

AMENDED IN SENATE JUNE 17, 2002

AMENDED IN ASSEMBLY MAY 6, 2002

CALIFORNIA LEGISLATURE—2001–02 REGULAR SESSION

ASSEMBLY BILL

No. 2431

**Introduced by Committee on Governmental Organization (Horton
(Chair), Strickland (Vice Chair), Canciamilla, Chavez, Harman,
Maldonado, Nation, Reyes, Wesson, Wiggins, and Wright)**

February 21, 2002

An act to amend Sections 19804, 19805, and 19807 of, to amend and renumber Sections 19801.2, 19802, 19809, 19810A, 19811A, 19812A, 19813A, 19814A, 19815, 19815.5A, 19815.8A, 19817A, 19818A, 19820A, 19821A, 19822A, 19823A, 19823.5, 19824A, 19825, 19827, 19828, 19829, 19830A, 19834A, 19834.5A, 19834.6A, 19835A, 19835.5A, 19840, 19840.5, 19841A, 19842A, 19844, 19846, 19847A, 19848A, 19848.5, 19850A, 19851A, 19851.5, 19852A, 19852.1, 19853A, 19853.5, 19854A, 19855, 19856A, 19857A, 19858A, 19858.5, 19858.7A, 19859, 19860A, 19861, 19862A, 19862.5, 19863A, 19864A, 19870, 19871A, 19872A, 19873, 19880, 19881, 19882A, 19883A, 19900A, 19901A, 19902A, 19903A, 19904A, 19905A, ~~19906A~~, 19910.4, 19910.5A, 19911A, 19912A, 19913A, 19915A, 19915.5, 19916, 19917, 19918A, 19920A, 19921A, 19922, 19930, 19932, 19933, 19933.5A, 19934, 19940, 19941, 19942A, 19944, 19950, 19950.1, 19950.2, 19950.3, 19951, 19956, 19957, 19958, 19959, 19959.5A, 19960.2A, 19960.4, and 19980 of, to add a heading for Article 10 (commencing with Section 19930) to, Article 11 (commencing with Section 19940) to, Article 12 (commencing with Section 19950) to, Article 13 (commencing with Section 19960) to, Article 14 (commencing with Section 19970) to, Article 15



(commencing with Section 19980), and Article 16 (commencing with Section 19984) to, Chapter 5 of Division 8 of, to repeal Sections 19808, 19836A, and 19906A of, and to repeal the headings of Article 9.5 (commencing with Section 19920A) of, Article 10 (commencing with Section 19930) of, Article 11 (commencing with Section 19940) of, Article 12 (commencing with Section 19950) of, Article 13 (commencing with Section 19956) of, and Article 14 (commencing with Section 19959) of, Chapter 5 of Division 8 of, the Business and Professions Code, relating to gambling control.

LEGISLATIVE COUNSEL'S DIGEST

AB 2431, as amended, Committee on Governmental Organization. Gambling control.

Existing law, the Gambling Control Act, provides for the licensure and regulation of various legalized gambling activities and establishments by the California Gambling Control Commission and the investigation, and discipline of those activities and establishments by the Division of Gambling Control within the Department of Justice, as specified.

This bill would renumber various sections and article headings within the Gambling Control Act; delete obsolete references to the former California Gambling Control Board; delete outdated operative date provisions within the act; and make other technical, nonsubstantive changes.

The bill would also increase the salary of the ~~chairman~~ *chairperson* of the commission; authorize additional commission offices in addition to the principal office; revise the deadline for the payment of license fees; and redistribute various powers and duties between the executive officer of the commission, the commission, and the division.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 19801.2 of the Business and Professions
- 2 Code is amended and renumbered to read:
- 3 19802. The Legislature further finds and declares as follows:



1 Appropriate regulation of banking and percentage games or of
2 gambling devices consistent with public safety and welfare would
3 require, at a minimum, all of the following safeguards:

4 (a) The creation of an adequately funded gambling control
5 commission with comprehensive powers to establish minimum
6 standards and technical specifications for gambling equipment
7 and devices.

8 (b) The creation of an adequately funded law enforcement
9 capability within state government to inspect, test, and evaluate
10 gambling equipment and devices and modifications thereto.

11 (c) An appropriation by the Legislature to sufficiently fund a
12 full-time commission and law enforcement capability with
13 responsibilities commensurate with the expanded scope of
14 gambling.

15 (d) The enactment of necessary regulations setting forth
16 standards and procedures for the licensing of persons connected
17 with the manufacture, sale, and distribution of equipment and
18 devices in this state.

19 (e) The enactment of standards related to the trustworthiness
20 and fairness of equipment and devices, upon the commission's
21 recommendation to the Legislature.

22 (f) The enactment of statutory provisions governing the
23 importation, transportation, sale, and disposal of equipment and
24 devices, upon the commission's recommendation to the
25 Legislature.

26 (g) The enactment of statutes providing for appropriate
27 inspection and testing of equipment and devices, upon the
28 commission's recommendation to the Legislature.

29 SEC. 2. Section 19802 of the Business and Professions Code
30 is amended and renumbered to read:

31 19803. (a) It is the intent of the Legislature, in enacting this
32 chapter, to provide uniform, minimum standards of regulation of
33 permissible gambling activities and the operation of lawful
34 gambling establishments.

35 (b) Nothing in this chapter shall be construed to preclude any
36 city, county, or city and county from prohibiting any gambling
37 activity, from imposing more stringent local controls or conditions
38 upon gambling than are imposed by this chapter or by the
39 commission, from inspecting gambling premises to enforce
40 applicable state and local laws, or from imposing any local tax or



1 license fee, if the prohibition, control, condition, inspection, tax,
2 or fee is not inconsistent with this chapter. Nothing in this chapter
3 shall be construed to affect the responsibility of local law
4 enforcement agencies to enforce the laws of this state, including
5 this chapter.

6 SEC. 3. Section 19804 of the Business and Professions Code
7 is amended to read:

8 19804. (a) In any action for declaratory or injunctive relief,
9 or for relief by way of any extraordinary writ, other than an action
10 initiated pursuant to Section 19932, wherein the construction,
11 application, or enforcement of this chapter, or any regulation
12 adopted pursuant thereto, or any order of the division or the
13 commission issued pursuant thereto, is called into question, a court
14 shall not grant any preliminary or permanent injunction, or any
15 peremptory writ of mandate, certiorari, or prohibition, in
16 connection therewith, except as follows:

17 (1) Upon proof by clear and convincing evidence that the
18 division or the commission is abusing or threatens to abuse its
19 discretion.

20 (2) Upon proof by clear and convincing evidence that the
21 division or the commission is exceeding or threatens to exceed its
22 jurisdiction.

23 (b) No temporary injunction or other provisional order shall
24 issue to restrain, stay, or otherwise interfere with any action by the
25 division or the commission, except upon a finding by the court,
26 based on clear and convincing evidence, that the public interest
27 will not be prejudiced thereby, and no order may be effective for
28 more than 15 calendar days.

29 (c) This section does not relieve a petitioner's obligation to
30 exhaust administrative remedies.

31 (d) In an action for relief of any nature wherein the
32 construction, application, or enforcement of this chapter, or any
33 regulation adopted pursuant thereto, or any order of the division
34 or commission issued pursuant thereto, is called into question, the
35 party filing the pleading shall furnish a copy thereof to the division
36 and to the commission. The copy shall be furnished by the party
37 filing the pleading within 10 business days after filing.

38 SEC. 4. Section 19805 of the Business and Professions Code
39 is amended to read:

1 19805. As used in this chapter, the following definitions shall
2 apply:

3 (a) “Affiliate” means a person who, directly or indirectly
4 through one or more intermediaries, controls, is controlled by, or
5 is under common control with, a specified person.

6 (b) “Applicant” means any person who has applied for, or is
7 about to apply for, a state gambling license, a key employee
8 license, a registration, a finding of suitability, a work permit, a
9 manufacturer’s or distributor’s license, or an approval of any act
10 or transaction for which the approval or authorization of the
11 commission or division is required or permitted under this chapter.

12 (c) “Banking game” or “banked game” does not include a
13 controlled game if the published rules of the game feature a
14 player-dealer position and provide that this position must be
15 continuously and systematically rotated amongst each of the
16 participants during the play of the game, ensure that the
17 player-dealer is able to win or lose only a fixed and limited wager
18 during the play of the game, and preclude the house, another entity,
19 a player, or an observer from maintaining or operating as a bank
20 during the course of the game. For purposes of this section it is not
21 the intent of the Legislature to mandate acceptance of the deal by
22 every player if the division finds that the rules of the game render
23 the maintenance of or operation of a bank impossible by other
24 means. The house shall not occupy the player-dealer position.

25 (d) “Commission” means the California Gambling Control
26 Commission.

27 (e) “Controlled gambling” means to deal, operate, carry on,
28 conduct, maintain, or expose for play any controlled game.

29 (f) “Controlled game” means any controlled game, as defined
30 by subdivision (e) of Section 337j of the Penal Code.

31 (g) “Director,” when used in connection with a corporation,
32 means any director of a corporation or any person performing
33 similar functions with respect to any organization. In any other
34 case, “director” means the Director of the Division of Gambling
35 Control.

36 (h) “Division” means the Division of Gambling Control in the
37 Department of Justice.

38 (i) “Finding of suitability” means a finding that a person meets
39 the qualification criteria described in subdivisions (a) and (b) of
40 Section 19857, and that the person would not be disqualified from



1 holding a state gambling license on any of the grounds specified
2 in subdivision (a) of Section 19859.

3 (j) “Game” and “gambling game” means any controlled
4 game.

5 (k) “Gambling” means to deal, operate, carry on, conduct,
6 maintain, or expose for play any controlled game.

7 (l) “Gambling enterprise employee” means any natural person
8 employed in the operation of a gambling enterprise, including,
9 without limitation, dealers, ~~floor men~~ *floor personnel*, security
10 employees, councroom personnel, cage personnel, collection
11 personnel, surveillance personnel, data-processing personnel,
12 appropriate maintenance personnel, waiters and waitresses, and
13 secretaries, or any other natural person whose employment duties
14 require or authorize access to restricted gambling establishment
15 areas.

16 (m) “Gambling establishment,” “establishment,” or
17 “licensed premises” except as otherwise defined in Section
18 19812, means one or more rooms where any controlled gambling
19 or activity directly related thereto occurs.

20 (n) “Gambling license” or “state gambling license” means
21 any license issued by the state that authorizes the person named
22 therein to conduct a gambling operation.

23 (o) “Gambling operation” means exposing for play one or
24 more controlled games that are dealt, operated, carried on,
25 conducted, or maintained for commercial gain.

26 (p) “Gross revenue” means the total of all compensation
27 received for conducting any controlled game, and includes interest
28 received in payment for credit extended by an owner licensee to
29 a patron for purposes of gambling, except as provided by
30 regulation.

31 (q) “House” means the gambling establishment, and any
32 owner, shareholder, partner, key employee, or landlord thereof.

33 (r) “Independent agent,” except as provided by regulation,
34 means any person who does either of the following:

35 (1) Collects debt evidenced by a credit instrument.

36 (2) Contracts with an owner licensee, or an affiliate thereof, to
37 provide services consisting of arranging transportation or lodging
38 for guests at a gambling establishment.

39 (s) “Institutional investor” means any retirement fund
40 administered by a public agency for the exclusive benefit of



1 federal, state, or local public employees, any investment company
2 registered under the Investment Company Act of 1940 (15 U.S.C.
3 Sec. 80a-1 et seq.), any collective investment trust organized by
4 banks under Part Nine of the Rules of the Comptroller of the
5 Currency, any closed-end investment trust, any chartered or
6 licensed life insurance company or property and casualty
7 insurance company, any banking and other chartered or licensed
8 lending institution, any investment advisor registered under the
9 Investment Advisors Act of 1940 (15 U.S.C. Sec. 80b-1 et seq.)
10 acting in that capacity, and other persons as the commission may
11 determine for reasons consistent with the policies of this chapter.

12 (t) “Key employee” means any natural person employed in the
13 operation of a gambling enterprise in a supervisory capacity or
14 empowered to make discretionary decisions that regulate
15 gambling operations, including, without limitation, pit bosses,
16 shift bosses, credit executives, cashier operations supervisors,
17 gambling operation managers and assistant managers, managers
18 or supervisors of security employees, or any other natural person
19 designated as a key employee by the division for reasons consistent
20 with the policies of this chapter.

