

Proposed Rule Changes:
WAC 230-30-052 Resident agent to be appointed by out-of-state applicants and licensees.
WAC 230-03-050 Additional information required from applicants for licensing.



October 2014 – Final Action
September 2014 – Study Session
August 2014 – Up for Discussion and Possible Filing
July 2014 – Study Session

ITEM 1 (a-b) on the October 2014 Commission Meeting Agenda.	Statutory Authority 9.46.070
Who proposed the rule change?	
Nathan Schreiner, Squaxin Island Representative, on behalf of the Little Creek Casino Resort.	
Proposed Change	
<p>The petitioner’s amendment would eliminate the requirement that out-of-state licensees who do not have a business office or licensed premise in the state designate a “natural person” as resident agent and provide a “home address” for the agent. The amendment would allow out-of-state licensees to use registered agent services with locations in the state.</p> <p>Additionally, housekeeping changes are proposed to replace “resident agent” with “registered agent” to mirror other statutory provisions relating to registered agents (e.g. RCW 23B.05.010).</p>	
Attachments:	
<ul style="list-style-type: none"> Petition for Rule Change dated May 7, 2014. 	
History of Rule	
<ul style="list-style-type: none"> The rule has been relatively unchanged since about 1974. The requirement for a “natural person” to have his/her home address filed with the Commission was intended to allow staff to complete service and delivery of documents within the state. The rule was created before registered agent services were available to out-of-state licensees and applicants. 	
Impact of the Proposed Change	
<p>This change would provide an alternative for out-of-state licensees to use registered agent services with locations in the state.</p> <p>Agency staff rarely personally serves out-of-state licensees. Service by mail is the normal method of service for organizations. Service of documents may be made via U.S. mail service or e-mail, including notices of hearing under the Administrative Procedure Act, RCW 34.05.434 (amended to include e-mail service of hearing notices in 2013).</p> <p>For many years, licensing staff have received complaints from applicants and licensees about not being able to use registered agent services.</p> <p>A Small Business Economic Impact Statement was not prepared because the proposed rule change does not impose additional costs.</p>	
Regulatory Concerns	
None.	
Resource Impacts	
<ul style="list-style-type: none"> Staff will save time by not having to follow-up on incomplete resident agent information and applications will be processed faster. Distributor, manufacturer and service supplier applications will need to be updated. 	

Policy Consideration
None.
Statements Supporting the Proposed Rule Change
None.
Statements Opposing the Proposed Rule Change
None.
Licensees/Stakeholders Directly Impacted By the Change
Out-of-state licensees.
Staff Recommendation
Adoption.
Proposed Effective Date for Rule Change
January 1, 2015.



Squaxin Island Legal Department

Mark Allen - mailen@squaxin.us
David Babcock - dbabcock@squaxin.us
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Nathan Schreiner - nschreiner@squaxin.us

Received

MAY 09 2014

Gambling Commission
Comm. & Legal Division

May 7, 2014

Washington State Gambling Commission
ATTN: Rules Coordinator
P.O. Box 42400
Olympia, Washington 98504-2400

Via U.S. Mail and Facsimile

PETITION FOR RULE CHANGE – RCW 34.05.330

To Whom It May Concern:

On behalf of the Little Creek Casino Resort, a wholly owned enterprise of the Squaxin Island Tribe, I request the Gambling Commission amend WAC 230-03-052 (“Resident agent to be appointed by out-of-state applicants and licensees”) to remove the requirements that a resident agent be a “natural person” and that the resident agent provide a “home address.” The requirements introduce unnecessary inconvenience and expense to key vendors at the Resort and go beyond what is necessary to serve the Rule’s stated purpose: to provide an in-state means of effecting service of process and other communications. The additional requirements in the Rule appear to be inconsistent with other state requirements for resident / registered / statutory agents, *see e.g.* RCW 25.15.020, 24.03.050, and the requirements appear to lack specific authorization under chapter 9.46 RCW. I would be happy to answer any questions or supplement this petition on request, and would be pleased to work with the Commission’s legal staff to develop appropriate draft amendments. I am available at nschreiner@squaxin.us or (360) 462-7102. Thank you for your consideration.

Sincerely,

Nathan Schreiner



Proposed Rule Change:
WAC 230-15-740 Preparing required financial statements.

October 2014 – Final Action
September 2014 – Study Session
August 2014 – Up for Discussion and Possible Filing
July 2014 – Study Session

