

INITIAL STATEMENT OF REASONS

PROBLEM STATEMENT

SB 549 added section 320.6 to the Penal Code, authorizing major league sports raffles at a home game conducted by an eligible organization, as defined, where 50% of the gross receipts generated from the sale of raffle tickets are used to benefit or provide support for beneficial or charitable purposes, as defined, the other 50% is paid to the winner, and the winners of the prizes are determined by a manual draw, as specified. Eligible organizations are required to register annually with the Department, and annually file information for each of the eligible organization's last three fiscal years. Authority is vested in the Department to register eligible organizations that wish to conduct a raffle authorized under this statute. The statute prohibits an eligible organization from conducting a raffle, and a manufacturer or distributor of raffle-related products or services from conducting business with an eligible organization for purposes of conducting a raffle pursuant to these provisions, without first having obtained and thereafter maintained a registration from the Department, as specified. Once registered, the statute requires an eligible organization to file annually thereafter with the Department a report that includes specified information for each of the eligible organization's last three fiscal years, and requires the Department to make those reports available online, as provided. The statute will sunset on December 31, 2018.

The Department initiated the emergency rulemaking process in April 2016, establishing the regulatory framework necessary to implement section 320.6 of Penal Code. In the weeks since the rulemaking has taken effect, the Department has started registering eligible organizations, affiliated persons, raffles, and manufacturers or distributors of raffle-related products or services. The Bureau sought and received an extension of the finding of emergency issued by the Office of Administrative Law in order to afford it additional time to initiate the formal rulemaking. Formal rulemaking to make permanent the emergency regulations enacted is now required. The Bureau proposes changes to the text of the emergency regulations; however, all text should be considered new and subject to public comment as part of this formal rulemaking.

BENEFITS

The proposed regulations will increase public safety by establishing a comprehensive regulatory and registration framework for the Major League Sports Raffle Program. Specifically, the proposed regulations make permanent, with minimal changes, the emergency regulations established in April 2016.

PURPOSE AND NECESSITY

Article 8. Major League Sports Raffle Program

Section 2080 Title and Scope

This section establishes the article's title and scope. It references the authorizing statute that requires these regulations to be promulgated by the Department. It declares the scope of the regulations by naming the person(s) that are subject to them. It provides that the Bureau of Gambling Control (Bureau) within the Department will carry out the registration, auditing, oversight, and enforcement functions prescribed in

the regulations. Finally, this section provides a title for ease of reference by the Bureau and the regulated community.

Section 2081 Definitions

This section establishes the definitions that apply to the article. Definitions are necessary to provide scope of the persons or organizations subject to the regulations; identify the scope of the program; define terms of art associated with aspects of this program which differ from similarly used terms; define terms that are not defined in statute, but, are nonetheless required in order to define and implement this new program; and, to provide context to types of roles of persons who perform functions associated with the conduct of this new type of raffle in the state.

Definitions

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Subdivision (a) defines the term “affiliated person.” This definition is necessary to identify the titles of the positions of the persons who are included in that term.

Subdivision (b) defines the term “affiliated sports team.” This definition is necessary to identify the specified sports organizations whose nonprofits organizations established by or affiliated with these sports organizations could apply for registration with the Bureau.

Subdivision (c) defines the term “affiliated association.” This definition is necessary to identify the specified sports associations whose nonprofits organizations established by or affiliated with these sports associations could apply for registration with the Bureau.

Subdivision (d) defines the term “annual” or “annually.” This definition is necessary to provide context to the term of registrations pursuant to this regulatory proposal.

Subdivision (e) defines the term “approval.” This definition is necessary to provide clarity to the use of the word “approval” that appears five times in section 2132 of these regulations. This definition is also necessary to define a term that is not specifically defined in the operative statute, but, is nonetheless required in order to define and implement this new program.

Subdivision (f) defines the term “Bureau.” This definition is necessary identify the entity within the Department of Justice whose responsibility is vested authority and responsibilities related to Penal Code section 320.6.

Subdivision (g) defines the term “calendar year.” This definition is necessary to provide context to the term of registrations pursuant to this regulatory proposal. This definition is also necessary to ensure that all approvals issued pursuant to this regulatory proposal have a consistent termination.

Subdivision (h) defines the term “counterfoil.” This definition is necessary to differentiate between the ticket sold and provided to the purchaser from the matching ticket that is generated which, together with other generated tickets, is placed into a container for possible selection during the manual draw.

Subdivision (i) defines the terms “count and reconciliation team.” This definition is necessary to define those persons who are responsible for receiving cash and credit transaction information from the ticket sellers, performing a tabulation of these transactions, and reconciling this information with the number of tickets sold.

Subdivision (j) is new text and defines the “Department of Justice’s Major League Sports Raffle Program” or the “Major League Sports Raffle Program.” This definition is necessary define and provide scope of this program administered by the Department of Justice.

Subdivision (k) is renumbered from subdivision (j) and defines the term “direct seller.” This definition is necessary to provide context to the term that is only partially defined in statute as well as the specific role associated with the term.

Subdivision (l) is renumbered from subdivision (k) and defines the term “draw number.” This definition is necessary because it is a commonly used term in the operation of raffles.

Subdivision (m) is renumbered from subdivision (l) and, defines the term “electronic raffle system.” This definition is necessary as a commonly used term in the operation of raffles.

Subdivision (n) defines the term “eligible organization.” This definition was amended to better reflect the scope of the term as outlined throughout Penal Code section 320.6, and includes additional language providing that the eligible organization be registered and current with the Attorney General’s Registry of Charitable Trusts throughout the registration period. This definition is necessary to define a term of art associated with this program which differs from a similarly used term in other programs.