21 (u) “Key employee license” means a state license authorizing
22 the holder to be associated with a gambling enterprise as a key
23 employee.

24 (v) “Licensed gambling establishment” means the gambling
25 premises encompassed by a state gambling license.

26 (w) “Limited partnership” means a partnership formed by two
27 or more persons having as members one or more general partners
28 and one or more limited partners.

29 (x) “Limited partnership interest” means the right of a general
30 or limited partner to any of the following:

31 (1) To receive from a limited partnership any of the following:

32 (A) A share of the revenue.

33 (B) Any other compensation by way of income.

34 (C) A return of any or all of his or her contribution to capital
35 of the limited partnership.

36 (2) To exercise any of the rights provided under state law.

37 (y) “Owner licensee” means an owner of a gambling
38 enterprise who holds a state gambling license.



1 (z) “Person,” unless otherwise indicated, includes a natural
2 person, corporation, partnership, limited partnership, trust, joint
3 venture, association, or any other business organization.

4 (aa) “Player” means a patron of a gambling establishment who
5 participates in a controlled game.

6 (bb) “Player-dealer” and “controlled game featuring a
7 player-dealer position” refer to a position in a controlled game, as
8 defined by the approved rules for that game, in which seated player
9 participants are afforded the temporary opportunity to wager
10 against multiple players at the same table, provided that this
11 position is rotated amongst the other seated players in the game.

12 (cc) “Publicly traded racing association” means a corporation
13 licensed to conduct horse racing and simulcast wagering pursuant
14 to Chapter 4 (commencing with Section 19400) whose stock is
15 publicly traded.

16 (dd) “Qualified racing association” means a corporation
17 licensed to conduct horse racing and simulcast wagering pursuant
18 to Chapter 4 (commencing with Section 19400) that is a wholly
19 owned subsidiary of a corporation whose stock is publicly traded.

20 (ee) “Work permit” means any card, certificate, or permit
21 issued by the commission, or by a county, city, or city and county,
22 whether denominated as a work permit, registration card, or
23 otherwise, authorizing the holder to be employed as a gambling
24 enterprise employee or to serve as an independent agent. A
25 document issued by any governmental authority for any
26 employment other than gambling is not a valid work permit for the
27 purposes of this chapter.

28 SEC. 5. Section 19807 of the Business and Professions Code
29 is amended to read:

30 19807. Except as otherwise provided in this chapter,
31 whenever the division or commission is a defendant or respondent
32 in any proceeding, or when there is any legal challenge to
33 regulations issued by the commission or division, venue for the
34 proceeding shall be in the County of Sacramento, the City and
35 County of San Francisco, the County of Los Angeles, or the
36 County of San Diego.

37 SEC. 6. Section 19808 of the Business and Professions Code
38 is repealed.

39 SEC. 7. Section 19809 of the Business and Professions Code
40 is amended and renumbered to read:



1 19810. There is within the Department of Justice the Division
2 of Gambling Control as provided in Section 15001 of the
3 Government Code. Except as otherwise provided in this chapter,
4 any power or authority of the division described in this chapter
5 may be exercised by the Attorney General or any other person as
6 the Attorney General may delegate.

7 SEC. 8. Section 19810A of the Business and Professions
8 Code is amended and renumbered to read:

9 19811. (a) There is in state government the California
10 Gambling Control Commission, consisting of five members
11 appointed by the Governor, subject to confirmation by the Senate.
12 The California Gambling Control Commission shall succeed to all
13 of the powers of the former California Gambling Control Board.

14 (b) Jurisdiction, including jurisdiction over operation and
15 concentration, and supervision over gambling establishments in
16 this state and over all persons or things having to do with the
17 operations of gambling establishments is vested in the
18 commission.

19 SEC. 9. Section 19811A of the Business and Professions
20 Code is amended and renumbered to read:

21 19812. (a) Each member of the commission shall be a citizen
22 of the United States and a resident of this state.

23 (b) No Member of the Legislature, no person holding any
24 elective office in state, county, or local government, and no officer
25 or official of any political party is eligible for appointment to the
26 commission.

27 (c) No more than three of the five members of the commission
28 shall be members of the same political party.

29 (d) A person is ineligible for appointment to the commission if,
30 within two years prior to appointment, the person, or any
31 partnership or corporation in which the person is a principal, was
32 employed by, retained by, or derived substantial income from, any
33 gambling establishment. For the purposes of this subdivision,
34 “gambling establishment” means one or more rooms wherein any
35 gaming within the meaning of Chapter 10 (commencing with
36 Section 330) of Title 9 of Part 1 of the Penal Code, or any
37 controlled game within the meaning of Section 337j of the Penal
38 Code, is conducted, whether or not the activity occurred in
39 California.



1 (e) One member of the commission shall be a certified public
2 accountant with auditing experience, one member shall be an
3 attorney and a member of the State Bar of California with
4 regulatory law experience, one member shall have a background
5 in law enforcement and criminal investigation, one member shall
6 have a background in business with at least five years of business
7 experience, and one member shall be from the public at large.

8 SEC. 10. Section 19812A of the Business and Professions
9 Code is amended and renumbered to read:

10 19813. (a) Of the members initially appointed, two shall be
11 appointed for a term of two years, two shall be appointed for a term
12 of three years, and one shall be appointed for a term of four years.
13 After the initial terms, the term of office of each member of the
14 commission is four years.

15 (b) The Governor shall appoint the members of the
16 commission, subject to confirmation by the Senate, and shall
17 designate one member to serve as chairperson. The initial
18 appointments shall be made within three months of the operative
19 date of this section. Thereafter, vacancies shall be filled within 60
20 days of the date of the vacancy by the Governor, subject to
21 confirmation by the Senate.

22 (c) The Governor may remove any member of the commission
23 for incompetence, neglect of duty, or corruption upon first giving
24 him or her a copy of the charges and an opportunity to be heard.

25 SEC. 11. Section 19813A of the Business and Professions
26 Code is amended and renumbered to read:

27 19814. (a) During their terms of office, the members of the
28 commission shall not engage in any other business, vocation, or
29 employment.

30 (b) Before entering upon the duties of his or her office, the
31 director and each member of the commission shall subscribe to the
32 constitutional oath of office and, in addition, swear that he or she
33 is not, and during his or her term of office shall not be, pecuniarily
34 interested in, or doing business with, any person, business, or
35 organization holding a gambling license.

36 SEC. 12. Section 19814A of the Business and Professions
37 Code is amended and renumbered to read:

38 19815. (a) The members of the commission shall receive the
39 salary provided for by Section 11553.5 of the Government Code.



1 (b) The chairperson of the commission shall receive the salary
2 provided for by Section 11553 of the Government Code.

3 SEC. 13. Section 19815 of the Business and Professions Code
4 is amended and renumbered to read:

5 19816. (a) The commission shall have an executive director
6 appointed by the commission. A person is ineligible for
7 appointment as executive director or deputy executive director if,
8 within two years prior to appointment, the person, or any
9 partnership or corporation in which the person is a principal, was
10 employed by, retained by, or derived substantial income from, any
11 gambling establishment, whether or not a controlled gambling
12 establishment.

13 (b) The executive director shall receive the annual salary
14 established by the commission and approved by the Department of
15 Personnel Administration. The executive director shall be the
16 commission's executive officer and shall carry out and execute the
17 duties as specified by law and by the commission.

18 (c) The commission may appoint other staff and clerical
19 personnel as necessary to carry out its duties under this chapter.

20 SEC. 14. Section 19815.5A of the Business and Professions
21 Code is amended and renumbered to read:

22 19817. The commission shall establish and appoint a Gaming
23 Policy Advisory Committee of 10 members. The committee shall
24 be composed of representatives of controlled gambling licensees
25 and members of the general public in equal numbers. The
26 executive director shall, from time to time, convene the committee
27 for the purpose of discussing matters of controlled gambling
28 regulatory policy and any other relevant gambling-related issue.
29 The recommendations concerning gambling policy made by the
30 committee shall be presented to the commission, but shall be
31 deemed advisory and not binding on the commission in the
32 performance of its duties or functions.

33 SEC. 15. Section 19815.8A of the Business and Professions
34 Code is amended and renumbered to read:

35 19818. (a) The commission shall investigate the following
36 matters:

37 (1) The consequences, benefits, and disadvantages of imposing
38 a state tax on revenue generated by licensed gambling
39 establishments.



1 (2) Regulation of advertising for the purpose of limiting
2 exposure of children to materials promoting gambling.

3 (b) The commission shall report its findings to the Legislature
4 and the Governor no later than January 1, ~~2003~~ 2005.

5 SEC. 16. Section 19817A of the Business and Professions
6 Code is amended and renumbered to read:

7 19819. (a) The commission shall establish and maintain one
8 or more offices for the transaction of its business, including a
9 principal office in Sacramento. The commission may hold
10 meetings at any place within the state when the interests of the
11 public may be better served.

12 (b) A public record of every vote shall be maintained at the
13 commission's principal office.

14 (c) A majority of the membership of the commission is a
15 quorum of the commission. The concurring vote of three members
16 of the commission shall be required for any official action of the
17 commission or for the exercise of any of the commission's duties,
18 powers, or functions.

19 (d) Except as otherwise provided in this chapter, Article 9
20 (commencing with Section 11120) of Chapter 1 of Part 1 of
21 Division 3 of Title 2 of the Government Code applies to meetings
22 of the commission. Notwithstanding Section 11125.1 of the
23 Government Code, documents, which are filed with the
24 commission by the division for the purpose of evaluating the
25 qualifications of an applicant, are exempt from disclosure under
26 Chapter 3.5 (commencing with Section 6250) of Division 7 of
27 Title 1 of the Government Code.

28 SEC. 17. Section 19818A of the Business and Professions
29 Code is amended and renumbered to read:

30 19820. The commission may employ not more than eight
31 attorneys. Nothing in this section shall be deemed to exempt the
32 commission from the operation of Section 11040, 11042, or 11043
33 of the Government Code.

34 SEC. 18. Section 19820A of the Business and Professions
35 Code is amended and renumbered to read:

36 19821. (a) The commission shall cause to be made and kept
37 a record of all proceedings at regular and special meetings of the
38 commission. These records shall be open to public inspection.

39 (b) The commission shall maintain a file of all applications for
40 licenses under this chapter, together with a record of all actions



1 taken with respect to those applications. The file and record shall
2 be open to public inspection.

3 (c) The division and commission may maintain any other files
4 and records as they deem appropriate. Except as provided in this
5 chapter, the records of the division and commission are exempt
6 from disclosure ~~from~~ *under* Chapter 3.5 (commencing with
7 Section 6250) of Division 7 of Title 1 of the Government Code.

8 (d) Except as necessary for the administration of this chapter,
9 no commissioner and no official, employee, or agent of the
10 commission or the division, having obtained access to confidential
11 records or information in the performance of duties pursuant to
12 this chapter, shall knowingly disclose or furnish the records or
13 information, or any part thereof, to any person who is not
14 authorized by law to receive it. A violation of this subdivision is
15 a misdemeanor.

16 (e) Notwithstanding subdivision (k) of Section 1798.24 of the
17 Civil Code, a court shall not compel disclosure of personal
18 information in the possession of the division or the commission to
19 any person in any civil proceeding wherein the division or the
20 commission is not a party, except for good cause and upon a
21 showing that the information cannot otherwise be obtained.
22 Nothing herein shall be construed to authorize the disclosure of
23 personal information that would otherwise be exempt from
24 disclosure.

25 SEC. 19. Section 19821A of the Business and Professions
26 Code is amended and renumbered to read:

27 19822. (a) All files, records, reports, and other information
28 in possession of any state or local governmental agency that are
29 relevant to an investigation by the division conducted pursuant to
30 this chapter shall be made available to the division as requested.
31 However, any tax information received from a governmental
32 agency shall be used solely for effectuating the purposes of this
33 chapter. To the extent that the files, records, reports, or information
34 described in this section are confidential or otherwise privileged
35 from disclosure under any law or exercise of discretion, they shall
36 not lose that confidential or privileged status for having been
37 disclosed to the division.

38 (b) All files, records, reports, and other information pertaining
39 to gambling matters in the possession of the division shall be open
40 at all times to inspection by the members of the commission.



1 SEC. 20. Section 19822A of the Business and Professions
2 Code is amended and renumbered to read:

3 19823. (a) The responsibilities of the commission include,
4 without limitation, all of the following:

5 (1) Assuring that licenses, approvals, and permits are not
6 issued to, or held by, unqualified or disqualified persons, or by
7 persons whose operations are conducted in a manner that is
8 inimical to the public health, safety, or welfare.