ITEM 2 October 2014 Commission Meeting Agenda.	Statutory Authority 9.46.0282 9.46.070(12)(14)(21)
Who proposed the rule change?	
Staff.	
Proposed Change	
<p>The proposed change would allow house-banked card room licensees with gross receipts less than \$6 million to submit a financial statement that is reviewed, rather than audited, which is less expensive.</p> <p>Staff worked extensively with licensees on this proposal in 2013 and 2014 to come to this proposed rule change.</p> <p>Attachments:</p> <ul style="list-style-type: none"> • Stakeholder notification letter e-mailed to all house-banked card room licensees on June 18, 2014. • Responses supporting the petition. 	
History of Rule	
<p>2000 Implementation This rule originated in 2000 and originally required all house-banked card room licensees with gross receipts in excess of \$5 million to submit audited financial statements to the Commission.</p> <p>2004 Amendment In 2004, house-banked card rooms were concerned that Activity Reports showed only the net income/loss for a portion of their business, the card room, and did not show the activity for the whole business, such as losses in the food and beverage portion of the business. Licensees requested the Commission change the Activity Reports to require licensees to report income and expenses for their overall business entity. This was not a viable solution since the Commission did not have the resources to ensure the revenues and expenses reported for the overall business entity were accurate.</p> <p>As an alternative to increasing activity reporting requirements, this rule was amended to require all house-banked card room licensees to submit audited, reviewed, or compiled financial statements to the Commission. The type of financial statement required is based on the house-banked card room's gross receipts.</p> <p>2007 Amendment In 2007, the rule was amended to require financial statements submitted from all house-banked card rooms to be in a consistent format which has reduced staff time in both the Financial Investigations Unit and Field Operations. We have been able to quickly identify compliance problems after reviewing the financial statements of house-banked card rooms each year.</p> <p>Financial statements must be prepared by an independent, certified public accountant (CPA). The financial statements allow staff to monitor house-banked card rooms for undisclosed substantial interest holders, undisclosed loans, leases, and agreements, and overall compliance with the accounting and reporting rules.</p>	

Staff also uses the information reported in the financial statements as a way to assess the risk of noncompliance. Staff can then focus resources on the house-banked card rooms that we determine to be more of a risk and less time on those that maintain compliance.

The following is an excerpt from American Institute of CPAs describing the difference in the three different types of financial statements:

Audited financial statements provide the user with the auditor’s opinion that the financial statements are presented fairly, in all material respects, in conformity with the applicable financial reporting framework. The auditor is required to obtain an understanding of the entity’s internal control and assess fraud risk. The auditor also is required to corroborate the amounts and disclosures included in the financial statements by obtaining audit evidence through inquiry, physical inspection, observation, third-party confirmations, examination, analytical procedures and other procedures.

Reviewed financial statements provide the user with comfort that, based on the accountant’s review, the accountant is not aware of any material modifications that should be made to the financial statements. A review engagement involves the CPA performing procedures that will provide a reasonable basis for obtaining limited assurance that there are no material modifications that should be made to the financial statements for them to be in conformity with the applicable financial reporting framework. A review does not contemplate obtaining an understanding of the entity’s internal control; assessing fraud risk; testing accounting records; or other procedures ordinarily performed in an audit.

Compiled financial statements represent the most basic level of service CPAs provide with respect to financial statements. In a compilation engagement, the accountant assists management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Impact of the Proposed Change

This rule change would allow house-banked card room licensees with gross receipts less than \$6 million to submit a financial statement that is reviewed, rather than audited, which is less expensive.

For the past four reporting cycles (2009-2012) approximately 29 (50%) of the house-banked card rooms filed audited financial statements, 23 (41%) filed reviewed financial statements, and 5 (9%) filed compiled financial statements under the current rule.

With the rule change approximately 9 (16%) of the house-banked card room’s would have filed audited financial statements, 43 (75%) would have filed reviewed financial statements, and 5 (9%) would have filed compiled financial statements.

	2009-2012		With Rule Change	
	# of licensees	%	# of licensees	%
Audit	29	51%	9	16%
Review	23	40%	43	75%
Compiled	5	9%	5	9%
Total	57	100%	57	100%

Of the 53 house-banked card rooms who submitted financial statements for Fiscal Year (FY) 2012, 18 (34%) were owned by three separate publicly traded companies. Accordingly, they are already required to have audited financial statements prepared, based on SEC requirements. This translates to approximately 22 (41%) of the house-banked card room providing audited financial statements based either on house-banked card room gross receipts or SEC requirements.

The Recreational Gaming Association's members reported their costs for complying with this rule are as follows:

- **Audits** range from \$10,000 to \$18,000.
- **Reviews** range from \$6,000 and \$8,000.
- **Compilations** range from \$3,000 to \$5,000.

A Small Business Economic Impact Statement was not prepared because the rule change would not impose additional costs.

Regulatory Concerns

Minimal.

Resource Impacts

Minimal.

Policy Consideration

None.

Statements Supporting the Proposed Rule Change

Letters and e-mails from:

- Dolores A. Chiechi, Executive Director of the Recreational Gaming Association.
- Jenifer Copioli, Wizards Casino.
- Mark Greene and Lance Rinard, Lancer Lanes and Casino.
- Dave Magee, Hawks Prairie Casino.
- Victor Mena, Nevada Gold properties.

At the August 2014 Commission meeting, Victor Mena, President of the Recreational Gaming Association, spoke in support of the change.

Statements Opposing the Proposed Rule Change

None.

Licensees/Stakeholders Directly Impacted By the Change

House-banked card room applicants and licensees.

Staff Recommendation

Adoption.

Proposed Effective Date for Rule Change

Staff requests an effective date of 31 days from filing the adopted rule. This will allow licensees with gross receipts less than \$6 million for fiscal year ending December 31, 2014, to submit a financial statement that is reviewed, rather than audited.

Amendatory Section:

WAC 230-15-740 Preparing required financial statements.

Definitions.

(1) The following definitions apply to all subsections of this rule:

(a) "Financial statements" means documents, including, at least: Balance sheet, statement of income, statement of retained earnings or changes in equity, statement of cash flows, and all required notes or disclosures.

(b) "Card room gross receipts" means all receipts from all house-banked and nonhouse-banked card games offered by the house-banked card room.