Subdivision (o) is renumbered from subdivision (m) and defines the term “eligible recipient organization.” This definition was amended with additional language providing that an eligible recipient organization be registered and current with the California Attorney General’s Registry of Charitable Trusts at the time of the registered event registration. This definition is necessary because statute provides that an organization benefitting from the conduct of raffles can be an organization other than the eligible organization conducting the raffle. This amendment is necessary to ensure

that eligible organizations and potential recipient eligible organizations are aware of the requirement for registration with the Registry of Charitable Trust and current status as a threshold for registration under this program.

Subdivision (p) is renumbered from subdivision (o) and defines the term “fee.” This definition was amended to better reflect the Department’s authority to assess and collect a fee, pursuant to Penal Code section 320.6. This definition is necessary to define the term.

Subdivision (q) is renumbered from subdivision (p) and defines the term “fiduciary.” This definition is necessary to provide a title to the role of the person designated by the eligible organization to perform functions on its behalf under these regulations.

Subdivision (r) is renumbered from subdivision (q) and defines the term “home game.” This definition is amended to include the game commonly known as the “All Star Game” if held at a venue where an affiliated sports team plays the majority of its scheduled games. This definition is necessary to define a term that is not specifically defined in the operative statute, but, is nonetheless required in order to define and implement this new program, as well as provide scope to the term in its application.

Subdivision (s) is renumbered from subdivision (r) and defines the term “independent gaming test laboratory.” This definition is necessary to define a term that is not specifically defined in the operative statute, but, is nonetheless required in order to define and implement this new program.

Subdivision (t) is renumbered from subdivision (s) and defines the term “manual draw.” This definition is necessary to define a term that is not specifically defined in the operative statute, but, is nonetheless required in order to define and implement this new program. This definition is also necessary because it is a commonly used term in the operation of raffles.

Subdivision (u) is renumbered from subdivision (t) and defines the term “manual draw supervisor.” This definition is necessary to define a term that is not specifically defined in the operative statute, but, is nonetheless required in order to define and implement this new program.

Subdivision (v) is renumbered from subdivision (u) and defines the term “person.” This definition is necessary to define a term that is not specifically defined in the operative statute, but, is nonetheless required in order to define and implement this new program.

Subdivision (w) is renumbered from subdivision (v) and defines the term “prize.” This definition is necessary to define a term associated with this program, but, which differs from a similarly used term in other programs.

Subdivision (x) is renumbered from subdivision (w) and defines the term “raffle.” This

definition is necessary to define a term associated specifically with this program and according to statute which differs from how it is used in other statutes or programs. Subdivision (y) is renumbered; previously subdivision (x) defines the term “raffle draw number.” This definition is necessary as a commonly used term in the operation of raffles.

Subdivision (z) is renumbered from subdivision (y) and defines the term “raffle player.” This definition is necessary to define a term that is not specifically defined in the operative statute, but, is nonetheless required in order to define and implement this new program.

Subdivision (aa) is renumbered from subdivision (z) and defines the term “raffle-related products and services.” This definition is necessary to define a term associated specifically with this program and according to statute which differs from how it is used in other statutes or programs.

Subdivision (ab) is renumbered from subdivision (aa) and defines the term “raffle sales unit” or “electronic raffle ticket sales device.” This definition is necessary as a commonly used term in the operation of raffles.

Subdivision (ac) is renumbered from subdivision (ab) and defines the term “raffle ticket.” This definition is necessary as a commonly used term in the operation of raffles.

Subdivision (ad) is renumbered from subdivision (ac) and defines the term “registered event.” This definition is necessary to define a term that is not specifically defined in the operative statute, but, is nonetheless required in order to define and implement this new program.

Subdivision (ae) is renumbered from subdivision (ad) and defines the term “registrant.” This definition is amended to include a person that has filed an application to be registered in the Major League Sports Raffle Program. This definition is necessary to define a term that is not specifically defined in the operative statute, but, is nonetheless required in order to define and implement this new program.

Subdivision (af) is new text and defines the term “registration application” or “registration form.” This definition is necessary to define the document required for submission for registration.

Subdivision (ag) is renumbered from subdivision (ae) and defines the term “unpaid volunteer.” This definition is necessary to define a term that is not specifically defined in the operative statute, but, is nonetheless required in order to define and implement this new program.

Subdivision (ah) is renumbered from subdivision (af) and defines the term “venue.” This definition is necessary to define a term that is not specifically defined in the

operative statute, but, is nonetheless required in order to define and implement this new program.

Section 2082 Delegation of Authority

This section provides that any power or authority granted to the Department and described in the applicable Penal Code section may be exercised by the Bureau of Gambling Control.

Section 2083 Major League Sports Raffle Program

This section identifies that the article is not applicable to entities not authorized by statute to conduct a raffle as defined. This section is necessary to clarify who is not eligible to conduct a raffle under these regulations to deter applications from ineligible person(s).

Section 2084 Forms

This section identifies and incorporates by reference the forms specified in the article. This section is necessary to identify the name and number of each form associated with registration in the Major League Sports Raffle Program, and for the documentation of pre-raffle activities.

Subdivision (a) incorporates by reference the form entitled “Major League Sports Raffle Eligible Organization Registration Form (BGC 200; Rev. 08/2016)” which is used for an applicant to request registration as an eligible organization. This form is revised from the original version with minor formatting changes.

Subdivision (b) incorporates by reference the form entitled, “Major League Sports Raffle Unpaid Volunteer or Individual Affiliated Person - Annual Registration Form (BGC 201; Rev. 08/2016)” which is used for a person to apply for registration as an affiliated person. This form is revised from the original version with minor formatting changes.

Subdivision (c) incorporates by reference the form entitled “Major League Sports Raffle Manufacturer and Distributor of Products or Services Annual Registration Form (BGC 202; Rev. 08/2016)” which is used for the registration of a manufacturer or distributor of raffle-related products or services. This form is revised from the original version with minor formatting changes.