9 (2) Assuring that there is no material involvement, directly or
10 indirectly, with a licensed gambling operation, or the ownership or
11 management thereof, by unqualified or disqualified persons, or by
12 persons whose operations are conducted in a manner that is
13 inimical to the public health, safety, or welfare.

14 (b) For the purposes of this section, “unqualified person”
15 means a person who is found to be unqualified pursuant to the
16 criteria set forth in Section 19857, and “disqualified person”
17 means a person who is found to be disqualified pursuant to the
18 criteria set forth in Section 19859.

19 SEC. 21. Section 19823A of the Business and Professions
20 Code is amended and renumbered to read:

21 19824. The commission shall have all powers necessary and
22 proper to enable it fully and effectually to carry out the policies and
23 purposes of this chapter, including, without limitation, the power
24 to do all of the following:

25 (a) Require any person to apply for a license, permit,
26 registration, or approval as specified in this chapter, or regulations
27 adopted pursuant to this chapter.

28 (b) For any cause deemed reasonable by the commission, deny
29 any application for a license, permit, or approval provided for in
30 this chapter or regulations adopted pursuant to this chapter, limit,
31 condition, or restrict any license, permit, or approval, or impose
32 any fine upon any person licensed or approved.

33 (c) Approve or disapprove transactions, events, and processes
34 as provided in this chapter.

35 (d) Take actions deemed to be reasonable to ensure that no
36 ineligible, unqualified, disqualified, or unsuitable persons are
37 associated with controlled gambling activities.

38 (e) Take actions deemed to be reasonable to ensure that
39 gambling activities take place only in suitable locations.



1 (f) Grant temporary licenses, permits, or approvals on
2 appropriate terms and conditions.

3 (g) Institute a civil action in any superior court against any
4 person subject to this chapter to restrain a violation of this chapter.
5 An action brought against a person pursuant to this section does not
6 preclude a criminal action or administrative proceeding against
7 that person by the Attorney General or any district attorney or city
8 attorney.

9 (h) Issue subpoenas to compel attendance of witnesses and
10 production of documents and other material things at a meeting or
11 hearing of the commission or its committees, including advisory
12 committees.

13 SEC. 22. Section 19823.5 of the Business and Professions
14 Code is amended and renumbered to read:

15 19825. The commission may require that any matter that the
16 commission is authorized or required to consider in a hearing or
17 meeting of an adjudicative nature regarding the denial,
18 suspension, or revocation of a license, permit, or a finding of
19 suitability, be heard and determined in accordance with Chapter 5
20 (commencing with Section 11500) of Part 1 of Division 3 of Title
21 2 of the Government Code.

22 SEC. 23. Section 19824A of the Business and Professions
23 Code is amended and renumbered to read:

24 19826. The division shall have all of the following
25 responsibilities:

26 (a) To investigate the qualifications of applicants before any
27 license, permit, or other approval is issued, and to investigate any
28 request to the commission for any approval that may be required
29 pursuant to this chapter. The division may recommend the denial
30 or the limitation, conditioning, or restriction of any license,
31 permit, or other approval.

32 (b) To monitor the conduct of all licensees and other persons
33 having a material involvement, directly or indirectly, with a
34 gambling operation or its holding company, for the purpose of
35 ensuring that licenses are not issued or held by, and that there is no
36 direct or indirect material involvement with, a gambling operation
37 or holding company by ineligible, unqualified, disqualified, or
38 unsuitable persons, or persons whose operations are conducted in
39 a manner that is inimical to the public health, safety, or welfare.



1 (c) To investigate suspected violations of this chapter or laws
2 of this state relating to gambling, including any activity prohibited
3 by Chapter 9 (commencing with Section 319) or Chapter 10
4 (commencing with Section 330) of Title 9 of Part 1 of the Penal
5 Code.

6 (d) To investigate complaints that are lodged against licensees,
7 or other persons associated with a gambling operation, by
8 members of the public.

9 (e) To initiate, where appropriate, disciplinary actions as
10 provided in this chapter. In connection with any disciplinary
11 action, the division may seek restriction, limitation, suspension, or
12 revocation of any license or approval, or the imposition of any fine
13 upon any person licensed or approved.

14 (f) To adopt regulations reasonably related to its functions and
15 duties as specified in this chapter.

16 (g) Approve the play of any controlled game, including placing
17 restrictions and limitations on how a controlled game may be
18 played.

19 SEC. 24. Section 19825 of the Business and Professions Code
20 is amended and renumbered to read:

21 19827. (a) The division has all powers necessary and proper
22 to enable it to carry out fully and effectually the duties and
23 responsibilities of the division specified in this chapter. The
24 investigatory powers of the division include, but are not limited to,
25 all of the following:

26 (1) Upon approval of the director, and without notice or
27 warrant, the division may take any of the following actions:

28 (A) Visit, investigate, and place expert accountants,
29 technicians, and any other person, as it may deem necessary, in all
30 areas of the premises wherein controlled gambling is conducted
31 for the purpose of determining compliance with the rules and
32 regulations adopted pursuant to this chapter.

33 (B) Visit, inspect, and examine all premises where gambling
34 equipment is manufactured, sold, or distributed.

35 (C) Inspect all equipment and supplies in any gambling
36 establishment or in any premises where gambling equipment is
37 manufactured, sold, or distributed.

38 (D) Summarily seize, remove, and impound any equipment,
39 supplies, documents, or records from any licensed premises for the
40 purpose of examination and inspection. However, upon



1 reasonable demand by the licensee or the licensee's authorized
2 representative, a copy of all documents and records seized shall be
3 made and left on the premises.

4 (E) Demand access to, and inspect, examine, photocopy, and
5 audit all papers, books, and records of an owner licensee on the
6 gambling premises in the presence of the licensee or his or her
7 agent.

8 (2) Except as provided in paragraph (1), upon obtaining an
9 inspection warrant pursuant to Section 1822.60 of the Code of
10 Civil Procedure, the division may inspect and seize for inspection,
11 examination, or photocopying any property possessed, controlled,
12 bailed, or otherwise held by any applicant, licensee, or any
13 intermediary company, or holding company.

14 (3) The division may investigate, for purposes of prosecution,
15 any suspected criminal violation of this chapter. However, nothing
16 in this paragraph limits the powers conferred by any other
17 provision of law on agents of the division who are peace officers.

18 (4) The division may do both of the following:

19 (A) Issue subpoenas to require the attendance and testimony of
20 witnesses and the production of books, records, documents, and
21 physical materials.

22 (B) Administer oaths, examine witnesses under oath, take
23 evidence, and take depositions and affidavits or declarations.
24 Notwithstanding Section 11189 of the Government Code, the
25 division, without leave of court, may take the deposition of any
26 applicant or any licensee. Sections 11185 and 11191 of the
27 Government Code do not apply to a witness who is an applicant or
28 a licensee.

29 (b) (1) Subdivision (a) shall not be construed to limit
30 warrantless inspections except as required by the California
31 Constitution or the United States Constitution.

32 (2) Subdivision (a) shall not be construed to prevent entries and
33 administrative inspections, including seizures of property, without
34 a warrant in the following circumstances:

35 (A) With the consent of the owner, operator, or agent in charge
36 of the premises.

37 (B) In situations presenting imminent danger to health and
38 safety.

39 (C) In situations involving inspection of conveyances where
40 there is reasonable cause to believe that the mobility of the



1 conveyance makes it impractical to obtain a warrant, or in any
2 other exceptional or emergency circumstance where time or
3 opportunity to apply for a warrant is lacking.

4 (D) In accordance with this chapter.

5 (E) In all other situations where a warrant is not
6 constitutionally required.

7 SEC. 25. Section 19827 of the Business and Professions Code
8 is amended and renumbered to read:

9 19828. (a) Without limiting any privilege that is otherwise
10 available under law, any communication or publication from, or
11 concerning, an applicant, licensee, or registrant, in oral, written,
12 or any other form, is absolutely privileged and so shall not form
13 a basis for imposing liability for defamation or constitute a ground
14 for recovery in any civil action, under any of the following
15 circumstances:

16 (1) It was made or published by an agent or employee of the
17 division or commission in the proper discharge of official duties
18 or in the course of any proceeding under this chapter.

19 (2) It was required to be made or published to the division or
20 commission, or any of their agents or employees, by law,
21 regulation, or subpoena of the division or the commission.

22 (3) It was, in good faith, made or published to the division or
23 the commission for the purpose of causing, assisting, or aiding an
24 investigation conducted pursuant to this chapter.

25 (b) If any document or communication provided to the division
26 or the commission contains any information that is privileged
27 pursuant to Division 8 (commencing with Section 900) of the
28 Evidence Code, or any other provision of law, that privilege is not
29 waived or lost because the document or communication is
30 disclosed to the division or the commission or to any of their agents
31 or employees.

32 (c) The division, the commission, and their agents and
33 employees shall not release or disclose any information,
34 documents, or communications provided by an applicant,
35 licensee, or other person, that are privileged pursuant to Division
36 8 (commencing with Section 900) of the Evidence Code, or any
37 other provision of law, without the prior written consent of the
38 holder of the privilege, or pursuant to lawful court order after
39 timely notice of the proceedings has been given to the holder of the
40 privilege. An application to a court for an order requiring the



1 division or the commission to release any information declared by
2 law to be confidential shall be made only upon motion made in
3 writing on not less than 10-business days' notice to the division or
4 the commission, and to all persons who may be affected by the
5 entry of the order.

6 SEC. 26. Section 19828 of the Business and Professions Code
7 is amended and renumbered to read:

8 19829. Every district attorney, and every state and local law
9 enforcement agency, shall furnish to the division, on forms
10 prepared by the division, all information obtained during the
11 course of any substantial investigation or prosecution of any
12 person, as determined by the division, if it appears that a violation
13 of any law related to gambling has occurred, including any
14 violation of Chapter 9 (commencing with Section 319) or Chapter
15 10 (commencing with Section 330) of Title 9 of Part 1 of the Penal
16 Code.

17 SEC. 27. Section 19829 of the Business and Professions Code
18 is amended and renumbered to read:

19 19830. There is an investigative account within the Gambling
20 Control Fund. All funds received for the purpose of paying
21 expenses incurred by the division for investigation of an
22 application for a license or approval under this chapter shall be
23 deposited in the account. Expenses may be advanced from the
24 investigative account to the division by the director.

25 SEC. 28. Section 19830A of the Business and Professions
26 Code is amended and renumbered to read:

27 19840. The commission may adopt regulations for the
28 administration and enforcement of this chapter. To the extent
29 appropriate, regulations of the commission and the division shall
30 take into consideration the operational differences of large and
31 small establishments.

32 SEC. 29. Section 19834A of the Business and Professions
33 Code is amended and renumbered to read:

34 19841. The regulations adopted by the commission shall do
35 all of the following:

36 (a) With respect to applications, registrations, investigations,
37 and fees, the regulations shall include, but not be limited to,
38 provisions that do all of the following:

39 (1) Prescribe the method and form of application and
40 registration.



- 1 (2) Prescribe the information to be furnished by any applicant,
2 licensee, or registrant concerning, as appropriate, the person's
3 personal history, habits, character, associates, criminal record,
4 business activities, organizational structure, and financial affairs,
5 past or present.
- 6 (3) Prescribe the information to be furnished by an owner
7 licensee relating to the licensee's gambling employees.
- 8 (4) Require fingerprinting or other methods of identification of
9 an applicant, licensee, or employee of a licensee.
- 10 (5) Prescribe the manner and method of collection and payment
11 of fees and issuance of licenses.
- 12 (b) Provide for the approval of game rules and equipment by
13 the division to ensure fairness to the public and compliance with
14 state laws.
- 15 (c) Implement the provisions of this chapter relating to
16 licensing and other approvals.
- 17 (d) Require owner licensees to report and keep records of
18 transactions, including transactions as determined by the division,
19 involving cash or credit. The regulations may include, without
20 limitation, regulations requiring owner licensees to file with the
21 division reports similar to those required by Sections 5313 and
22 5314 of Title 31 of the United States Code, and by Sections 103.22
23 and 103.23 of Title 31 of the Code of Federal Regulations, and any
24 successor provisions thereto, from financial institutions, as
25 defined in Section 5312 of Title 31 of the United States Code and
26 Section 103.11 of Title 31 of the Code of Federal Regulations, and
27 any successor provisions.
- 28 (e) Provide for the receipt of protests and written comments on
29 an application by public agencies, public officials, local governing
30 bodies, or residents of the location of the gambling establishment
31 or future gambling establishment.
- 32 (f) Provide for the disapproval of advertising by licensed
33 gambling establishments that is determined by the division to be
34 deceptive to the public. Regulations adopted by the commission
35 for advertising by licensed gambling establishments shall be
36 consistent with the advertising regulations adopted by the
37 California Horse Racing Board and the Lottery Commission.
38 Advertisement that appeals to children or adolescents or that offers
39 gambling as a means of becoming wealthy is presumptively
40 deceptive.