(c) "Independent" means there is no relationship that may influence a certified public accountant's impartiality and objectivity in rendering services.

Filing with the commission.

(2) House-banked card game licensees must submit financial statements covering all financial activities of the licensees' business premises for each business year within one hundred twenty days following the end of their business year.

(3) We may authorize a sixty-day extension if a licensee submits a written request explaining the need for the extension.

Audited financial statements - Gross receipts of over three ~~six~~ million dollars.

(4) Licensees with house-banked card (~~game~~) room gross receipts of more than ~~three six~~ million dollars for the business year must hire an independent, certified public accounting firm licensed by the Washington state board of accountancy to audit the licensee's financial statements according to Generally Accepted Auditing Standards (GAAS).

Reviewed financial statements - Gross receipts of one to ~~three six~~ million dollars.

(5) Licensees with house-banked card room gross receipts of one to ~~three six~~ million dollars for the business year must hire an independent, certified public accounting firm licensed by the Washington state board of accountancy to review the licensee's financial statements according to the Statements on Standards for Accounting and Review Services (SSARS) or audit the licensee's financial statements according to GAAS.

Compiled financial statements - Gross receipts of less than one million dollars.

(6) Licensees with house-banked card room gross receipts of less than one million dollars for the business year must hire an independent, certified public accounting firm licensed by the Washington state board of accountancy to compile the licensee's financial statements according to SSARS or audit the licensee's financial statements according to GAAS. This compilation must include all required notes or disclosures on an accrual basis of accounting.

Financial statement preparation.

(7) Licensees must prepare financial statements on a comparative basis. For the first year of operation only, licensees do not have to submit comparative financial statements. Licensees must report gross revenues from each licensed activity separate and apart from all other revenues.

(8) All financial statements must be prepared in accordance with the United States' Generally Accepted Accounting Principles (GAAP).

Consolidated financial statements.

(9) Commonly owned or operated business premises may present consolidated financial statements. Licensees must include consolidated schedules presenting separate financial statements for each licensed card room location.

Change in business year.

(10) Licensees must notify us in writing within thirty days if they change their business year. Licensees must submit financial statements covering the period from the end of the previous business year to the end of the new business year.



STATE OF WASHINGTON
GAMBLING COMMISSION

P.O. Box 42400 • Olympia, Washington 98504-2400 • (360) 486-3440 • TDD (360) 486-3637 • FAX (360) 486-3632

June 18, 2014

Dear House-Banked Card Room Licensee:

NOTICE OF RULE MAKING

The Washington State Gambling Commission is starting the first stage of rule making to revise **WAC 230-15-740 Preparing required financial statements**. The proposed change would increase the dollar limit in determining the level of service required by a certified public accountant in preparing financial statements for house-banked card rooms.

This rule change will allow licensees with card room gross receipts of \$1 million to \$6 million to submit reviewed rather than audited financial statements. Licensees with card room gross receipts over \$6 million will be required to submit audited financial statements, while those with card room gross receipts less than \$1 million would continue to submit compiled financial statements.

The Gambling Commission encourages you to give input. Do you support or oppose the proposed rule change?

By mail:

Tina Griffin
Gambling Commission
P.O. Box 42400
Olympia, WA 98504-2400

By e-mail:

Tina.Griffin@wsgc.wa.gov

By fax:

(360) 486-3632

The proposed rule change will be discussed at the Study Session of the July 2014 Commission meeting. The meeting will be held at the July 11, 2014 at the Grand Mound Great Wolf Lodge, 20500 Old Highway 99 SW, Grand Mound, WA 98531. Commission meetings are open to the public and you are invited to attend. Please check our website (www.wsgc.wa.gov) a week in advance to confirm the date, time and location.



Post Office Box 1787 ♦ Olympia, WA 98507-1787 ♦ 360-352-0514 ♦ FAX 360-352-4579

June 17, 2014

Ms. Tina Griffin, Assistant Director
Licensing Operations Division
Washington State Gambling Commission
P.O. Box 42400
Olympia, WA 98504-2400

RE: Rule Change - Preparing required audited financial statements: WAC 230-15-740

Dear Ms. Griffin:

On behalf of our members, please accept this letter in full support of the changes to WAC 230-15-740 relating to preparing required audited financial statements. We appreciate staff's willingness to bring a suggested rule change before commissioners for a thorough discussion. We believe this change will assist many of our members and non-members alike.

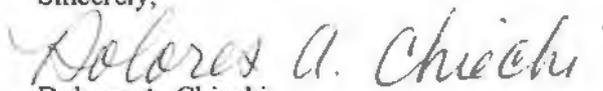
As we understand, the change would increase the dollar threshold of required audited financial statements from three to six million dollars; reviewed statements from one to six million; and compiled statements will remain for those less than one million dollars. This small change will result in cost savings for many licensees while keeping intact any regulatory need the commission and public has for the information.

When the rule was originally discussed and passed in 2003, the RGA was in support. We believed the level of detail obtained in these statements was a better reflection of the complete financial status of the industry, because they include all the expenses of operating a house-banked card room. While the RGA supported these requirements and the levels years ago, our industry has seen a decline in licenses and many licensees are experiencing reductions in revenues and severe increases in expenses.

We appreciated the extensive discussions that have taken place among our members and WSGC staff on this issue. We believe the suggested rule change will have a positive effect for many operators without reducing any aspect of the agency's regulations. We look forward to the opportunity to further discuss this rule change with Commissioners.