Subdivision (d) incorporates by reference the form entitled “Major League Sports Raffle Affiliated Person Annual Registration Form (BGC 203; Rev. 08/2016)” which is used for an eligible organization to apply for its employee(s) or volunteer(s) for registration as an affiliated person. This form is revised from the original version with minor formatting changes.

Subdivision (e) incorporates by reference the form entitled “Major League Sports Raffle Eligible Organization Annual Report (BGC 204; Rev. 08/2016)” which is used for an eligible organization to document the financial information requested pursuant to

statute. This form is revised from the original version with minor formatting changes.

Subdivision (f) incorporates by reference the form entitled “Major League Sports Raffle Eligible Organization Registered Event Registration Form (BGC 205; Rev. 08/2016)” which is used for an eligible organization to register a raffle. This form is revised from the original version with minor formatting changes.

Subdivision (g) incorporates by reference the form entitled “Major League Sports Raffle Eligible Organization – Equipment Registration Form (BGC 206; Rev. 08/2016)” which is used for an eligible organization to register the equipment used in the sale and distribution of raffle tickets, pursuant to statute. This form is revised from the original version with minor formatting changes.

Subdivision (h) incorporates by reference the form entitled “Major League Sports Raffle Electronic Raffle System and Equipment Checklist and Test Draw (BGC 207; Org. 01/2016)” which is used for an eligible organization to document its pre-raffle sales activities, to ensure that any electronic raffle system components are in proper working order prior to any electronic raffle ticket sales.

Section 2085 Major League Sports Raffle Program Records

This section requires the Bureau to maintain applications and reports it receives. This section is necessary to comply with Penal Code section 320.6, subdivision (o)(12)(C). This section requires the Bureau to make the reports submitted pursuant to Penal Code section 320.6, subdivision (o)(12)(A)(i)-(xv), available on the Attorney General’s Registry of Charitable Trusts.

Section 2086 Eligible Organization Registration

This section establishes the method an eligible organization must use to register under this article. This section is necessary to provide a process by which an eligible organization can apply for registration.

Subdivision (a) provides that the Bureau may issue a registration to an eligible organization.

Subdivision (b) requires that an eligible organization register annually prior to conducting a raffle.

Subdivision (c) requires an eligible organization to submit a Major League Sports Raffle Eligible Organization Registration Form (BGC 200; Rev. 08/2016) and a non-refundable registration fee. This form is revised from the original version with minor formatting changes.

Section 2087 Disclosure and Access by Bureau

The title of this section is amended by adding “Requests by Bureau.” New text for subdivision (b) is added to require registrants to furnish all information, documents, and other records requested by the Bureau related to the registrant’s participation in the Major League Sports Raffle Program. These amendments are necessary to allow the Bureau to fulfill its duties under the Major League Sports Program. Former

subdivisions (b) and (c) are renumbered accordingly. This section requires each registrant to make true and complete disclosures of all information, documents and other records requested by the Bureau, and provides that the Bureau shall have access to the venue, records, and equipment. This section is necessary in order to provide notice to the regulated community the expectation for applications tendered to the Bureau contain true and complete information and for Bureau access to the venue, records, and equipment used to conduct raffles.

Section 2088 Fiduciary of Eligible Organization – Duties

This section identifies the responsibilities of a fiduciary, as defined. These requirements are necessary to ensure not only that registered events are conducted with integrity, but also that the eligible organization has designated at least one person with overall responsibility for ensuring compliance with applicable statutes, regulations, and administration requirements.

Subdivision (a) requires the fiduciary to ensure full accountability of all raffle assets.

Subdivision (b) requires the fiduciary to ensure that the raffle is conducted in accordance with pertinent laws, regulations, and established rules.

Subdivision (c) requires the fiduciary to ensure all records related to the registered event are current and accurate.

Subdivision (d) requires the fiduciary to be responsible for reviewing all reports and correspondence to and from the Bureau.

Subdivision (e) requires the fiduciary to sign and ensure that financial statements from the registered event are maintained by the eligible organization and submitted to the Bureau.

Subdivision (f) requires the fiduciary to respond in writing to violation notices.

Subdivision (g) requires the fiduciary to ensure that direct sellers are holders of a valid registration issued by the Bureau.

Subdivision (h) requires the fiduciary to ensure that all affiliated persons are trained to carry out the duties assigned to them; can operate any equipment necessary to conduct their duties; and, are fully informed of all pertinent statutes and regulations associated with the Major League Sports Raffle Program.

Subdivision (i) requires the fiduciary to ensure that the electronic raffle system and all other equipment used to conduct a raffle is properly maintained, functions properly, and complies with the regulatory proposal.

Subdivision (j) requires the fiduciary to ensure that the manual draw is conducted in compliance with the regulatory proposal.

Subdivision (k) requires the fiduciary to designate him/herself or another affiliated person as the draw supervisor.

Subdivision (l) requires the fiduciary to ensure that the gross receipts are tallied and the prize amount announced prior to the manual draw.

Subdivision (m) requires the fiduciary to ensure that a registered event is conducted in the best interests of the public's health, safety, and general welfare.

Section 2089 Raffle Registration; Registered Event

This section establishes the method for registration of a raffle as required by Penal

Code section 320.6, subdivision (o). This section is necessary to effectuate raffle registration mandated by statute.

Subdivision (a) requires an eligible organization to apply for registration of each raffle it plans to conduct.

Subdivision (b) provides that the Bureau may issue a registration for a single raffle or multiple raffles, so long as each raffle will take place on a definite schedule during the calendar year of the eligible organization's registration.

Subdivision (c) provides that no more than one raffle drawing shall be conducted during a registered event.

