments in California generate revenue strictly from collections rather than wins and losses. Thus, table-to-table comparisons with other state jurisdictions are not necessarily accurate. Depending on the method of collection, and betting limits, a California gaming table may generate more or less revenue than a comparable game in another state. On average, California's Tier IV cardroom business licensees generate approximately \$10 million in gross gaming revenues per year on the low end, and upwards of \$70 million per year on the high end. Nevada's requirement for a separate surveillance unit applies to its Category A and B licensees with gross revenues of \$15 million or more, while other states require licensees to establish a separate surveillance unit with dedicated employees, regardless of gross revenue amounts and the number of gaming tables. As such, requiring California's Tier IV cardroom business licensees to have a separate surveillance unit is more consistent with other states' standards for gambling surveillance.

Additionally, 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. Further, the cardroom business licensee is required to notify the Bureau in writing within five calendar days after utilizing the contingency plan option. Providing the exception to utilize a contingency plan if specific criteria are met is necessary to accommodate the smaller staffing levels that Tier IV cardroom business licensees may have compared to Tier V cardroom business licensees, and ensures Tier IV cardrooms will not have to shut down gambling operations if a surveillance employee is unavailable due to unforeseen exigencies. This exception is consistent with the Business and Professions Code section 19840 requirement that the Commission take into consideration the operational differences of large and small establishments when adopting regulations. Further, requiring submission of the contingency plan to the Bureau with a 30 calendar day review timeline is necessary to provide the Bureau an adequate notice and review period. Requiring the Bureau to notify the requestor only if the contingency plan is disapproved, is necessary to provide a streamlined process for approval without unnecessarily burdening the Bureau with additional workload in issuing writing approval notices. Lastly, requiring the cardroom business licensee to notify the Bureau within five calendar days of utilizing a contingency plan is necessary so the Bureau can verify the cardroom business licensee has utilized their contingency plan in accordance with the minimum requirements.

REQUIRED DETERMINATIONS

LOCAL MANDATE:

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

UNDERLYING DATA:

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

BUSINESS IMPACT:

The Commission has made a determination that the proposed regulatory action would have no significant statewide adverse economic impact directly affecting 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 and provide dedicated cameras for all gaming tables. The amendments also make necessary updates to the requirements 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.

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.

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.

SPECIFIC TECHNOLOGIES OR EQUIPMENT:

The proposed action mandates the use of specific technologies or equipment. Performance standards were considered and incorporated in the regulations where appropriate, such as requiring the use of cameras that have the ability to monitor and record with sufficient clarity. However, the capabilities of modern day video surveillance in controlled gaming are inherently dependent on the use of specific digital technologies and equipment to better prevent criminal activity from taking place and to ensure the quality of recorded evidence is sufficient for law enforcement agencies to be able to conduct thorough investigations. For this reason, the proposed regulatory amendments include requiring a sufficient number of cameras with the

ability to pan, tilt, and zoom in on games being conducted as well as the use of digital recording and storage equipment, which has the ability to provide high-resolution copies of recordings without any loss in quality (unlike analog based systems).

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.

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:

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. The Act requires the Commission to “prescribe” regulations for cardroom business licensees to adopt 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 and the provision of reliable records, operations, and events, including reports to the Bureau (Business and Professions Code section 19841, subdivision (h)). Additionally, the Act requires cardroom business licensees to maintain security controls over the gambling premises and all operations therein related to gambling, which are subject to the approval of the Commission (Business and Professions Code section 19924).