1 (g) Govern all of the following:

2 (1) The extension of credit.

3 (2) The cashing, deposit, and redemption of checks or other
4 negotiable instruments.

5 (3) The verification of identification in monetary transactions.

6 (h) Prescribe minimum procedures for adoption by owner
7 licensees to exercise effective control over their internal fiscal and
8 gambling affairs, which shall include, but not be limited to,
9 provisions for all of the following:

10 (1) The safeguarding of assets and revenues, including the
11 recording of cash and evidences of indebtedness.

12 (2) Prescribing the manner in which compensation from games
13 and gross revenue shall be computed and reported by an owner
14 licensee.

15 (3) The provision of reliable records, accounts, and reports of
16 transactions, operations, and events, including reports to the
17 division.

18 (i) Provide for the adoption and use of internal audits, whether
19 by qualified internal auditors or by certified public accountants. As
20 used in this subdivision, “internal audit” means a type of control
21 that operates through the testing and evaluation of other controls
22 and that is also directed toward observing proper compliance with
23 the minimum standards of control prescribed in subdivision (h).

24 (j) Require periodic financial reports from each owner
25 licensee.

26 (k) Specify standard forms for reporting financial conditions,
27 results of operations, and other relevant financial information.

28 (l) Formulate a uniform code of accounts and accounting
29 classifications to ensure consistency, comparability, and effective
30 disclosure of financial information.

31 (m) Prescribe intervals at which the information in
32 subdivisions (j) and (k) shall be furnished to the division.

33 (n) Require audits to be conducted, in accordance with
34 generally accepted auditing standards, of the financial statements
35 of all owner licensees whose annual gross revenues equal or
36 exceed a specified sum. However, nothing herein shall be
37 construed to limit the division’s authority to require audits of any
38 owner licensee. Audits, compilations, and reviews provided for in
39 this subdivision shall be made by independent certified public
40 accountants licensed to practice in this state.



1 (o) Restrict, limit, or otherwise regulate any activity that is
2 related to the conduct of controlled gambling, consistent with the
3 purposes of this chapter.

4 (p) Define and limit the area, games, hours of operation,
5 number of tables, wagering limits, and equipment permitted, or the
6 method of operation of games and equipment, if the commission,
7 upon the recommendation of ~~the division or otherwise~~, *or in*
8 *consultation with, the division*, determines that local regulation of
9 these subjects is insufficient to protect the health, safety, or welfare
10 of residents in geographical areas proximate to a gambling
11 establishment.

12 (q) Prohibit gambling establishments from cashing checks
13 drawn against any federal, state, or county fund, including, but not
14 limited to, social security, unemployment insurance, disability
15 payments, or public assistance payments. However, a gambling
16 establishment shall not be prohibited from cashing any payroll
17 checks or checks for the delivery of goods or services that are
18 drawn against a federal, state, or county fund.

19 Gambling establishments shall send the division copies of all
20 dishonored or uncollectible checks at the end of each quarter.

21 (r) Provide for standards, specifications, and procedures
22 governing the manufacture, distribution, including the sale and
23 leasing, inspection, testing, location, operation, repair, and storage
24 of gambling equipment, and for the licensing of persons engaged
25 in the business of manufacturing, distributing, including the sale
26 and leasing, inspection, testing, repair, and storage of gambling
27 equipment.

28 SEC. 30. Section 19834.5A of the Business and Professions
29 Code is amended and renumbered to read:

30 19842. (a) The commission shall not prohibit, on a statewide
31 basis, the play of any game or restrict the manner in which any
32 game is played, unless the commission, in a proceeding pursuant
33 to this article, finds that the game, or the manner in which the game
34 is played, violates a law of the United States, a law of this state, or
35 a local ordinance.

36 (b) Nothing in this section shall be construed to limit the
37 powers of the commission in a proceeding against a licensee
38 pursuant to Article 10 (commencing with Section 19930).

39 (c) No regulation prohibiting a game or the manner in which a
40 game is played shall be deemed to be an emergency regulation.



1 SEC. 31. Section 19834.6A of the Business and Professions
2 Code is amended and renumbered to read:

3 19843. The commission shall not prohibit, on a statewide
4 basis, the placing of a wager on a controlled game by a person at
5 a gaming table, if the person is present at the table and actively
6 participating in the hand with a single-seated player upon whose
7 hand the wagers are placed.

8 SEC. 32. Section 19835A of the Business and Professions
9 Code is amended and renumbered to read:

10 19844. (a) The commission shall, by regulation, provide for
11 the formulation of a list of persons who are to be excluded or
12 ejected from any gambling establishment. The list may include
13 any person whose presence in the establishment is determined by
14 the commission to pose a threat to the interests of this state or to
15 controlled gambling, or both.

16 (b) In making the determination described in subdivision (a),
17 the commission may consider, but is not limited to considering,
18 any of the following:

19 (1) Prior conviction of a crime that is a felony in this state or
20 under the laws of the United States, a crime involving moral
21 turpitude, or a violation of the gambling laws of this or any other
22 state.

23 (2) The violation of, or conspiracy to violate, the provisions of
24 this chapter relating to the failure to disclose an interest in a
25 gambling establishment for which the person is required to obtain
26 a license, or the willful evasion of fees.

27 (3) A notorious or unsavory reputation that would adversely
28 affect public confidence and trust that the gambling industry is free
29 from criminal or corruptive elements.

30 (4) An order of exclusion or ejection from a racing enclosure
31 issued by the California Horse Racing Board.

32 (c) The commission shall distribute the list of persons who are
33 to be excluded or ejected from any gambling establishment to all
34 owner licensees and shall provide notice to any persons included
35 on the list.

36 (d) The commission shall adopt regulations establishing
37 procedures for hearing of petitions by persons who are ejected or
38 excluded from licensed premises pursuant to this section or
39 pursuant to Section 19845.



1 (e) The commission may revoke, limit, condition, or suspend
2 the license of an owner, or fine an owner licensee, if that licensee
3 knowingly fails to exclude or eject from the gambling
4 establishment of that licensee any person included on the list of
5 persons to be excluded or ejected.

6 SEC. 33. Section 19835.5A of the Business and Professions
7 Code is amended and renumbered to read:

8 19845. (a) A licensee may remove from his or her licensed
9 premises any person who, while on the premises:

10 (1) Is a disorderly person, as defined by Section 647 of the
11 Penal Code.

12 (2) Interferes with a lawful gambling operation.

13 (3) Solicits or engages in any act of prostitution.

14 (4) Begs, is boisterous, or is otherwise offensive to other
15 persons.

16 (5) Commits any public offense.

17 (6) Is intoxicated.

18 (7) Is a person who the commission, pursuant to regulation, has
19 determined should be excluded from licensed gambling
20 establishments in the public interest.

21 (b) Nothing in this section shall be deemed, expressly or
22 impliedly, to preclude a licensee from exercising the right to deny
23 access to or to remove any person from its premises or property for
24 any reason the licensee deems appropriate.

25 SEC. 34. Section 19836A of the Business and Professions
26 Code is repealed.

27 SEC. 35. Section 19840 of the Business and Professions Code
28 is amended and renumbered to read:

29 19850. Every person who, either as owner, lessee, or
30 employee, whether for hire or not, either solely or in conjunction
31 with others, deals, operates, carries on, conducts, maintains, or
32 exposes for play any controlled game in this state, or who receives,
33 directly or indirectly, any compensation or reward, or any
34 percentage or share of the money or property played, for keeping,
35 running, or carrying on any controlled game in this state, shall
36 apply for and obtain from the commission, and shall thereafter
37 maintain, a valid state gambling license, key employee license, or
38 work permit, as specified in this chapter. In any criminal
39 prosecution for violation of this section, the punishment shall be
40 as provided in Section 337j of the Penal Code.



1 SEC. 36. Section 19840.5 of the Business and Professions
2 Code is amended and renumbered to read:

3 19851. (a) The owner of a gambling enterprise shall apply for
4 and obtain a state gambling license.

5 (b) Other persons who also obtain a state gambling license, or
6 key employee license, as required by this chapter, shall not receive
7 a separate license certificate, but the license of every such person
8 shall be endorsed on the license that is issued to the owner of the
9 gambling enterprise.

10 SEC. 37. Section 19841A of the Business and Professions
11 Code is amended and renumbered to read:

12 19852. An owner of a gambling enterprise that is not a natural
13 person shall not be eligible for a state gambling license unless each
14 of the following persons individually applies for and obtains a state
15 gambling license:

16 (a) If the owner is a corporation, then each officer, director, and
17 shareholder, other than a holding or intermediary company, of the
18 owner. The foregoing does not apply to an owner that is either a
19 publicly traded racing association or a qualified racing association.

20 (b) If the owner is a publicly traded racing association, then
21 each officer, director, and owner, other than an institutional
22 investor, of 5 percent or more of the outstanding shares of the
23 publicly traded corporation.

24 (c) If the owner is a qualified racing association, then each
25 officer, director, and shareholder, other than an institutional
26 investor, of the subsidiary corporation and any owner, other than
27 an institutional investor, of 5 percent or more of the outstanding
28 shares of the publicly traded corporation.

29 (d) If the owner is a partnership, then every general and limited
30 partner of, and every trustee or person, other than a holding or
31 intermediary company, having or acquiring a direct or beneficial
32 interest in, that partnership owner.

33 (e) If the owner is a trust, then the trustee and, in the discretion
34 of the commission, any beneficiary and the trustor of the trust.

35 (f) If the owner is a business organization other than a
36 corporation, partnership, or trust, then all those persons as the
37 commission may require, consistent with this chapter.

38 (g) Each person who receives, or is to receive, any percentage
39 share of the revenue earned by the owner from gambling activities.



1 (h) Every employee, agent, guardian, personal representative,
2 lender, or holder of indebtedness of the owner who, in the
3 judgment of the commission, has the power to exercise a
4 significant influence over the gambling operation.

5 SEC. 38. Section 19842A of the Business and Professions
6 Code is amended and renumbered to read:

7 19853. (a) The commission, by regulation or order, may
8 require that the following persons register with the commission,
9 apply for a finding of suitability as defined in subdivision (i) of
10 19805, or apply for a gambling license:

11 (1) Any person who furnishes any services or any property to
12 a gambling enterprise under any arrangement whereby that person
13 receives payments based on earnings, profits, or receipts from
14 controlled gambling.

15 (2) Any person who owns an interest in the premises of a
16 licensed gambling establishment or in real property used by a
17 licensed gambling establishment.

18 (3) Any person who does business on the premises of a licensed
19 gambling establishment.

20 (4) Any person who is an independent agent of, or does
21 business with, a gambling enterprise as a ticket purveyor, a tour
22 operator, the operator of a bus program, or the operator of any
23 other type of travel program or promotion operated with respect
24 to a licensed gambling establishment.

25 (5) Any person who provides any goods or services to a
26 gambling enterprise for compensation that the commission finds
27 to be grossly disproportionate to the value of the goods or services
28 provided.

29 (6) Every person who, in the judgment of the commission, has
30 the power to exercise a significant influence over the gambling
31 operation.

32 (b) *The division may conduct any investigation it deems*
33 *necessary to determine whether a publicly traded corporation is,*
34 *or has, engaged in activities specified in paragraph (2), (3), or (4)*
35 *of subdivision (a), and shall report its findings to the commission.*

36 If a publicly traded corporation is engaged in activities ~~described~~
37 ~~in paragraphs (2), (3), and (4) of subdivision (a), as determined by~~
38 ~~an investigation of the division or otherwise, the~~ *described in*
39 *paragraphs (2), (3), or (4) of subdivision (a), the commission may*



1 require the corporation and the following other persons to apply
2 for and obtain a license or finding of suitability:

3 (1) Any officer or director.

4 (2) Any owner, other than an institutional investor, of 5 percent
5 or more of the outstanding shares of the corporation.

6 SEC. 39. Section 19844 of the Business and Professions Code
7 is amended and renumbered to read:

8 19854. (a) Every key employee shall apply for and obtain a
9 key employee license.