Thank you again for your willingness to have open dialogue on this and other rules directly impacting our industry. Please let me know if I may be of further assistance during this process.

Sincerely,


Dolores A. Chiechi
Executive Director

Attachments

UNITED WE STAND – DIVIDED WE FOLD

WWW.RGA-WA.ORG

Newer, Susan (GMB)

From: Jenifer Copioli [jen.copioli@wizardscasino.biz]
Sent: Monday, June 23, 2014 12:17 PM
To: Griffin, Tina (GMB)
Subject: Proposed Rule Change - WAC 230-15-740

Follow Up Flag: Follow up
Flag Status: Completed

We are in support of the proposed rule change. Thank you for letting us know.

--
Jenifer Copioli
Wizards Casino

Newer, Susan (GMB)

From: Mark and Patricia Greene [maloa@hotmail.com]
Sent: Wednesday, June 25, 2014 3:56 PM
To: Griffin, Tina (GMB)
Cc: Lance Rinard
Subject: FW: Washington State Gambling Commission Proposed Rule Change
Attachments: HBCR Financial Statement Stakeholder Ltr 06 18 2014 Final.doc; Audited Financial Rule ltr of support.pdf

Dear Ms. Tina Griffin of the W.S.G.C.,

I wanted to let you know that Lancer Lanes and Casino of Clarkston, Wa. is in full support of the changes the R.G.A. has suggested in regards to card rooms reporting their incomes to the Gambling Commission. Any way in which we can lower our current expenses and still achieve proper reporting of income to the State will help our diminishing industry survive. We hope that the Gambling Commission will see fit to vote in the rule changes that R.G.A. has proposed and save those of us still in the industry some reporting expense monies in the future.

Thank you,

Mark Greene
Lancer Lanes and Casino V.P./Sec. Treas.

Lance Rinard
Lancer Lanes and Casino President

From: DChiechi@rga-wa.org
To: DChiechi@rga-wa.org
Subject: FW: Washington State Gambling Commission Proposed Rule Change
Date: Wed, 25 Jun 2014 15:41:03 -0700

Greetings:

Please take a minute to send an email or a letter in support of the attached rule change. Please see the attached letter the RGA delivered.

WSGC staff has been working diligently with representatives of the RGA to make this change. In order to be successful in getting the rule changed, the Commission needs to see support from the card room industry. We expect this change will lower the expense for these services for many of our members (and non-members) come tax time next year.

Thank you in advance for your attention to and consideration of this request.

Dolores A. Chiechi
Executive Director
Recreational Gaming Association
PO Box 1787
Olympia, WA 98507-1787

Newer, Susan (GMB)

From: Dave Magee [dmagee@hawksprairiecasino.com]
Sent: Wednesday, June 25, 2014 4:34 PM
To: Griffin, Tina (GMB)
Subject: WAC 230-15-740

The Washington State Gambling Commission is starting the first stage of rulemaking to revise WAC 230-15-740 Preparing required financial statements. The proposed change would increase the dollar limit in determining the level of service required by a certified public accountant in preparing financial statements for house-banked card rooms.

I would like to voice my support for the rule change that will allow licensees with card room gross receipts of \$1 million to \$6 million to submit reviewed rather than audited financial statements and licensees with card room gross receipts over \$6 million to be required to submit audited financial statements and card room gross receipts less than \$1 million to submit compiled financial statements.

Dave Magee
General Manager
Hawks Prairie Casino
8318 Quinault Dr. N.E.
Lacey, Wa. 98516
(360)528-8888

Newer, Susan (GMB)

From: Victor Mena [VMena@wagoldcasinos.com]
Sent: Wednesday, June 25, 2014 4:21 PM
To: Griffin, Tina (GMB)
Subject: FW: Washington State Gambling Commission Proposed Rule Change
Attachments: HBCR Financial Statement Stakeholder Ltr 06 18 2014 Final.doc; Audited Financial Rule ltr of support.pdf

Hi Tina,

I am in support of this rule change no problem.

Thanks Victor



Victor Mena | VP WA Operations Nevada Gold, Chief Operating Officer WA Gold | VMena@wagoldcasinos.com | T: 425.264.1050 | F: 425.264.1063
711 Powell Ave SW, Suite 100 | Renton, WA 98057 | <http://www.wagoldcasinos.com>

This e-mail message and any attachments to it are intended only for the named recipients and may contain legally privileged and/or confidential information. If you are not one of the intended recipients, do not duplicate or forward this e-mail message.

From: Victor Mena [<mailto:vicmena@hotmail.com>]
Sent: Wednesday, June 25, 2014 4:20 PM
To: vmena@wagoldcasinos.com
Subject: FW: Washington State Gambling Commission Proposed Rule Change

From: DChiechi@rga-wa.org
To: DChiechi@rga-wa.org
Subject: FW: Washington State Gambling Commission Proposed Rule Change
Date: Wed, 25 Jun 2014 15:41:03 -0700

Greetings:

Please take a minute to send an email or a letter in support of the attached rule change. Please see the attached letter the RGA delivered.

WSGC staff has been working diligently with representatives of the RGA to make this change. In order to be successful in getting the rule changed, the Commission needs to see support from the card room industry. We expect this change will lower the expense for these services for many of our members (and non-members) come tax time next year.