Subdivision (d) provides the manner for which an eligible organization is to apply for registration of raffles, including submission of the Major League Sports Raffle Eligible Organization Registered Event Registration Form (BGC 205; Rev. 08/2016) and remittance of required fee per registered event. This form is revised from the original version with minor formatting changes.

Subdivision (e) requires the eligible organization to submit a map detailing the location of any family section at the venue; location(s) where direct sellers and affiliated-person attended kiosks will be located; location where count and reconciliation functions will be performed; and the location where the manual draw will be conducted.

Subdivision (f) provides that the Bureau shall not register a raffle scheduled to encompass more than one calendar day.

Subdivision (g) is added to this section and requires an eligible organization to identify the entity, either itself or a recipient eligible organization, no later than fourteen days before a registered event. This section is necessary to accommodate instances where the eligible organization has decided to that the raffle it wishes to conduct will specifically benefit a recipient eligible organization and to meet the statutory requirement that purchasers know which organization is benefitting from the event.

Section 2090 Raffle Registration; Registered Event; Post-Season Play

This section establishes the method used to register a raffle for post-season play. This section is necessary to effectuate raffle registration mandated by statute for those events that fall outside of the regular season.

This section requires an eligible organization to register a raffle it plans to conduct during post-season at least 24 hours prior to holding the raffle.

Subdivisions (a) and (b) provide the manner for which an eligible organization is to apply for registration of raffles, including submission of the Major League Sports Raffle Eligible Organization Registered Event Registration Form (BGC 205; Rev. 08/2016) and remittance of required fee per registered event. This form is revised from the original version with minor formatting changes.

Section 2091 Equipment Registration

This section establishes the method for an eligible organization to register the equipment used in the sale and distribution of raffle tickets. This section is necessary to effectuate equipment registration mandated by statute.

Subdivision (a) requires an eligible organization to register with the Bureau any

equipment used in the sale and distribution of raffle tickets; and, proscribes the submission of Major League Sports Raffle Eligible Organization – Equipment Registration Form (BGC 206; Rev. 08/2016). This form is revised from the original version with minor formatting changes.

Subdivision (b) requires submission of a certificate of testing issued within the last 12 months for equipment being registered.

Section 2092 Affiliated Person Registration

This section establishes the method for an affiliated person, as defined, to register under this article. This section is necessary to effectuate equipment registration mandated by statute.

Subdivision (a) requires an affiliated person be registered annually with the Bureau. To apply for registration an applicant must be at least 18 years of age; be an affiliated person; submit Major League Sports Raffle Affiliated Person Annual Registration Form (BGC 203; Rev. 08/2016); or if a volunteer or individual employee submit Major League Sports Raffle Unpaid Volunteer or Single Employee – Affiliated Person Annual Registration Form (BGC 201; Rev. 08/2016); and, remit the required fee. These forms are revised from the original version with minor formatting changes.

Subdivision (b) provides that an eligible organization may have other eligibility requirements of its affiliated persons.

Section 2093 Affiliated Person Training

This section requires affiliated persons to be trained, and to be familiar with the rules governing the raffle program, prior to conducting a raffle. This section also requires eligible organizations to maintain a record of training provided to every affiliated person.

Subdivision (a) requires every affiliated person to be trained to effectively operate the equipment assigned to him or her to operate. It also requires an eligible organization to maintain records of affiliated person training.

Subdivision (b) requires that every affiliated person receive a copy of the regulations and be familiar with its content prior to serving at their first registered event.

Section 2094 Affiliated Person Identification

This section requires every affiliated person working at the venue of a registered event to specifically display on their person an identification card provided by the eligible organization conducting the raffle. This section is amended to require the eligible organization to obtain annually from an affiliated person a copy of an unexpired government issued identification evidencing nationality or residence and bearing a photograph or similar safeguard, and maintain the copy of the identification obtained in the affiliated person's file for three years. This amendment is necessary to ensure that eligible organizations are obtaining and maintaining proof of identification for its affiliated persons, in order to prevent identity fraud. This section is necessary to ensure that only persons vetted and registered by the Bureau are working the events. Identification will also provide assurance to the general public that the persons

conducting the event have been registered by the Bureau.

Section 2095 Manufacturers and Distributors of Raffle-Related Products or Services; Registration

This section establishes the method for the registration of a manufacturer or distributor of raffle-related products and services, as defined, and required by Penal Code section 320.6, subdivision (o). This section is necessary to effectuate manufacturers and distributors of raffle-related products or services registration mandated by statute. This section also includes the requirement of the registrant to submit the appropriate form, Major League Sports Raffle Manufacturer and Distributor of Products or Services Annual Registration Form (BGC 202; Rev. 08/2016), and submit a nonrefundable fee. This form is revised from the original version with minor formatting changes.

Section 2096 Registered Event; Ticket Sales

This section establishes the method for conducting a raffle and ticket sales. This section is necessary to establish the methods to be used for the sale of raffle tickets and to define the parameters of ticket sales in order to protect the integrity of any raffle.

Subdivision (a) prohibits more than one raffle per registered event.

Subdivision (b) provides that raffle tickets can only be sold during a home game.

Subdivision (c) prohibits the sale of raffle tickets in any seating area designated as a family section.

Subdivision (d) provides that raffle tickets may only be sold in areas within the home game venue where a ticket is required for entry.

Subdivision (e) prohibits the pre-sale printing of electronically generated raffle tickets.

Subdivision (f) prohibits the advanced sale of raffle tickets.

Subdivision (g) prohibits an eligible organization to change the price of raffle tickets once raffle ticket sales at a registered event have commenced. This subdivision also provides for the sale of raffle tickets at different price points and requires an accounting to document sales at each price point.

Subdivision (h) provides that all raffle ticket draw numbers be unique and not duplicated in a registered event.