10 (b) Licenses issued to key employees shall be for specified
11 positions only, and those positions shall be enumerated in the
12 endorsement described in subdivision (b) of Section 19851.

13 (c) No person may be issued a key employee license unless the
14 person would qualify for a state gambling license.

15 (d) No person may be issued a key employee license unless the
16 person is a resident of this state.

17 SEC. 40. Section 19846 of the Business and Professions Code
18 is amended and renumbered to read:

19 19855. Except as otherwise provided by statute or regulation,
20 every person who, by statute or regulation, is required to hold a
21 state license shall obtain the license prior to engaging in the
22 activity or occupying the position with respect to which the license
23 is required. Every person who, by order of the commission, is
24 required to apply for a gambling license or a finding of suitability
25 shall file the application within 30 calendar days after receipt of the
26 order.

27 SEC. 41. Section 19847A of the Business and Professions
28 Code is amended and renumbered to read:

29 19856. (a) Any person who the commission determines is
30 qualified to receive a state license, having due consideration for the
31 proper protection of the health, safety, and general welfare of the
32 residents of the State of California and the declared policy of this
33 state, may be issued a license. The burden of proving his or her
34 qualifications to receive any license is on the applicant.

35 (b) An application to receive a license constitutes a request for
36 a determination of the applicant's general character, integrity, and
37 ability to participate in, engage in, or be associated with, controlled
38 gambling.

39 (c) In reviewing an application for any license, the commission
40 shall consider whether issuance of the license is inimical to public



1 health, safety, or welfare, and whether issuance of the license will
2 undermine public trust that the gambling operations with respect
3 to which the license would be issued are free from criminal and
4 dishonest elements and would be conducted honestly.

5 SEC. 42. Section 19848A of the Business and Professions
6 Code is amended and renumbered to read:

7 19857. No gambling license shall be issued unless, based on
8 all of the information and documents submitted, the commission
9 is satisfied that the applicant is all of the following:

10 (a) A person of good character, honesty, and integrity.

11 (b) A person whose prior activities, criminal record, if any,
12 reputation, habits, and associations do not pose a threat to the
13 public interest of this state, or to the effective regulation and
14 control of controlled gambling, or create or enhance the dangers
15 of unsuitable, unfair, or illegal practices, methods, and activities
16 in the conduct of controlled gambling or in the carrying on of the
17 business and financial arrangements incidental thereto.

18 (c) A person that is in all other respects qualified to be licensed
19 as provided in this chapter.

20 SEC. 43. Section 19848.5 of the Business and Professions
21 Code is amended and renumbered to read:

22 19858. (a) Except as provided in subdivision (b), a person
23 shall be deemed to be unsuitable to hold a state gambling license
24 to own a gambling establishment if the person, or any partner,
25 officer, director, or shareholder of the person, has any financial
26 interest in any business or organization that is engaged in any form
27 of gambling prohibited by Section 330 of the Penal Code, whether
28 within or without this state.

29 (b) Subdivision (a) does not apply to a publicly traded racing
30 association, a qualified racing association, or any person who is
31 licensed pursuant to subdivision (b) or (c) of Section 19852.

32 SEC. 44. Section 19850A of the Business and Professions
33 Code is amended and renumbered to read:

34 19859. The commission shall deny a license to any applicant
35 who is disqualified for any of the following reasons:

36 (a) Failure of the applicant to clearly establish eligibility and
37 qualification in accordance with this chapter.

38 (b) Failure of the applicant to provide information,
39 documentation, and assurances required by this chapter or
40 requested by the director, or failure of the applicant to reveal any



1 fact material to qualification, or the supplying of information that
2 is untrue or misleading as to a material fact pertaining to the
3 qualification criteria.

4 (c) Conviction of a felony, including a conviction by a federal
5 court or a court in another state for a crime that would constitute
6 a felony if committed in California.

7 (d) Conviction of the applicant for any misdemeanor involving
8 dishonesty or moral turpitude within the 10-year period
9 immediately preceding the submission of the application, unless
10 the applicant has been granted relief pursuant to Section 1203.4,
11 1203.4a, or 1203.45 of the Penal Code; provided, however, that the
12 granting of relief pursuant to Section 1203.4, 1203.4a, or 1203.45
13 of the Penal Code shall not constitute a limitation on the discretion
14 of the commission under Section 19856 or affect the applicant's
15 burden under Section 19857.

16 (e) Association of the applicant with criminal profiteering
17 activity or organized crime, as defined by Section 186.2 of the
18 Penal Code.

19 (f) Contumacious defiance by the applicant of any legislative
20 investigatory body, or other official investigatory body of any state
21 or of the United States, when that body is engaged in the
22 investigation of crimes relating to gambling; official corruption
23 related to gambling activities; or criminal profiteering activity or
24 organized crime, as defined by Section 186.2 of the Penal Code.

25 (g) The applicant is less than 21 years of age.

26 SEC. 45. Section 19851A of the Business and Professions
27 Code is amended and renumbered to read:

28 19860. (a) The commission shall deny a gambling license
29 with respect to any gambling establishment that is located in a city,
30 county, or city and county that does not have an ordinance
31 governing all of the following matters:

32 (1) The hours of operation of gambling establishments.

33 (2) Patron security and safety in and around the gambling
34 establishments.

35 (3) The location of gambling establishments.

36 (4) Wagering limits in gambling establishments.

37 (5) The number of gambling tables in each gambling
38 establishment and in the jurisdiction.

39 (b) In any city, county, or city and county in which the local
40 gambling ordinance does not govern the matters specified in



1 subdivision (a), any amendment to the ordinance to govern those
2 matters is not subject to Section 19961, provided that a local
3 election is required to add these matters, and the ordinance only
4 provides for private clubs by vote of the people, and that the
5 ordinance is amended to contain these matters on or before July 1,
6 2000.

7 SEC. 46. Section 19851.5 of the Business and Professions
8 Code is amended and renumbered to read:

9 19861. Notwithstanding subdivision (i) of Section 19801, the
10 commission shall not deny a license to a gambling establishment
11 solely because it is not open to the public, provided that all of the
12 following are true: (a) the gambling establishment is situated in a
13 local jurisdiction that has an ordinance allowing only private
14 clubs, and the gambling establishment was in operation as a private
15 club under that ordinance on December 31, 1997, and met all
16 applicable state and local gaming registration requirements; (b)
17 the gambling establishment consists of no more than five gaming
18 tables; (c) videotaped recordings of the entrance to the gambling
19 room or rooms and all tables situated therein are made during all
20 hours of operation by means of closed circuit television cameras,
21 and these tapes are retained for a period of 30 days and are made
22 available for review by the division or commission upon request;
23 and (d) the gambling establishment is open to members of the
24 private club and their spouses in accordance with membership
25 criteria in effect as of December 31, 1997.

26 A gambling establishment meeting these criteria, in addition to
27 the other requirements of this chapter, may be licensed to operate
28 as a private club gambling establishment until November 30,
29 2003, or until the ownership or operation of the gambling
30 establishment changes from the ownership or operation as of
31 January 1, 1998, whichever occurs first. Operation of the
32 gambling establishments after this date shall only be permitted if
33 the local jurisdiction approves an ordinance, pursuant to Sections
34 19961 and 19962, authorizing the operation of gambling
35 establishments that are open to the public. The commission shall
36 adopt regulations implementing this section. Prior to the
37 commission's issuance of a license to a private club, the division
38 shall ensure that the ownership of the gambling establishment has
39 remained constant since January 1, 1998, and the operation of the
40 gambling establishment has not been leased to any third party.



1 SEC. 47. Section 19852A of the Business and Professions
2 Code is amended and renumbered to read:

3 19862. (a) In addition to other grounds stated in this chapter,
4 the commission may deny a gambling license for any of the
5 following reasons:

6 (1) If issuance of the license with respect to the proposed
7 gambling establishment or expansion would tend unduly to create
8 law enforcement problems in a city, county, or city and county
9 other than the city, county, or city and county that has regulatory
10 jurisdiction over the applicant's premises.

11 (2) If an applicant fails to conduct an economic feasibility
12 study that demonstrates to the satisfaction of the commission that
13 the proposed gambling establishment will be economically viable,
14 and that the owners have sufficient resources to make the gambling
15 establishment successful. The commission shall hold a public
16 hearing for the purpose of reviewing the feasibility study. All
17 papers, studies, projections, pro formas, and other materials filed
18 with the commission pursuant to an economic feasibility study are
19 public records and shall be disclosed to all interested parties.

20 (3) If issuance of the license is sought in respect to a new
21 gambling establishment, or the expansion of an existing gambling
22 establishment, that is to be located or is located near an existing
23 school, an existing building used primarily as a place of worship,
24 an existing playground or other area of juvenile congregation, an
25 existing hospital, convalescence facility, or near another similarly
26 unsuitable area, as determined by regulation of the commission,
27 which is located in a city, county, or city and county other than the
28 city, county, or city and county that has regulatory jurisdiction over
29 the applicant's gambling premises.

30 (b) For the purposes of this section, "expansion" means an
31 increase of 25 percent or more in the number of authorized
32 gambling tables in a gambling establishment, based on the number
33 of gambling tables for which a license was initially issued pursuant
34 to this chapter.

35 SEC. 48. Section 19852.1 of the Business and Professions
36 Code is amended and renumbered to read:

37 19863. A publicly traded racing association or a qualified
38 racing association shall be allowed to operate only one gaming
39 establishment, and the gaming establishment shall be located on
40 the same premises as the entity's racetrack.



1 SEC. 49. Section 19853A of the Business and Professions
2 Code is amended and renumbered to read:

3 19864. (a) Application for a state license or other
4 commission action shall be made on forms furnished by the
5 commission.

6 (b) The application for a gambling license shall include all of
7 the following:

8 (1) The name of the proposed licensee.

9 (2) The name and location of the proposed gambling
10 establishment.

11 (3) The gambling games proposed to be conducted.

12 (4) The names of all persons directly or indirectly interested in
13 the business and the nature of the interest.

14 (5) A description of the proposed gambling establishment and
15 operation.

16 (6) Any other information and details the commission may
17 require in order to discharge its duty properly.

18 SEC. 50. Section 19853.5 of the Business and Professions
19 Code is amended and renumbered to read:

20 19865. The division shall furnish to the applicant
21 supplemental forms, which the applicant shall complete and file
22 with the division. These supplemental forms shall require, but
23 shall not be limited to requiring, complete information and details
24 with respect to the applicant's personal history, habits, character,
25 criminal record, business activities, financial affairs, and business
26 associates, covering at least a 10-year period immediately
27 preceding the date of filing of the application. Each applicant shall
28 submit two sets of fingerprints, using "live scan" or other
29 prevailing, accepted technology, or on forms provided by the
30 division. The division may submit one fingerprint card to the
31 United States Federal Bureau of Investigation.

32 SEC. 51. Section 19854A of the Business and Professions
33 Code is amended and renumbered to read:

34 19866. An applicant for licensing or for any approval or
35 consent required by this chapter, shall make full and true
36 disclosure of all information to the division and the commission
37 as necessary to carry out the policies of this state relating to
38 licensing, registration, and control of gambling.

39 SEC. 52. Section 19855 of the Business and Professions Code
40 is amended and renumbered to read:



1 19867. (a) An application for a license or a determination of
2 suitability shall be accompanied by the deposit of a sum of money
3 that, in the judgment of the director, will be adequate to pay the
4 anticipated costs and charges incurred in the investigation and
5 processing of the application. The director shall adopt a schedule
6 of costs and charges of investigation for use as guidelines in fixing
7 the amount of any required deposit under this section.

8 (b) During an investigation, the director may require an
9 applicant to deposit any additional sums as are required by the
10 division to pay final costs and charges of the investigation.

11 (c) Any money received from an applicant in excess of the costs
12 and charges incurred in the investigation or the processing of the
13 application shall be refunded pursuant to regulations adopted by
14 the division. At the conclusion of the investigation, the director
15 shall provide the applicant a written, itemized accounting of the
16 costs and charges thereby incurred.

17 SEC. 53. Section 19856A of the Business and Professions
18 Code is amended and renumbered to read:

19 19868. (a) Within a reasonable time after the filing of an
20 application and any supplemental information the division may
21 require, and the deposit of any fee required pursuant to Section
22 19867, the division shall commence its investigation of the
23 applicant and, for that purpose, may conduct any proceedings it
24 deems necessary. To the extent practicable, all applications shall
25 be acted upon within 180 calendar days of the date of submission
26 of a completed application. If an investigation has not been
27 concluded within 180 days after the date of submission of a
28 completed application, the division shall inform the applicant in
29 writing of the status of the investigation and shall also provide the
30 applicant with an estimated date on which the investigation may
31 reasonably be expected to be concluded.