Thank you in advance for your attention to and consideration of this request.



Proposed Rule Change:
WAC 230-15-295 Digital video recording equipment requirements.

October 2014 – Final Action
September 2014 – Study Session
August 2014 – Up for Discussion and Possible Filing
July 2014 – Study Session

ITEM 3 (a) on the October 2014 Commission Meeting Agenda.	Statutory Authority 9.46.070 9.46.0282
Who proposed the rule change?	
Staff.	
Proposed Change	
<p>The proposed change would require Class F and house-banked card room licensees' digital video recording and playback of images to have sufficient magnification and clarity to show fluid motion and allow the viewer to clearly distinguish the value of currency, coins, gaming chips, playing cards, and outcome of the game and effectively monitor in detail all areas requiring video coverage.</p> <ul style="list-style-type: none"> • Current Class F and house-banked card room licensees would only have to meet the new requirement when they install new digital recording equipment. • If a new Class F or house-banked card room opens, the digital recording equipment must meet the proposed requirements below. • Existing card rooms that are sold would not be required to meet these new standards until they install new equipment. <p>The rule requires the following:</p> <ul style="list-style-type: none"> • Each user must sign in with their own I.D. and password. • The system must have an audio or visual indication of a system malfunction. • The system must record the date and time when: <ul style="list-style-type: none"> ➢ Users log in and out of system; and ➢ Video signals from gaming cameras are interrupted and when connection is restored; and ➢ Video is recorded to removable storage media along with the date, time, and camera being copied including the user at the time; and ➢ System failure occurs; and ➢ Remote access to the system begins and ends along with the ability to identify the person or organization accessing the system and the files accessed during the remote access. <p>Staff worked with Class F and house-banked card room licensees on this rule change.</p> <p>WAC 230-15-295 (11), a comma was removed.</p> <p>Attachments: Small business economic impact statement. Stakeholder notification letter dated May 13, 2014.</p>	
History of Rule	
<p>WAC rules were revised in 2003 to allow the use of digital recording equipment to record video at Class F and house-banked card rooms. Prior to this, video was required to be recorded on VHS tapes. No material changes have been made to the digital surveillance requirements since their adoption in 2003.</p>	

The current rule sets a technical standard for resolution that does not always lead to the ability to clearly view images. There are many factors that affect the resolution and quality of the recorded images, such as recording speed, resolution, type of camera used, quality of the compression program and processing speed. Under the proposed rule, licensees would need to meet the requirements in new subsection (d) of the rule.

Impact of the Proposed Change

New Class F and house-banked card rooms will be required to meet the new requirements. Existing card rooms including card rooms that are sold will have to meet these requirements if they purchase new digital video recording equipment.

According to a service supplier that installs digital surveillance equipment, most new equipment has the capability to meet the new requirements at no additional cost. Malfunction alarms, the capability of producing an equipment log showing the users and types of actions being conducted and requiring each user to have a separate login and password are common features with new equipment.

Licensees with equipment older than ten years may have to purchase new equipment because their existing equipment is no longer serviceable. A system being used in six card rooms in the state will no longer be serviced by the company after 2016.

See attached Small Business Economic Impact Statement.

Regulatory Concerns

Staff has identified problems with the current requirements for digital video recording equipment. Under the current rule, different equipment may produce a wide range of quality in the recorded image. Over the past two years, there have been eight instances where cheating cases have not been pursued because the video recording did not have sufficient clarity even though the equipment was compliant with current standard of recording at 25 frames per second with a resolution of 320 x 240.

The proposed digital video recording equipment requirements would establish safeguards for video recordings and ensure equipment has sufficient resolution to pursue investigations.

Commission staff currently relies on the licensee to manually document digital video recording equipment malfunctions and the surveillance room sign-in log to verify proper access into the equipment. The proposed requirements will provide greater assurance the equipment is being operated by authorized individuals and identify malfunctions that could compromise required data or coverage.

Other Jurisdictions: Staff reviewed Nevada, South Dakota and New Jersey equipment requirements. Nevada and New Jersey were still operating under their rules prior to the use of digital video recording equipment or had very minimal requirements. Staff used the language from South Dakota's rule for clarity standards in the rule change proposal.

Resource Impacts

Impact to staff would be minimal. Compliance checks may consist of reviewing electronic logs on digital video recording equipment rather than a manual record. No additional resources would be needed if this rule change is made.

Policy Consideration

None.

Statements Supporting the Proposed Rule Change

None.

Statements Opposing the Proposed Rule Change
None.
Licensees/Stakeholders Directly Impacted By the Change
Class F and house-banked card rooms, and manufacturers and service suppliers of digital surveillance equipment.
Staff Recommendation
Adoption.
Proposed Effective Date for Rule Change
January 1, 2015.

Amendatory Section:

WAC 230-15-295 Digital video recording equipment requirements.