Subdivision (i) provides that each raffle ticket number purchased represents one entry in the drawing of the winner. This subdivision also requires that the equipment used to conduct raffles and the method of play shall ensure that each raffle ticket sold has an equal opportunity to be selected as the winning ticket.

Subdivision (j) requires that one counterfoil shall be drawn from a pool of all of counterfoils generated at a registered event to determine the winner.

Subdivision (k) requires that the sale of raffle tickets be conducted by an affiliated person.

Subdivision (l) provides that a raffle player may purchase more than one raffle ticket at a time.

Subdivision (m) provides for the methods of payments for raffle ticket purchases. This subdivision also prohibits the use of electronic benefit cards or public assistance funds to purchase raffle tickets.

Subdivision (n) prohibits the transfer or assignment of a raffle ticket from the purchaser

to any other person.

Subdivision (o) provides that raffle ticket sales are final and prohibits refunds.

Subdivision (p) prohibits persons affiliated with an eligible organization, affiliated sports team or association, eligible recipient organization, or manufacturer or distributor of raffle-related products or services, including any affiliated person, employee or agent or his or her immediate family from purchasing raffle tickets or receiving a raffle prize.

Subdivision (q) provides that raffle ticket sales can commence no sooner than when ticket holders for the live home game event are permitted entrance and shall conclude with the announcement of the winning draw number. This subdivision also provides for the delayed completion of a register event postponed due to weather delay, power outage, emergency, or other reasonably unforeseen event.

Subdivision (r) requires that the eligible organization have on site of a registered event either the fiduciary listed on its registration application or designate one affiliated person within its organization to oversee the event.

Subdivision (s) requires the eligible organization to have a sufficient number of affiliated persons, including supervisors or managers, on site prior to, throughout, and to the conclusion of the registered event to competently fulfill the functions of raffle ticket sales, count and reconciliation, and raffle system management functions.

Subdivision (t) requires that reconciliation of monetary and ticket transactions be conducted in a secure location and under constant security and surveillance at the venue.

Subdivision (u) prohibits the defrayment of costs from revenues generated from the sale of raffle tickets.

Subdivision (v) provides that the total prize amount shall be one half of the gross proceeds collected from the sale of raffle tickets.

Subdivision (w) provides that all proceeds collected from the sale of raffle tickets that are not distributed as a prize shall be used to benefit the eligible organization or eligible recipient organization identified at time of event registration.

Subdivision (x) requires the raffle rules established by the eligible organization specify when the raffle is to occur.

Subdivision (y) requires the raffle rules and every ticket sold include the name and phone number of the individual in charge of the registered event. This subdivision also requires the raffle rules provide each raffle player a method of verifying the winning draw number.

Subdivision (z) is renumbered from (ab). This subdivision requires every eligible organization to establish and publish the duration of time when raffle tickets will be sold, including sufficient time for the completion of count and reconciliation functions, eligible counterfoil verification, and winning counterfoil and raffle ticket verification procedures following the manual draw.

Subdivision (aa) is renumbered from (ac). This subdivision requires an eligible organization to limit moneys carried by direct sellers to \$1,000 in cash.

Subdivision (ab) is renumbered from (ad). This subdivision requires an eligible organization to ensure that there are security measures in place to protect health, safety, and welfare of raffle players and affiliated persons. This subdivision also requires security at the following locations: where raffle sales are conducted; routes to and from

where raffle ticket sales occur to area where count and reconciliation functions occur; the area where the raffle system management functions and distribution of raffle sales units occurs; and, the location where counterfoil tickets are printed and deposited into the counterfoil container for the manual draw.

Subdivision (ac) is renumbered from (ae). This subdivision requires an eligible organization to ensure that every affiliated person possess sufficient training, knowledge, and experience to carry out their assigned duties.

Subdivision (ad) is renumbered from (af). This subdivision requires an eligible organization, affiliated person, and any other person or entity required to be registered by this proposed regulation to report any conduct, activity, or incident that occurs that may be contrary to statute, these regulations, or that may affect the integrity of any registered event to the Bureau's Criminal Intelligence Unit, to the contact information specified.

Section 2097 Winner Determination

This section establishes the method for determining the raffle winner. This section is necessary to establish the methods to be used for the determination of a winner drawn from the sale of raffle tickets at a registered event in order to protect the integrity of any raffle.

Subdivision (a) provides that once verified, a registered event shall have only one winning raffle ticket.

Subdivision (b) provides that raffle winner need not be present to win.

Subdivision (c) requires that the gross receipts from the registered event must be tallied prior to the conduct of the manual draw.

Subdivision (d) requires the eligible organization to use procedures that ensure every counterfoil generated has an equal chance of being selected during the manual draw.

Subdivision (e) prohibits the conduct of a manual draw without the fiduciary or manual draw supervisor present. This subdivision also requires the following: the manual draw to be conducted at an authorized location and be video recorded; the intermixing of the counterfoils in the container prior to the manual draw; and, that the video recording of the manual draw be maintained as part of the records of the event.

Subdivision (f) requires that the counterfoil selected as the winner be verified as having been sold at that registered event.

Subdivision (g) prohibits voided tickets from being eligible for selection as the winning ticket.

Subdivision (h) requires that the winning ticket be presented to the fiduciary or manual draw supervisor for validation.

Subdivision (i) requires an eligible organization to collect appropriate identification and provide appropriate tax reporting documentation.

Subdivision (j) requires an eligible organization to comply with tax holding requirements established by federal or state tax agencies and any reporting requirements on monetary transactions imposed by law.

Subdivision (k) requires an eligible organization to post the winning ticket number on its website and that of the affiliated sports team or association and is amended to require that the posting of information be made within 48 hours after the manual draw

for the registered event.