32 (b) If denial of the application is recommended, the director
33 shall prepare and file with the commission his or her written
34 reasons upon which the recommendation is based.

35 (1) Prior to filing his or her recommendation with the
36 commission, the director shall meet with the applicant, or the
37 applicant's duly authorized representative, and inform him or her
38 generally of the basis for any proposed recommendation that the
39 application be denied, restricted, or conditioned.



1 (2) Not less than 10 business days prior to the meeting of the
2 commission at which the application is to be considered, the
3 division shall deliver to the applicant a summary of the director's
4 final report and recommendation.

5 (3) This section neither requires the division to divulge to the
6 applicant any confidential information received from any law
7 enforcement agency or any information received from any person
8 with assurances that the information would be maintained
9 confidential, and nor to divulge any information that might reveal
10 the identity of any informer or jeopardize the safety of any person.

11 (c) A recommendation of denial of an application shall be
12 without prejudice to a new and different application filed in
13 accordance with applicable regulations.

14 SEC. 54. Section 19857A of the Business and Professions
15 Code is amended and renumbered to read:

16 19869. A request for withdrawal of any application may be
17 made at any time prior to final action upon the application by the
18 director by the filing of a written request to withdraw with the
19 commission. For the purposes of this section, final action by the
20 division means a final determination by the director regarding his
21 or her recommendation on the application to the commission. The
22 commission shall not grant the request unless the applicant has
23 established that withdrawal of the application would be consistent
24 with the public interest and the policies of this chapter. If a request
25 for withdrawal is denied, the division may go forward with its
26 investigation and make a recommendation to the commission
27 upon the application, and the commission may act upon the
28 application as if no request for withdrawal had been made. If a
29 request for withdrawal is granted with prejudice, the applicant
30 thereafter shall be ineligible to renew its application until the
31 expiration of one year from the date of the withdrawal. Unless the
32 commission otherwise directs, no fee or other payment relating to
33 any application is refundable by reason of withdrawal of an
34 application.

35 SEC. 55. Section 19858A of the Business and Professions
36 Code is amended and renumbered to read:

37 19870. (a) The commission, after considering the
38 recommendation of the director and any other testimony and
39 written comments as may be presented at the meeting, or as may
40 have been submitted in writing to the commission prior to the



1 meeting, may either deny the application or grant a license to an
2 applicant who it determines to be qualified to hold the license.

3 (b) When the commission grants an application for a license or
4 approval, the commission may limit or place restrictions thereon
5 as it may deem necessary in the public interest, consistent with the
6 policies described in this chapter.

7 (c) When an application is denied, the commission shall
8 prepare and file a detailed statement of its reasons for the denial.

9 (d) All proceedings at a meeting of the commission relating to
10 a license application shall be recorded stenographically or on
11 audiotape or videotape.

12 (e) A decision of the commission denying a license or approval,
13 or imposing any condition or restriction on the grant of a license
14 or approval may be reviewed by petition pursuant to Section 1085
15 of the Code of Civil Procedure. Section 1094.5 of the Code of Civil
16 Procedure shall not apply to any judicial proceeding described in
17 the foregoing sentence, and the court may grant the petition only
18 if the court finds that the action of the commission was arbitrary
19 and capricious, or that the action exceeded the commission's
20 jurisdiction.

21 SEC. 56. Section 19858.5 of the Business and Professions
22 Code is amended and renumbered to read:

23 19871. (a) The commission meeting described in Section
24 19870 shall be conducted in accordance with regulations of the
25 commission and as follows:

26 (1) Oral evidence shall be taken only upon oath or affirmation.

27 (2) Each party shall have all of the following rights:

28 (A) To call and examine witnesses.

29 (B) To introduce exhibits relevant to the issues of the case.

30 (C) To cross-examine opposing witnesses on any matters
31 relevant to the issues, even though the matter was not covered on
32 direct examination.

33 (D) To impeach any witness, regardless of which party first
34 called the witness to testify.

35 (E) To offer rebuttal evidence.

36 (3) If the applicant does not testify in his or her own behalf, he
37 or she may be called and examined as if under cross-examination.

38 (4) The meeting need not be conducted according to technical
39 rules relating to evidence and witnesses. Any relevant evidence
40 may be considered, and is sufficient in itself to support a finding,



1 if it is the sort of evidence on which responsible persons are
2 accustomed to rely in the conduct of serious affairs, regardless of
3 the existence of any common law or statutory rule that might make
4 improper the admission of that evidence over objection in a civil
5 action.

6 (b) Nothing in this section confers upon an applicant a right to
7 discovery of the division's investigative reports or to require
8 disclosure of any document or information the disclosure of which
9 is otherwise prohibited by any other provision of this chapter.

10 SEC. 57. Section 19858.7A of the Business and Professions
11 Code is amended and renumbered to read:

12 19872. (a) No member of the commission may communicate
13 ex parte, directly or indirectly, with any applicant, or any agent,
14 representative, or person acting on behalf of an applicant, upon the
15 merits of an application for a license, permit, registration, or
16 approval while the application is pending disposition before the
17 division or the commission.

18 (b) No applicant, or any agent, representative, or person acting
19 on behalf of an applicant, and no person who has a direct or indirect
20 interest in the outcome of a proceeding to consider an application
21 for a license, permit, registration, or approval may communicate
22 ex parte, directly or indirectly, with any member of the
23 commission, upon the merits of the application while the
24 application is pending disposition before the division.

25 (c) No employee or agent of the division, applicant, or any
26 agent, representative, or person acting on behalf of an applicant,
27 and no person who has a direct or indirect interest in the outcome
28 of a proceeding to consider an application for a license, permit,
29 registration, or approval may communicate ex parte, directly or
30 indirectly, with any member of the commission, upon the merits
31 of the application, while the application is pending disposition
32 before the commission.

33 (d) The receipt by a member of the commission of an ex parte
34 communication prohibited by this section may provide the basis
35 for disqualification of that member or the denial of the application.
36 The commission shall adopt regulations to implement this
37 subdivision.

38 (e) For the purposes of this subdivision, "ex parte" means a
39 communication without notice and opportunity for all parties to
40 participate in the communication.



1 (f) Nothing in this section precludes a communication made on
2 the record at a public hearing on a properly agendaized matter.

3 SEC. 58. Section 19859 of the Business and Professions Code
4 is amended and renumbered to read:

5 19873. No license may be assigned or transferred either in
6 whole or in part.

7 SEC. 59. Section 19860A of the Business and Professions
8 Code is amended and renumbered to read:

9 19874. Subject to subdivision (b) of Section 19851, the
10 commission shall issue and deliver to the applicant a license
11 entitling the applicant to engage in the activity for which the
12 license is issued, together with an enumeration of any specific
13 terms and conditions of the license if both of the following
14 conditions have been met:

15 (a) The commission is satisfied that the applicant is eligible and
16 qualified to receive the license.

17 (b) All license fees required by statute and by regulations of the
18 commission have been paid.

19 SEC. 60. Section 19861 of the Business and Professions Code
20 is amended and renumbered to read:

21 19875. An owner's gambling license shall be posted at all
22 times in a conspicuous place in the area where gambling is
23 conducted in the establishment for which the license is issued until
24 it is replaced by a succeeding license.

25 SEC. 61. Section 19862A of the Business and Professions
26 Code is amended and renumbered to read:

27 19876. (a) Subject to the power of the commission to deny,
28 revoke, suspend, condition, or limit any license, as provided in this
29 chapter, a license shall be renewed annually by the commission
30 from the date of issuance, upon proper application for renewal and
31 payment of state license fees as required by statute or regulation.

32 (b) An application for renewal of a gambling license shall be
33 filed by the owner licensee with the commission no later than 120
34 calendar days prior to the expiration of the current license. The
35 commission shall act upon any application for renewal prior to the
36 date of expiration of the current license. Upon renewal of any
37 owner license, the commission shall issue an appropriate renewal
38 certificate or validating device or sticker.



1 (c) Unless the commission determines otherwise, renewal of an
2 owner's gambling license shall be deemed to effectuate the
3 renewal of every other gambling license endorsed thereon.

4 (d) In addition to the penalties provided by law, any owner
5 licensee who deals, operates, carries on, conducts, maintains, or
6 exposes for play any gambling game after the expiration date of the
7 gambling license is liable to the state for all license fees and
8 penalties that would have been due upon renewal.

9 (e) If an owner licensee fails to renew the gambling license as
10 provided in this chapter, the commission may order the immediate
11 closure of the premises and a cessation of all gambling activity
12 therein until the license is renewed.

13 SEC. 62. Section 19862.5 of the Business and Professions
14 Code is amended and renumbered to read:

15 19877. The failure of an owner licensee to file an application
16 for renewal before the date specified in this chapter may be
17 deemed a surrender of the license. A license has not been renewed
18 within the meaning of this section until all required renewal fees
19 have been paid.

20 SEC. 63. Section 19863A of the Business and Professions
21 Code is amended and renumbered to read:

22 19878. (a) Neither an owner licensee, nor a California
23 affiliate of an owner licensee, shall enter into, without prior
24 approval of the commission, any contract or agreement with a
25 person who is denied a license, or whose license is suspended or
26 revoked by the commission, or with any business enterprise under
27 the control of that person, after the date of receipt of notice of the
28 commission's action.

29 (b) An owner licensee or an affiliate of the owner licensee shall
30 not employ, without prior approval of the commission, any person
31 in any capacity for which he or she is required to be licensed, if the
32 person has been denied a license, or if his or her license has been
33 suspended or revoked after the date of receipt of notice of the
34 action by the commission. Neither an owner licensee, nor a
35 California affiliate of an owner licensee, without prior approval of
36 the commission, shall enter into any contract or agreement with a
37 person whose application has been withdrawn with prejudice, or
38 with any business enterprise under the control of that person, for
39 the period of time during which the person is prohibited from filing
40 a new application for licensure.



1 (c) (1) If an employee who is required to be licensed pursuant
2 to this chapter fails to apply for a license within the time specified
3 by regulation, is denied a license, or has his or her license revoked
4 by the commission, the employee shall be terminated in any
5 capacity in which he or she is required to be licensed and he or she
6 shall not be permitted to exercise a significant influence over the
7 gambling operation, or any part thereof, upon being notified of that
8 action.

9 (2) If an employee who is required to be licensed pursuant to
10 this chapter has his or her license suspended, the employee shall
11 be suspended in any capacity in which he or she is required to be
12 licensed and shall not be permitted to exercise a significant
13 influence over the gambling operation, or any part thereof, during
14 the period of suspension, upon being notified of that action.

15 (3) If the owner licensee designates another employee to
16 replace the employee whose employment was terminated, the
17 owner licensee shall promptly notify the division and shall require
18 the newly designated employee to apply for a license.

19 (d) An owner licensee or an affiliate of the owner licensee shall
20 not pay to a person whose employment has been terminated
21 pursuant to subdivision (c) any remuneration for any service
22 performed in any capacity in which the person is required to be
23 licensed except for amounts due for services rendered before the
24 date of receipt of notice of the commission's action. Neither an
25 owner licensee, nor an affiliate thereof, during the period of
26 suspension, shall pay to a person whose employment has been
27 suspended pursuant to subdivision (c), any remuneration for any
28 service performed in any capacity in which the person is required
29 to be licensed, except for amounts due for services rendered before
30 the date of receipt of notice of the commission's action.

31 (e) Except as provided in subdivision (c), a contract or
32 agreement for the provision of services or property to an owner
33 licensee or an affiliate thereof, or for the conduct of any activity
34 at a gambling establishment, which is to be performed by a person
35 required by this chapter or by regulations adopted pursuant to this
36 chapter, to be licensed, shall be terminated upon a suspension or
37 revocation of the person's license.

38 (f) In any case in which a contract or agreement for the
39 provision of services or property to an owner licensee or an
40 affiliate thereof, or for the conduct of any activity at a gambling



1 establishment, is to be performed by a person required by this
2 chapter or by regulations adopted by the commission to be
3 licensed, the contract shall be deemed to include a provision for its
4 termination without liability on the part of the owner licensee or
5 its duly registered holding company upon a suspension or
6 revocation of the person's license. In any action brought by the
7 division or commission to terminate a contract pursuant to
8 subdivision (c) or (e), it shall not be a defense that the agreement
9 does not expressly include the provision described in this
10 subdivision, and the lack of express inclusion of the provision in
11 the agreement shall not be a basis for enforcement of the contract
12 by a party thereto.