Digital recording, including audio recording where required, using ((a)) digital video recording and storage system, must:

- (1) Record all images on a hard drive; and
- (2) Lock so that access to the erase and reformat functions and system data files is restricted to persons authorized in the internal controls; and
- (3) Provide uninterrupted recording of surveillance, during playback or copying. Licensees may use motion-activated recording; and
- (4) Be capable of copying original images maintaining the original native format; and
- (5) Be stored at a rate of not less than twenty-five images per second; and
- (6) Record images at a minimum resolution of 320 x 240 and display during playback at a minimum resolution of 640 x 480 or meet subsection (11)(d) of this section; and
- (7) Store images in a format that is readable by our computer equipment; and
- (8) Store images in a format that we can verify and authenticate; and
- (9) Include the accurate time and date the video was originally recorded on the recorded images; and
- (10) Be equipped with an uninterruptible power source to allow a proper system shutdown.
- (11) Meet the additional requirements in this subsection ((a)) if you open a new Class F or house-banked card room using digital video recording equipment or install new digital video recording equipment in your existing Class F or house-banked card room. However, if you buy an existing card room you will not be required to meet these requirements until you install new digital video recording equipment.

(a) Each user must have a sign in with a unique ID and password that is not shared with other users; and

(b) Have an audio or visual indication of a malfunction; and

(c) Digital video recording equipment must track at least the following functions, which are available to us and a person designated by the licensee to oversee the equipment (system administrator) by a menu button on the digital video recording system:

i. Date and time users log in and out; and

ii. Date and time when video signals from gaming cameras are interrupted and when connection is restored; and

iii. Date, time, and user when video is recorded to removable storage media along with the date, time, and camera being copied; and

iv. Date and time when the equipment fails to record video or audio when required; and

v. Date and time when remote access to equipment begins and ends along with the ability to identify the person or organization accessing the equipment and the files accessed during the remote access.

(d) Record and playback images with sufficient magnification and clarity that shows fluid motion and allows the viewer to clearly distinguish the value of currency, coins, gaming chips, playing cards, and outcome of the game and effectively monitor in detail all required areas.

**Small Business Economic Impact Statement – RCW 19.85.040
Washington State Gambling Commission**

Date: August 2, 2014

Rules Package: WAC 230-15-295 Digital video recording equipment requirements.

Involvement of Small Businesses: All licensees impacted by this proposal were provided notification of the proposed changes by e-mail on May 13, 2014. Staff worked with the Recreational Gaming Association, an industry group for card rooms, on this proposal. Notice was published in the June 2014 editions of our Focus on Gambling newsletter and Card Room Connection newsletter, which are posted on our website and mailed to licensees impacted by this proposal. The proposal was discussed at the July 11, 2014, Study Session in Grand Mound, Washington. This process provided small businesses opportunities in the development of the new rule. To date, we have received no objections to this proposal.

1. Description of the reporting, record keeping and other compliance requirements of the proposed rule.

- Current Class F and house-banked card room licensees would only have to meet the new requirement when they install new digital recording equipment.
- If a new Class F or house-banked card room opens, the digital recording equipment must meet the proposed requirements below.
- Existing card rooms that are sold would not be required to meet these new standards until they install new equipment.
- The proposed change would also require:
 - Video recording and playback of images to have sufficient magnification and clarity to show fluid motion and allow the viewer to clearly distinguish the value of currency, coins, gaming chips, playing cards, and outcome of the game and effectively monitor in detail all areas requiring video coverage.
 - Each user to sign in with their own ID and password.
 - Surveillance systems to have an audio or visual indication of a system malfunction.
 - Surveillance systems to record the date and time when:
 - Users log in and out of system; and
 - Video signals from gaming cameras are interrupted and when connection is restored; and
 - Video is recorded to removable storage media along with the date, time, and camera being copied including the user at the time; and
 - System failure occurs; and
 - Remote access to the system begins and ends along with the ability to identify the person or organization accessing the system and the files accessed during the remote access.

2. Kinds of professional services that a small business is likely to need in order to comply.

Card room licensees would likely require the use of a licensed service supplier that specializes in installing digital video surveillance equipment.

3. The actual costs to small business of compliance, including costs of equipment, supplies, labor and increased administrative costs.

There is no cost for existing card-rooms to meet the proposed changes if they continue to use their current digital video or analog recording equipment.

However, when a card room does replace their digital video equipment they may have additional cost if they also need to purchase new cameras to meet the rule requirements. Some cameras currently in use may work with new digital video equipment but will not give the required clarity that is needed to meet the new rule requirements. These cameras would need to be replaced.

The cost of a new camera is approximately \$200. Labor to install each camera is \$100 - \$200. Card rooms would need at least one camera for each card table, one for the count area, and one for the cage.

4. Whether compliance with the rule, based on feedback received from licensees, will cause businesses to lose sales or revenue.

There are no recordkeeping, reporting, or compliance requirements that will impose additional costs on our current licensees. The type of video recording equipment a card room uses has no relationship to revenue. We do not believe it will cause card rooms to lose revenues.

5. A determination of whether the proposed rule will have a disproportionate impact on small businesses.

Card rooms would likely need to hire a licensed service supplier to install new cameras. Installation labor costs per hour are \$50-\$75. It would take 1-2 hours to install each camera. Card rooms impacted range from the largest with \$13,495,742 in gross receipts in 2013 to \$336,804 for the smallest. The cost per hour of labor is the same regardless of the size of the card room. Because the costs are the same for all card rooms, if a card room chose to hire a licensed service supplier, the financial impact would be greater on a smaller, versus a larger card room. Therefore, the cost of compliance could have a disproportionate impact on small businesses.