Subdivision (l) is moved from subdivision (k) and requires that the raffle winner present the actual, purchased raffle ticket in order to redeem the prize. This subdivision is amended to require that the redemption of the prize be made within 30 days of the event. This amendment is necessary because eligible organizations currently conducting registered events posed questions to the Bureau as to the maximum timeframe for which the redemption of a prize is to occur.

Subdivision (m) contains new text and provides that any raffle prize unclaimed by a winner within the 30-day redemption period may be used as provided in Penal Code section 320.6, subdivision (d)(4)(A) by the eligible organization provided the time for redemption of the prize has expired. This subdivision is necessary because it clarifies that an eligible organization may donate unclaimed prizes to support another private, nonprofit eligible organization at any time after the prize redemption period has expired and does not have to wait until the end of the season.

Section 2098 Minimum Age of Raffle Players

This section addresses the minimum age of raffle players and the responsibility of an eligible organization to ask for and be provided a valid, government-issued identification of the ticket purchaser. This section is necessary to ensure that underage persons are not purchasing raffle tickets.

Subdivision (a) requires that raffle tickets be sold only to persons 18 years of age or older.

Subdivision (b) provides that it is the responsibility of the eligible organization to ensure that raffle ticket sellers ask for and are provided a valid government-issued identification to ensure age verification.

Section 2099 Electronic Raffle System

This section addresses the use of electronic raffle systems. This section is necessary to establish parameters for the use of electronic raffle systems.

Subdivision (a) provides that an electronic raffle system may be used to sell tickets and conduct the raffle pursuant to these regulations.

Subdivision (b) requires that an electronic raffle system comply with system standards established in section 2101.

Subdivision (c) provides that raffle tickets generated by an electronic raffle system can only be sold to a raffle player by an affiliated person.

Subdivision (d) provides that an eligible organization may use a portable or wireless raffle sales unit to sell raffle tickets.

Subdivision (e) requires that electronic raffle systems may only be used by an affiliated person.

Section 2100 Raffle Tickets – Limitations; Requirements; Information To Be Listed On Raffle Tickets

This section addresses the information required to be included on raffle tickets and limitations related to raffle tickets. This section is necessary to provide parameters and consistency for raffle tickets and provides guidelines for information required to be on

each raffle ticket sold.

Subdivision (a) provides that a player is not required to buy more than one ticket or to pay for anything more than the raffle ticket price to enter the raffle.

Subdivision (b) requires that the sale of a raffle ticket be recorded as a receipt that is given to the purchaser containing the information required in these regulations and that a corresponding counterfoil printed or detached and deposited into a container with all other counterfoils generated during the registered event.

Subdivision (c) prohibits an eligible organization to print any word or phrase on promotional material or advertising that indicates the purchase of raffle tickets is a charitable donation.

Subdivision (d) requires all raffle tickets to be sold at the same price or pursuant to uniform discounted pricing structure. This section also prohibits an eligible organization from changing the price of raffle tickets once the sale of raffle tickets at a registered event has commenced.

Subdivision (e)(1)-(8) is a list of information that is required to be printed on each raffle ticket, including the following: the name of the eligible organization conducting the raffle; the Bureau-issued identification number for the registered event; the location, date, and time of the raffle; the unique number of the raffle ticket; the name of the eligible recipient organization, if different than the eligible organization; the contact information for the eligible organization conducting the raffle and a notice to the purchaser that ticket holders need not be present at the time of the manual draw to win; responsible gambling information; and, the time limit for the player to claim the prize, as provided in Penal Code section 320.6.

Subdivision (f)(1)-(4) provides that an eligible organization may use non-electronic two-part, admission style raffle tickets, provided that each ticket must contain all of the information from subdivision (e) of this section; the tickets must be consecutively numbered; the registered event is conducted pursuant to these regulations; and the raffle tickets are sold to a purchaser only by an affiliated person.

Section 2101 Electronic Raffle Equipment Standards

This section addresses electronic raffle system standards. This section is necessary to provide standards by which an eligible organization can have any electronic, raffle-related equipment certified, as required by statute.

This section specifies that an electronic raffle system must be certified by an independent gaming test lab, as defined, and provides a benchmark standard—GLI-31.

Section 2102 Accounting and Reporting

This section addresses accounting and reporting requirements. This section is necessary to ensure that an eligible organization maintains stringent control and documentation of the moneys generated from the conduct of raffles in order to protect the integrity of events.

Subdivision (a) provides that the Bureau may audit the raffle records of an eligible organization at any time.

Subdivision (b) requires an eligible organization to follow the electronic raffle system

reporting requirements no less stringent than the current version of GLI-31.

Subdivision (c)(1)-(11) requires an eligible organization to generate within five calendar days of conducting a registered event a report that contains all of the following: date and time of event; raffle ticket sales information, including the total number of tickets sold and money generated; direct seller information; the time the sales began and ended; the raffle draw numbers-in-play; the prize winning raffle draw number; the total prize amount; the status of the prize claim; identification of the prize winner; a sample raffle ticket for the registered event; and, the number of voided raffle tickets.

Subdivision (d) requires an eligible organization to maintain a copy of the report required in (c) as part of the record for the registered event.

Subdivision (e) requires an eligible organization to provide within 72 hours of the Bureau's request the following reports: exception report; raffle bearer ticket report; sales by raffle sales unit; voided draw number report; raffle sales unit event log; raffle sales unit corruption log; raffle seller report; and any other report listed in the Electronic Accounting and Reporting Section of GLI-31 but not listed in the subdivision.

Section 2103 Raffle Rules

This section provides the minimum requirements for raffle rules, and requires raffle rules to be established and posted at specified locations. This section is necessary to provide guidelines for an eligible organization to develop and implement raffle rules in order to ensure consistency and protect the integrity of raffles.

Subdivision (a) requires an eligible organization to post its raffle rules at kiosk locations and on the eligible organization's website.