13 SEC. 64. Section 19864A of the Business and Professions
14 Code is amended and renumbered to read:

15 19879. With regard to a person who has had his or her
16 application for a license denied by the commission, all of the
17 following shall apply:

18 (a) Except as provided in subdivision (c), the person shall not
19 be entitled to profit from his or her investment in any business
20 entity that has applied for or been granted a state license.

21 (b) The person shall not retain his or her interest in a business
22 entity described in subdivision (a) beyond that period prescribed
23 by the commission.

24 (c) The person shall not accept more for his or her interest in a
25 business entity described in subdivision (a) than he or she paid for
26 it, or the market value on the date of the denial of the license or
27 registration, whichever is higher.

28 (d) Nothing in this section shall be construed as a restriction or
29 limitation on the powers of the commission specified in this
30 chapter.

31 SEC. 65. Section 19870 of the Business and Professions Code
32 is amended and renumbered to read:

33 19880. In addition to the requirements of Section 19852, in
34 order to be eligible to receive a gambling license as the owner of
35 a gambling enterprise, a corporation shall comply with all of the
36 following requirements:

37 (a) Maintain an office of the corporation in the gambling
38 establishment.

39 (b) Comply with all of the requirements of the laws of this state
40 pertaining to corporations.



1 (c) Maintain, in the corporation's principal office in California
2 or in the gambling establishment, a ledger that meets both of the
3 following conditions:

4 (1) At all times reflects the ownership of record of every class
5 of security issued by the corporation.

6 (2) Is available for inspection by the division at all reasonable
7 times without notice.

8 (d) Register as a corporation with the division and supply the
9 following supplemental information to the division:

10 (1) The organization, financial structure, and nature of the
11 business to be operated, including the names, personal and
12 criminal history, and fingerprints of all officers, directors, and key
13 employees, and the names, addresses, and number of shares held
14 by all stockholders of record.

15 (2) The rights and privileges acquired by the holders of
16 different classes of authorized securities, including debentures.

17 (3) The terms on which securities are to be offered.

18 (4) The terms and conditions on all outstanding loans,
19 mortgages, trust deeds, pledges, or any other indebtedness or
20 security device.

21 (5) The extent of the equity security holdings in the corporation
22 of all officers, directors, and underwriters, and their remuneration
23 as compensation for services, in the form of salary, wages, fees, or
24 otherwise.

25 (6) The amount of remuneration to persons other than directors
26 and officers in excess of fifty thousand dollars (\$50,000) per
27 annum.

28 (7) Bonus and profit-sharing arrangements.

29 (8) Management and service contracts.

30 (9) Options existing, or to be created, in respect of their
31 securities or other interests.

32 (10) Financial statements for at least three fiscal years
33 preceding the year of registration, or, if the corporation has not
34 been in existence for a period of three years, financial statements
35 from the date of its formation. All financial statements shall be
36 prepared in accordance with generally accepted accounting
37 principles and audited by a licensee of the California Board of
38 Accountancy.



1 (11) Any further financial data that the division, with the
2 approval of the commission, may deem necessary or appropriate
3 for the protection of the state.

4 (12) An annual profit-and-loss statement and an annual balance
5 sheet, and a copy of its annual federal income tax return, within 30
6 calendar days after that return is filed with the Internal Revenue
7 Service.

8 SEC. 66. Section 19871A of the Business and Professions
9 Code is amended and renumbered to read:

10 19881. (a) No corporation is eligible to receive a license to
11 own a gambling enterprise unless the conduct of controlled
12 gambling is among the purposes stated in its articles of
13 incorporation and the articles of incorporation have been
14 submitted to and approved by the commission.

15 (b) The Secretary of State shall not accept for filing any articles
16 of incorporation of any corporation that include as a stated purpose
17 the conduct of controlled gambling, or any amendment thereto, or
18 any amendment that adds this purpose to articles of incorporation
19 already filed, unless the articles have, or amendment has, been
20 approved by the commission.

21 SEC. 67. Section 19872A of the Business and Professions
22 Code is amended and renumbered to read:

23 19882. (a) If at any time the commission denies a license to
24 an individual owner of any security issued by a corporation that
25 applies for or holds an owner license, the owner of the security
26 shall immediately offer the security to the issuing corporation for
27 purchase. The corporation shall purchase the security so offered,
28 for cash in an amount not greater than fair market value, within 30
29 calendar days after the date of the offer.

30 (b) Beginning upon the date when the division serves notice of
31 the denial upon the corporation, it is unlawful for the denied
32 security owner to do any of the following:

33 (1) Receive any dividend or interest upon any security
34 described in subdivision (a).

35 (2) Exercise, directly or through any trustee or nominee, any
36 voting right conferred by any security described in subdivision (a).

37 (3) Receive any remuneration in any form from the corporation
38 for services rendered or for any other purpose.



1 (c) Every security issued by a corporate owner licensee shall
2 bear a statement, on both sides of the certificate evidencing the
3 security, of the restrictions imposed by this section.

4 SEC. 68. Section 19873 of the Business and Professions Code
5 is amended and renumbered to read:

6 19883. (a) To the extent required by this chapter, officers and
7 directors, shareholders, lenders, holders of evidence of
8 indebtedness, underwriters, agents, or employees of a corporate
9 owner licensee shall be licensed individually. The corporation
10 shall require these persons to apply for a gambling license, and
11 shall notify the division of every change of corporate officers,
12 directors, or key employees within 10 business days after the
13 change. An officer, director, or key employee who is required to
14 apply for a license shall apply for the license within 30 calendar
15 days after he or she becomes an officer, director, or key employee.

16 (b) The corporation shall immediately remove any officer or
17 director required to apply for a license from any office or
18 directorship if any of the following apply to that officer or director:

19 (1) He or she fails to apply for the license within 30 calendar
20 days after becoming an officer or director.

21 (2) He or she is denied a license.

22 (3) His or her license is revoked.

23 (c) If the license of any officer or director is suspended, the
24 corporation, immediately and for the duration of the suspension,
25 shall suspend that officer or director.

26 (d) If any shareholder who is required to apply for a gambling
27 license fails to apply for the license within the time required, the
28 shareholder shall be deemed to have been denied a license for
29 purposes of subdivision (b) of Section 19882.

30 (e) If any person, other than an officer, director, or shareholder,
31 who is required to apply for a gambling license fails to do so, the
32 failure may be deemed to be a failure of the corporate owner
33 licensee to require the application.

34 SEC. 69. Section 19880 of the Business and Professions Code
35 is amended and renumbered to read:

36 19890. In addition to the requirements of Section 19852, in
37 order to be eligible to receive a gambling license to own a
38 gambling enterprise, a limited partnership shall comply with all of
39 the following requirements:

40 (a) Be formed under the laws of this state.



- 1 (b) Maintain an office of the limited partnership in the
2 gambling establishment.
- 3 (c) Comply with all of the requirements of the laws of this state
4 pertaining to limited partnerships.
- 5 (d) Maintain a ledger in the principal office of the limited
6 partnership in California that shall meet both of the following
7 conditions:
 - 8 (1) At all times reflects the ownership of all interests in the
9 limited partnership.
 - 10 (2) Be available for inspection by the division at all reasonable
11 times without notice.
- 12 (e) Register with the division and supply the following
13 supplemental information to the division:
 - 14 (1) The organization, financial structure, and nature of the
15 business to be operated, including the names, personal history, and
16 fingerprints of all general partners and key employees, and the
17 name, address, and interest of each limited partner.
 - 18 (2) The rights, privileges, and relative priorities of limited
19 partners as to the return of contributions to capital, and the right
20 to receive income.
 - 21 (3) The terms on which limited partnership interests are to be
22 offered.
 - 23 (4) The terms and conditions on all outstanding loans,
24 mortgages, trust deeds, pledges, or any other indebtedness or
25 security device.
 - 26 (5) The extent of the holding in the limited partnership of all
27 underwriters, and their remuneration as compensation for
28 services, in the form of salary, wages, fees, or otherwise.
 - 29 (6) The remuneration to persons other than general partners in
30 excess of fifty thousand dollars (\$50,000) per annum.
 - 31 (7) Bonus and profit-sharing arrangements.
 - 32 (8) Management and service contracts.
 - 33 (9) Options existing or to be created.
 - 34 (10) Financial statements for at least three fiscal years
35 preceding the year of registration, or, if the limited partnership has
36 not been in existence for a period of three years, financial
37 statements from the date of its formation. All financial statements
38 shall be prepared in accordance with generally accepted
39 accounting principles and audited by a licensee of the California



1 Board of Accountancy in accordance with generally accepted
2 auditing standards.

3 (11) Any further financial data that the division reasonably
4 deems necessary or appropriate for the protection of the state.

5 (12) An annual profit and loss statement and an annual balance
6 sheet, and a copy of its annual federal income tax return, within 30
7 calendar days after the return is filed with the Internal Revenue
8 Service.

9 SEC. 70. Section 19881 of the Business and Professions Code
10 is amended and renumbered to read:

11 19891. No limited partnership is eligible to receive a license
12 to own a gambling enterprise unless the conduct of gambling is
13 among the purposes stated in the certificate of limited partnership.

14 SEC. 71. Section 19882A of the Business and Professions
15 Code is amended and renumbered to read:

16 19892. (a) The purported sale, assignment, transfer, pledge,
17 or other disposition of any interest in a limited partnership that
18 holds a gambling license, or the grant of an option to purchase the
19 interest, is void unless approved in advance by the commission.

20 (b) If at any time the commission denies a license to an
21 individual owner of any interest described in subdivision (a), the
22 commission shall immediately notify the partnership of that fact.
23 The limited partnership, within 30 calendar days from the date it
24 receives the notice from the commission, shall return to the denied
25 owner of the interest, in cash, the amount of his or her capital
26 account as reflected on the books of the partnership.

27 (c) Beginning upon the date when the commission serves a
28 notice of denial upon the limited partnership, it is unlawful for the
29 denied owner of the interest to do any of the following:

30 (1) Receive any share of the revenue or interest upon the
31 limited partnership interest.

32 (2) Exercise, directly or through any trustee or nominee, any
33 voting right conferred by that interest.

34 (3) Receive any remuneration in any form from the limited
35 partnership, for services rendered or for any other purpose.

36 (d) Every certificate of limited partnership of any limited
37 partnership holding a gambling license shall contain a statement
38 of the restrictions imposed by this section.

39 SEC. 72. Section 19883A of the Business and Professions
40 Code is amended and renumbered to read:



1 19893. To the extent required by this chapter, general
2 partners, limited partners, lenders, holders of evidence of
3 indebtedness, underwriters, agents, or employees of a limited
4 partnership that holds or applies for a license to own a gambling
5 enterprise shall be licensed individually. The limited partnership
6 shall require these persons to apply for and obtain a gambling
7 license. A person who is required to be licensed by this section as
8 a general or limited partner shall not hold that position until he or
9 she secures the required approval of the commission. A person
10 who is required to be licensed pursuant to a decision of the
11 commission shall apply for a license within 30 days after the
12 commission requests him or her to do so.

13 SEC. 73. Section 19900A of the Business and Professions
14 Code is amended and renumbered to read:

15 19900. (a) Except as may be provided by regulation of the
16 division, the following security interests shall not be enforced
17 without the prior approval of the commission and compliance with
18 regulations adopted pursuant to subdivision (b):

19 (1) In a security issued by a corporation that is a holder of a
20 gambling license in this state.

21 (2) In a security issued by a holding company that is not a
22 publicly traded corporation.

23 (3) In a security issued by a partnership that is a holder of a
24 gambling license in this state.

25 (b) The division shall adopt regulations establishing the
26 procedure for the enforcement of a security interest. Any remedy
27 provided by the regulations for the enforcement of the security
28 interest is in addition to any other remedy provided by law.

29 SEC. 74. Section 19901A of the Business and Professions
30 Code is amended and renumbered to read:

31 19901. It is unlawful for any person to sell, purchase, lease,
32 hypothecate, borrow or loan money, or create a voting trust
33 agreement or any other agreement of any sort to, or with, any
34 licensee in connection with any controlled gambling operation
35 licensed under this chapter or with respect to any portion of the
36 gambling operation, except in accordance with the regulations of
37 the commission.