6. **Steps taken by the agency to reduce the costs of the rule on small businesses or reasonable justification for not doing so. Agencies “must consider, without limitation, each of the following methods of reducing the impact of the proposed rule on small businesses:”**
- a. **Reducing, modifying, or eliminating substantive regulatory requirements;**
We are not requiring current licensees to comply with the new requirements unless they choose to purchase and install new digital video equipment.
 - b. **Simplifying, reducing, or eliminating recordkeeping and reporting requirements;**
There are no immediate requirements for current licensees. If a licensee chooses to install new digital video recording it must have the features to meet the requirements.
 - c. **Reducing the frequency of inspections;**
There will be no additional inspections because of this rule change.
 - d. **Delaying compliance timetables;**
Current licensees are not required to meet the new requirements until they choose to purchase and install new digital video equipment.
 - e. **Reducing or modifying fine schedules for noncompliance; or**
We usually don't fine licensees for the first incident of noncompliance. Licensees are typically given verbal and written warnings before fines are considered for noncompliance.
 - f. **Any other mitigation techniques including those suggested by small businesses or small business advocates.**
We have not had the opportunity to receive suggestions yet. We will consider any we receive.

7. **A description of how the Gambling Commission will involve small businesses in the development of the rule.**

All rules are discussed at Study Session(s) before they are up for discussion and possible filing by the Commissioners. The purpose of these Study Sessions is to get input from the industry. This rule was discussed at the July 2014 Study Session.

8. **A list of industries that will be required to comply with the rule.**

7132. There are approximately 56 house-banked and class F card rooms (gambling establishments) that would be required to comply with this rule.

9. **An estimate of the number of jobs that will be created or lost as the result of compliance with the proposed rule.**

We do not believe the proposed rule change will result in the creation or loss of any jobs.



STATE OF WASHINGTON
GAMBLING COMMISSION

"Protect the Public by Ensuring that Gambling is Legal and Honest"

May 13, 2014

To: House-banked card rooms, Class F card rooms, and manufacturers, distributors and gambling service supplier licensees of digital video recording equipment.

Subject: **NOTICE OF PROPOSED CHANGES TO CARD GAME RULES**
WAC 230-15-295 Digital video recording equipment requirements.

The Washington State Gambling Commission has entered into the initial stage of rule making to revise WAC 230-15-295. See page three for the full text of the proposed rule change.

Staff is proposing to revise the digital video recording equipment rule for Class F and house-banked card rooms. Existing card rooms would only have to meet the new requirements if they buy new digital video recording equipment. New card rooms would have to meet these new requirements. The proposed changes would require:

- Video recording and playback of images to have sufficient magnification and clarity to show fluid motion and allow the viewer to clearly distinguish the value of currency, coins, gaming chips, playing cards, and outcome of the game and effectively monitor in detail all areas requiring video coverage.
- Each user must sign in with their own ID and password.
- The system must have an audio or visual indication of a system malfunction.
- The system must record the date and time when:
 - Users log in and out of system; and
 - Video signals from gaming cameras are interrupted and when connection is restored; and
 - Video is recorded to removable storage media along with the date, time, and camera being copied including the user at the time; and
 - System failure occurs; and
 - Remote access to the system begins and ends along with the ability to identify the person or organization accessing the system and the files accessed during the remote access.

Please see our website under Rules and Laws / Notification Letters to view the Small Business Economic Impact Statement.

Amendatory Section:

WAC 230-15-295 Digital video recording equipment requirements.

Digital recording, including audio recording where required, using ((a)) digital video recording and storage system, must:

- (1) Record all images on a hard drive; and
- (2) Lock so that access to the erase and reformat functions and system data files is restricted to persons authorized in the internal controls; and
- (3) Provide uninterrupted recording of surveillance, during playback or copying. Licensees may use motion-activated recording; and
- (4) Be capable of copying original images maintaining the original native format; and
- (5) Be stored at a rate of not less than twenty-five images per second; and
- (6) Record images at a minimum resolution of 320 x 240 and display during playback at a minimum resolution of 640 x 480 or meet (11)(d) below; and
- (7) Store images in a format that is readable by our computer equipment; and
- (8) Store images in a format that we can verify and authenticate; and
- (9) Include the accurate time and date the video was originally recorded on the recorded images; and
- (10) Be equipped with an uninterruptible power source to allow a proper system shutdown.
- (11) Meet the additional requirements below, if you open a new Class F or house-banked card room using digital video recording equipment or install new digital video recording equipment in your existing Class F or house-banked card room. However, if you buy an existing card room you will not be required to meet these requirements until you install new digital video recording equipment.
 - (a) Each user must have a sign in with a unique ID and password that is not shared with other users; and
 - (b) Have an audio or visual indication of a malfunction, and
 - (c) Digital video recording equipment must track at least the following functions, which are available to us and a person designated by the licensee to oversee the equipment (system administrator) by a menu button on the digital video recording system:
 - i. Date and time users log in and out; and
 - ii. Date and time when video signals from gaming cameras are interrupted and when connection is restored; and
 - iii. Date, time, and user when video is recorded to removable storage media along with the date, time, and camera being copied; and
 - iv. Date and time when the equipment fails to record video or audio when required; and
 - v. Date and time when remote access to equipment begins and ends along with the ability to identify the person or organization accessing, the equipment and the files accessed during the remote access.
 - (d) Record and playback images with sufficient magnification and clarity that shows fluid motion and allows the viewer to clearly distinguish the value of currency, coins, gaming chips, playing cards, and outcome of the game and effectively monitor in detail all required areas.