Subdivision (b)(1)-(16) provides guidelines for the content and context of the raffle rules, including: the eligible organization's name; the Bureau issued registration number for the eligible organization; the price of raffle tickets, including price points for volume discount rates; the method the prize winner is determined; the manner for claiming the prize; the contingency plan for delayed conduction of an event; the alternative prize distribution if a winner fails to claim a prize; eligibility information for raffle players; eligibility information for a prize recipient; prize restriction; identification of locations where raffle tickets may be purchased; any disclaimers; publicity release; choice of law and jurisdictions; and, the effective date of the raffle rules. The text pertaining to prize redemption was amended to require notification to players that the winner of a raffle prize must present the actual, purchased raffle ticket from the registered event, displaying the winning raffle draw number, within 30 days of the registered event in order to be eligible to redeem the prize. This amendment was necessary to provide eligible organizations guidelines as to notice it must provide to players concerning specific requirements for prize redemption that the previous language did not contain.

Subdivision (c) requires an eligible organization to post the raffle rules to its website, in a conspicuous place at the event, and have printed copies in sufficient amount for distribution to interested parties at the event.

Section 2104 Reports, Records, and Retention

This section addresses reports, records, and retention of information maintained by the eligible organization. This section is necessary to ensure that records of registered events are collected, maintained, and available for Bureau inspection and investigation purposes.

Subdivision (a) requires an eligible organization to maintain counterfoil tickets for one month after awarding a prize or until alternative distribution of an unclaimed prize has occurred.

Subdivision (b) requires the retention of server data, reports, and records for five years.

Subdivision (c) requires records pertaining to a registered event be completed and maintained in a current and accurate manner for five years.

Subdivision (d) requires reports and all supporting documents to be made available to the Bureau on site at the venue.

Section 2105 Accountability; Lawful Use of Proceeds

This section addresses accountability and the lawful use of proceeds raised by raffles. This section is necessary to inform an eligible organization of their responsibilities related to oversight of monetary transactions, documentation, and equipment, to ensure the integrity of raffles.

Subdivision (a) requires an eligible organization be responsible for all cash, raffle-related products, financial statements, bank-validated deposit slips for all proceeds from raffles, and bank statements from all financial accounts where proceeds were deposited or transferred.

Subdivision (b) requires that pursuant to statute, all proceeds generated by raffles be devoted exclusively to lawful purposes.

Subdivision (c) provides that all financial accounts into which proceeds from a registered event are deposited or transferred shall be open for review and inspection by the Bureau.

Subdivision (d) requires that all moneys derived from a registered event be deposited into the eligible organization's financial account within one business day of the registered event.

Subdivision (e) provides that only prize payments and distributions for the lawful purposes of the eligible organization or the eligible recipient organization are the only allowable expenditures from the proceeds of raffles.

Section 2106 Advertising

This section addresses advertising. This section is necessary in order to ensure that advertising is not misleading and complies with statute.

Subdivision (a)(1)-(7) requires raffle advertisements to contain information as specified by the regulations and the enabling statute. It includes information that will allow the consumer to make an informed decision.

Subdivision (b) requires that advertising on the Internet comply with Penal Code section 320.6, subdivision (h)(2).

Section 2107 Eligible Organization – Annual Financial Report

This section addresses annual financial reporting and requires every organization to submit an annual report to the Bureau, as required by the enabling statute, on a specified form. This section was amended to include text concerning the annual registration and the necessity of submitting annual financial reports with its registration. This section is necessary to implement Penal Code section 320.6 (o)(12)(A).

Section 2108 Electronic Raffle System, Venue Requirements

This section addresses electronic raffle systems and technical requirements at venues.

This section is necessary to ensure the integrity of raffle operations.

Subdivision (a) provides that computer networks and/or wireless services used to conduct a raffle are housed in a permanent, secure location, under constant surveillance, and with a stable network.

Subdivision (b) requires that the fiduciary or an affiliated person designated by the fiduciary who is qualified to address technical problems must be available during times specified to provide technical support.

Section 2109 Proper Functioning of Raffle Equipment

This section requires the electronic raffle system to be configured, and confirmed to be functioning properly, and fully operational prior to each registered event, and requires documentation of compliance with these requirements. This section is necessary to ensure the integrity of raffle operations that utilize electronic raffle systems.

Subdivision (a) requires the fiduciary or an affiliated person designated by the fiduciary to ensure that the electronic raffle system is configured correctly, functioning properly, and fully operational before each registered event.

Subdivision (b) requires an eligible organization to verify and document the electronic raffle system functionality. This subdivision also requires the completion of a form and maintaining the completed form for a period of three years.

Subdivision (c) prohibits an affiliated person from restarting a raffle sales unit, as defined, or adjust any associated network equipment for any reason without supervisory oversight.

Subdivision (d) requires that notice to the Bureau is required if the electronic raffle system or associated equipment is not functioning properly, prior to a registered event. In the event the electronic raffle system fails, this section allows the use of a two-part admission-style raffle ticket-based system or requires the raffle to be cancelled.

Section 2120 Registration Applications; Time for Processing

This is new text. This section provides a timeline for the Bureau's processing of applications it receives for registration in the Major League Sports Raffle Program.

This section is necessary because it makes the period for processing of applications certain. Further, this section requires the Bureau to specify any deficiencies in submitted applications, thus allowing applicants a chance to correct any deficiencies identified by the Bureau. It also clarifies that any fee submitted with an application that is rejected by the Bureau will be returned to the applicant.

Section 2130 Violations

This section addresses violations and specifies grounds which may constitute a violation of the enabling statute or the regulations and requires registrants to comply with all applicable laws. This section imposes a duty on the eligible organization to maintain security controls over the venue to protect the public health, safety, and general welfare of the raffle players, and to protect the operations related to the raffle. This section is necessary to provide notice to registrants about what constitutes a violation of these regulations.

Subdivision (a) provides that all authorizations granted pursuant to this proposed regulation are granted on the condition that an eligible organization will operate a registered event in a manner suitable to protect the public health, safety, and welfare. This subdivision also provides that the responsibility for the employment and maintenance of suitable methods of operation rests with an eligible organization. This subdivision provides that willful or persistent use or toleration of methods of operation deemed unsuitable by the Bureau shall constitute grounds for registration revocation or other disciplinary action.

Subdivision (b) prohibits a registrant from conducting a raffle in violation of statute or these regulations.

Subdivision (c) prohibits a registered manufacturer or distributor of raffle-related products or services from providing equipment or services in violation of statute or these regulations.

Subdivision (d) requires a registrant to meet the disclosure and reporting requirements set forth in these regulations.

Subdivision (e) requires an eligible organization to maintain security controls over the venue to protect the public health, safety and general welfare and raffle operations.

Subdivision (f) is new text and requires every registrant to cooperate fully with any inquiry or investigation that may be undertaken by the Bureau or the California Attorney General to enforce the provisions of Penal Code section 320.6 and its implementing regulations.

Section 2131 Discipline

This section addresses potential discipline processes. This section is necessary to provide notice to registrants of potential disciplinary measures that may result from violations of these regulations and applicable laws.

Subdivision (a) provides the applicable hearing procedures for administrative actions.

Subdivision (b) establishes the types of disciplinary actions the Bureau may take against a registrant for any violation of the enabling statute, the regulations or other applicable laws.

Subdivision (c) is new text and provides that a registrant may reapply when it has remedied the issues which caused the denial of the application for registration.

Section 2132 Penalties

This section addresses potential penalties as a result of any administrative action based

on a violation of statute or these regulations. This section is necessary to delineate the types of penalties that may be assessed against a registrant.

Subdivision (a) – (g) outline the following penalties: revocation of an approval or registration; suspension of an approval or registration; imposition of conditions on a registration or approval; imposition of a fine or monetary penalty; issuance of a stay, in whole or in part, in the imposition of a revocation or a suspension; the payment of a monetary penalty in lieu of all or a portion of a revocation or suspension; or the recovery of costs incurred by the Bureau investigating or prosecuting an action against a registrant.

Section 2133 Penalties for False Registration or Misrepresentation

This section is new text and provides that a registrant that submits false or misleading information in the registration application or registration form, or fails to provide material information required in any form or report required to be submitted to the Bureau, or maintained by the registrant pursuant to these regulations shall be subject to denial, revocation or suspension of its registration. Further, this section provides that each instance of misrepresentation, submission of false information, or failure to submit required information during the registration or reporting process shall constitute a separate violation. This section is necessary to allow the Bureau to fulfill its duties under the Major League Sports Raffle Program, and to ensure that registrants are engaged in conduct that is in the best interest of the public's health, safety, and general welfare.

TECHNICAL, THEORETICAL, AND/OR EMPIRICAL STUDY, REPORT OR DOCUMENTS

The Department relied on the experience of operating the Major League Sports Raffle Program since April 28, 2016 under emergency regulations. In addition to these emergency regulations, the Department has relied upon and has incorporated by reference the following technical standard for electronic raffle system certification:

GLI-31, Electronic Raffle Systems, Version 1.1; Release Date: July 24, 2015

The Bureau selected this technical standard in lieu of adopting its own technical standards because Gaming Laboratories International is recognized as a trusted industry leader for gaming test services and standards developed for testing purposes. The GLI-31 is intended to be a guideline for compliance and testing standards to be used by eligible organizations for testing certification purposes for equipment used in the sale and distribution of raffle tickets and for report content requirements, as indicated in the regulation.

ECONOMIC IMPACT ASSESSMENT

The Department concludes that is unlikely the proposed regulations will affect (1) the creation or elimination of jobs within California; (2) the creation of new businesses or the elimination of existing businesses within California; (3) the expansion of businesses currently doing business within California. This assessment is based on the limited scope the statute envisioned as being able to participate in the Major League Sports Raffle Program (less than 70 potential

organizations), coupled with the minimal fees associated with the registration of affiliated persons (less than 200 registered in the first six weeks of the program.)

Benefits of the Proposed Regulations: The proposed regulation will increase public safety by ensuring that organizations who wish to offer this new raffle structure have registered with the Department; the persons engaged in this program are registered and are wearing identification associated with their registration; equipment used in sale of tickets is certified compliant with industry standards and registered with the Department; raffles conducted under this new scheme are registered; and, the organization benefitting for the conduct of the raffle vetted to ensure eligibility.

EVIDENCE SUPPORTING FINDING OF NO SIGNIFICANT STATEWIDE ADVERSE ECONOMIC IMPACT DIRECTLY AFFECTING BUSINESS

The Department has determined that the proposed regulation will not have a significant, statewide, adverse economic impact affecting business for the reasons explained in the preceding section. Furthermore, to the extent there is any economic impact, it is the result of the applicable statute which requires the Department to recover its costs through the assessment of fees.

SPECIFIC TECHNOLOGIES AND EQUIPMENT

The proposed regulation does not impose the use of specific technologies and equipment. However, where electronic raffle systems are utilized, the eligible organization is required to ensure such equipment is tested and certified, pursuant to statute, and meets the technical standards provided in GLI-31, as incorporated by reference.

REASONABLE ALTERNATIVES TO THE REGULATIONS AND THE DEPARTMENT'S REASONS FOR REJECTING THOSE ALTERNATIVES

No other reasonable alternatives were presented to or considered by the Department that would be either more effective in carrying out the purpose and statutory mandate for which the action is proposed, or would be as effective and less burdensome.