Proposed Rule Changes:
 WAC 230-06-045 Conducting gambling activities on licensed business premises only.
 WAC 230-11-105 Retain and store raffle records.

October 2014 – Final Action
 September 2014 – Study Session
 August 2014 – Up for Discussion and Possible Filing
 July 2014 – Study Session

ITEM 4 (a-b) on the October 2014 Commission Meeting Agenda.	Statutory Authority	9.46.070 9.46.0277
Who proposed the rule change?		
Staff.		
Proposed Change		
<p>During staff's review of the raffle rules, these two rules were identified as needing amendments to bring them in-line with current agency practice.</p> <p>WAC 230-06-045: This rule requires licensees to conduct all gambling activities on the licensed premises with the exception of raffle ticket sales. The proposed change would allow all aspects of a raffle to be conducted off the licensed premises not just ticket sales. Currently most raffle drawings do not take place on the licensed premise and some cannot be conducted there, like the alternative format duck race raffles.</p> <p>WAC 230-11-105: This rule states that organizations operating raffles that do not have an administrative or business office must have a records custodian that resides in Washington State. The proposed change would clarify the records custodian is responsible for retaining all raffle records in Washington State after the raffle has been completed. The change would require the name, address, and phone number of the records custodian to be reported to us.</p> <p>Organizations may maintain raffle records outside the state of Washington if they submit a written request. The proposed change requires organizations to include the following in their request:</p> <ul style="list-style-type: none"> • The reason records need to be maintained outside of the state of Washington; • Address where records will be maintained; and • Name, address, and telephone number of the records custodian. <p>The proposed change also requires records approved to be maintained outside of Washington State to be delivered to us within seven days of our request.</p>		
History of Rule		
<p>WAC 230-06-045 and WAC 230-11-105 have not been changed since they were revised as part of the agency's rules simplification project in 2008.</p>		
Impact of the Proposed Change		
<p>The proposed change to WAC 230-06-045 will bring the rule into agreement with the current practice of allowing raffle licensees to conduct drawings at a location other than their licensed premises. Some raffle licensees have their headquarters located out-of-state, others have either a small office or no office at all and others conduct drawings as part of a bigger event not held at their office.</p> <p>The proposed changes to WAC 230-11-105 clarify the current practice of requiring raffle records to be maintained in Washington State unless we grant approval to maintain the records out-of-state. The changes also require organizations to tell us where the records will be maintained and the name, address, and phone number of the records custodian. If organizations are approved to keep their records out of state they must deliver them to us within seven days of our request.</p>		

A Small Business Economic Impact Statement was not prepared because the rule change would not impose additional costs.
Regulatory Concerns
When an organization is based out of state not knowing where the records are or the person responsible for maintaining them can make inspections and investigations difficult. This change will clarify that organizations are required to provide us with that information. There are no regulatory concerns with allowing raffle drawings to take place at other than the licensed premises. Raffle rules are required to include the date, time, and location of the drawing.
Resource Impacts
None.
Policy Consideration
None.
Statements Supporting the Proposed Rule Change
None.
Statements Opposing the Proposed Rule Change
None.
Licensees/Stakeholders Directly Impacted By the Change
Licensed and unlicensed raffles.
Staff Recommendation
Adoption.
Proposed Effective Date for Rule Change
January 1, 2015.

Amendatory Sections:

WAC 230-06-045 Conducting gambling activities on licensed business premises only.

- (1) Licensees must conduct all gambling activities, except for raffles ~~((ticket sales,))~~ on the licensed business premises.
- (2) Charitable or nonprofit organizations licensed to conduct bingo and punch board and pull-tab games may sell punch boards and pull-tabs to customers of a licensed card room if the charitable or nonprofit organization:
 - (a) Shares a common wall with the card room; and
 - (b) Controls all doors, counters, or windows allowing customer access through the common wall between the two premises and the charitable or nonprofit organization can securely close and lock the doors, counters, or windows; and
 - (c) Keeps and sells the punch board and pull-tab games and redeems prizes only on their licensed business premises. Punch board and pull-tab players may take already purchased punch boards and pull-tabs into the card room area; and
 - (d) Allows only its employees to sell the punch board and pull-tabs; and
 - (e) Posts signs at the door, window, or counter common to the two business premises that clearly notify customers of the organization's identity.

WAC 230-11-105 Retain and store raffle records

- (1) Records for unlicensed raffles must be kept for one year following the date of the raffle drawing.
- (2) Records for licensed raffles must be kept for three years from the end of the licensees' fiscal year in which the raffle was completed.
- (3) Organizations must keep all records at the main administrative or business office of all organizations that are located in Washington and have the records available for our review or audit.
- (4) Organizations that do not have an administrative or business office must have and designate a records custodian that resides in Washington. The records custodian is responsible for retaining all raffle records in Washington state after the raffle has been completed. The organization will provide us with the following information:
 - (a) The name, address and telephone number of the records custodian; and
 - (b) The address of the location where records will be maintained.
- (5) We may allow an organization to maintain records outside the state of Washington if the organization submits a written request. We may withdraw this permission at any time. The request must include the following information:
 - (a) The reason records need to be maintained outside of the state of Washington;
 - (b) The name, address, and telephone number of records custodian.
 - (c) The address of the location where records will be maintained;
- (6) Records approved to be maintained outside of the state of Washington must be delivered to us within seven days of our request.