38 SEC. 75. Section 19902A of the Business and Professions
39 Code is amended and renumbered to read:



1 19902. When any person contracts to sell or lease any
2 property or interest in property, real or personal, under
3 circumstances that require the approval or licensing of the
4 purchaser or lessee by the commission pursuant to subdivision (a)
5 of Section 19853, the contract shall not specify a closing date for
6 the transaction that is earlier than the expiration of 90 calendar
7 days after the submission of the completed application for
8 approval for licensing. Any provision of a contract that specifies
9 an earlier closing date is void for all purposes, but the invalidity
10 does not affect the validity of any other provision of the contract.

11 SEC. 76. Section 19903A of the Business and Professions
12 Code is amended and renumbered to read:

13 19903. When any person contracts to sell or lease any
14 property or interest in property, real or personal, under
15 circumstances that require the approval or licensing of the
16 purchaser or lessee by the commission pursuant to subdivision (a)
17 of Section 19853, the contract shall contain a provision
18 satisfactory to the commission regarding responsibility for the
19 payment of any fees due pursuant to any subsequent deficiency
20 determinations made under this chapter that shall encompass any
21 period of time before the closing date of the transaction.

22 SEC. 77. Section 19904A of the Business and Professions
23 Code is amended and renumbered to read:

24 19904. The purported sale, assignment, transfer, pledge, or
25 other disposition of any security issued by a corporation that holds
26 a gambling license, or the grant of an option to purchase that
27 security, is void unless approved in advance by the commission.

28 SEC. 78. Section 19905A of the Business and Professions
29 Code is amended and renumbered to read:

30 19905. Every owner licensee that is involved in a transaction
31 for the extension or redemption of credit by the licensee, or for the
32 payment, receipt, or transfer of coin, currency, or other monetary
33 instruments, as specified by the commission, in an amount,
34 denomination, or amount and denomination, or under
35 circumstances prescribed by regulations, and any other participant
36 in the transaction, as specified by the commission, shall, if
37 required by regulation, make and retain a record of, or file with the
38 division a report on, the transaction, at the time and in the manner
39 prescribed by regulations.



1 SEC. 79. Section 19906A of the Business and Professions
2 Code is repealed.

3 SEC. 80. Section 19910.4 of the Business and Professions
4 Code is amended and renumbered to read:
5 19911. No person under the age of 21 years shall be eligible
6 for a work permit and no permit shall be issued to a person under
7 the age of 21 years.

8 SEC. 81. Section 19910.5A of the Business and Professions
9 Code is amended and renumbered to read:
10 19912. (a) (1) A person shall not be employed as a gambling
11 enterprise employee, or serve as an independent agent, except as
12 provided in paragraph (2), unless he or she is the holder of one of
13 the following:
14 (A) A valid work permit issued in accordance with the
15 applicable ordinance or regulations of the county, city, or city and
16 county in which his or her duties are performed.
17 (B) A work permit issued by the commission pursuant to
18 regulations adopted by the commission for the issuance and
19 renewal of work permits. A work permit issued by the commission
20 shall be valid for two years.
21 (2) An independent agent is not required to hold a work permit
22 if he or she is not a resident of this state and has registered with the
23 division in accordance with regulations.
24 (b) A work permit shall not be issued by any city, county, or city
25 and county to any person who would be disqualified from holding
26 a state gambling license for the reasons specified in subdivisions
27 (a) to (g), inclusive, of Section 19859.
28 (c) The division may object to the issuance of a work permit by
29 a city, county, or city and county for any cause deemed reasonable
30 by the division, and if the division objects to issuance of a work
31 permit, the work permit shall be denied.
32 (1) The commission shall adopt regulations specifying
33 particular grounds for objection to issuance of, or refusal to issue,
34 a work permit.
35 (2) The ordinance of any city, county, or city and county
36 relating to issuance of work permits shall permit the division to
37 object to the issuance of any permit.
38 (3) Any person whose application for a work permit has been
39 denied because of an objection by the division may apply to the



1 commission for an evidentiary hearing in accordance with
2 regulations.

3 (d) Application for a work permit for use in any jurisdiction
4 where a locally issued work permit is not required by the licensing
5 authority of a city, county, or city and county shall be made to the
6 commission, and may be granted or denied for any cause deemed
7 reasonable by the commission. If the commission denies the
8 application, it shall include in its notice of denial a statement of
9 facts upon which it relied in denying the application. Upon receipt
10 of an application for a work permit, the commission may issue a
11 temporary work permit for a period not to exceed 120 days,
12 pending completion of the background investigation by the
13 division and official action by the commission with respect to the
14 work permit application.

15 (e) An order of the commission denying an application for a
16 work permit, including an order declining to issue a work permit
17 following review pursuant to paragraph (3) of subdivision (c), may
18 be reviewed in accordance with subdivision (e) of Section 19870.

19 SEC. 82. Section 19911A of the Business and Professions
20 Code is amended and renumbered to read:

21 19913. (a) The commission may issue an order summarily
22 suspending a person's work permit, whether issued by a city,
23 county, or city and county, or by the commission, upon a finding
24 that the suspension is necessary for the immediate preservation of
25 the public peace, health, safety, or general welfare. The order is
26 effective when served upon the holder of the permit.

27 (b) The order of summary suspension shall state facts upon
28 which the finding of necessity for the suspension is based. For the
29 purposes of this section, the order of summary suspension shall be
30 deemed an accusation.

31 (c) An order of summary suspension shall be signed by at least
32 three members of the commission.

33 (d) The person whose work permit is summarily suspended has
34 a right to a hearing to commence not more than 30 calendar days
35 from the date of service of the suspension.

36 SEC. 83. Section 19912A of the Business and Professions
37 Code is amended and renumbered to read:

38 19914. (a) The commission may revoke a work permit or, if
39 issued by the licensing authority of a city, county, or city and
40 county, notify the authority to revoke it, and the licensing authority



1 shall revoke it, if the commission finds, after a hearing, that a
2 gambling enterprise employee or independent agent has failed to
3 disclose, misstated, or otherwise misled the division or the
4 commission with respect to any fact contained in any application
5 for a work permit, or if the commission finds that the employee or
6 independent agent, subsequent to being issued a work permit, has
7 done any of the following:

8 (1) Committed, attempted, or conspired to do any acts
9 prohibited by this chapter.

10 (2) Engaged in any dishonest, fraudulent, or unfairly deceptive
11 activities in connection with controlled gambling, or knowingly
12 possessed or permitted to remain in or upon any premises any
13 cards, dice, mechanical devices, or any other cheating device.

14 (3) Concealed or refused to disclose any material fact in any
15 investigation by the division.

16 (4) Committed, attempted, or conspired to commit, any
17 embezzlement or larceny against a gambling licensee or upon the
18 premises of a gambling establishment.

19 (5) Been convicted in any jurisdiction of any offense involving
20 or relating to gambling.

21 (6) Accepted employment without prior commission approval
22 in a position for which he or she could be required to be licensed
23 under this chapter after having been denied a license or after failing
24 to apply for licensing when requested to do so by the commission.

25 (7) Been refused the issuance of any license, permit, or
26 approval to engage in or be involved with gambling or parimutuel
27 wagering in any jurisdiction, or had the license, permit, or
28 approval revoked or suspended.

29 (8) Been prohibited under color of governmental authority
30 from being present upon the premises of any licensed gambling
31 establishment or any establishment where parimutuel wagering is
32 conducted, for any reason relating to improper gambling activities
33 or any illegal act.

34 (9) Been convicted of any felony.

35 (b) The commission shall revoke a work permit if it finds, after
36 hearing, that the holder thereof would be disqualified from holding
37 a state gambling license for the reasons specified in subdivision (f)
38 or (g) of Section 19859.

39 (c) Nothing in this section shall be construed to limit any
40 powers of the commission with respect to licensing.



1 SEC. 84. Section 19913A of the Business and Professions
2 Code is amended and renumbered to read:

3 19915. The fee for a work permit issued by the commission
4 shall be not less than twenty-five dollars (\$25) or more than two
5 hundred fifty dollars (\$250).

6 SEC. 85. Section 19915A of the Business and Professions
7 Code is amended and renumbered to read:

8 19920. It is the policy of the State of California to require that
9 all establishments wherein controlled gambling is conducted in
10 this state be operated in a manner suitable to protect the public
11 health, safety, and general welfare of the residents of the state. The
12 responsibility for the employment and maintenance of suitable
13 methods of operation rests with the owner licensee, and willful or
14 persistent use or toleration of methods of operation deemed
15 unsuitable by the commission or by local government shall
16 constitute grounds for license revocation or other disciplinary
17 action.

18 SEC. 86. Section 19915.5 of the Business and Professions
19 Code is amended and renumbered to read:

20 19921. No person under the age of 21 years shall be permitted
21 to enter upon the premises of a licensed gambling establishment,
22 or any part thereof, except the following:

23 (a) An area, physically separated from any gambling area, for
24 the exclusive purpose of dining. For purposes of this subdivision,
25 any place wherein food or beverages are dispensed primarily by
26 vending machines shall not constitute a place for dining.

27 (b) Restrooms.

28 (c) A supervised room, as defined by regulation, that is
29 physically separated from any gambling area and used primarily
30 for the purpose of entertainment or recreation.

31 Any area of a gambling establishment to which a person under
32 the age of 21 years may have access under this subdivision shall
33 have an entrance that shall not require the entrants to enter upon
34 or pass through the gambling floor. All persons under the age of
35 21 years shall be restricted to the entrance specified in this
36 subdivision.

37 SEC. 87. Section 19916 of the Business and Professions Code
38 is amended and renumbered to read:



1 19922. No owner licensee shall operate a gambling enterprise
2 in violation of any provision of this chapter or any regulation
3 adopted pursuant to this chapter.

4 SEC. 88. Section 19917 of the Business and Professions Code
5 is amended and renumbered to read:

6 19923. No owner licensee shall operate a gambling enterprise
7 in violation of any governing local ordinance.

8 SEC. 89. Section 19918A of the Business and Professions
9 Code is amended and renumbered to read:

10 19924. Each owner licensee shall maintain security controls
11 over the gambling premises and all operations therein related to
12 gambling, and those security controls are subject to the approval
13 of the commission.

14 SEC. 90. The heading of Article 9.5 (commencing with
15 Section 19920A) of Chapter 5 of Division 8 of the Business and
16 Professions Code is repealed.

17 SEC. 91. The heading of Article 10 (commencing with
18 Section 19930) is added to Chapter 5 of Division 8 of the Business
19 and Professions Code, to read:

20

21 Article 10. Disciplinary Actions

22

23 SEC. 92. Section 19920A of the Business and Professions
24 Code is amended and renumbered to read:

25 19930. (a) The division shall make appropriate
26 investigations as follows:

27 (1) Determine whether there has been any violation of this
28 chapter or any regulations adopted thereunder.

29 (2) Determine any facts, conditions, practices, or matters that
30 it may deem necessary or proper to aid in the enforcement of this
31 chapter or any regulation adopted thereunder.

32 (3) To aid in adopting regulations.

33 (4) To secure information as a basis for recommending
34 legislation relating to this chapter.

35 (b) If, after any investigation, the division is satisfied that a
36 license, permit, finding of suitability, or approval should be
37 suspended or revoked, it shall file an accusation with the
38 commission in accordance with Chapter 5 (commencing with
39 Section 11500) of Part 1 of Division 3 of Title 2 of the Government
40 Code.



1 (c) In addition to any action that the commission may take
2 against a license, permit, finding of suitability, or approval, the
3 commission may also require the payment of fines or penalties.
4 However, no fine imposed shall exceed twenty thousand dollars
5 (\$20,000) for each separate violation of any provision of this
6 chapter or any regulation adopted thereunder.

7 SEC. 93. Section 19921A of the Business and Professions
8 Code is amended and renumbered to read:

9 19931. (a) The division may issue any emergency orders
10 against an owner licensee or any person involved in a transaction
11 requiring prior approval that the division deems reasonably
12 necessary for the immediate preservation of the public peace,
13 health, safety, or general welfare.

14 (b) The emergency order shall set forth the grounds upon which
15 it is based, including a statement of facts constituting the alleged
16 emergency necessitating the action.

17 (c) The emergency order is effective immediately upon
18 issuance and service upon the owner licensee or any agent of the
19 licensee registered with the division for receipt of service, or, in
20 cases involving prior approval, upon issuance and service upon the
21 person or entity involved, or upon an agent of that person or entity
22 authorized to accept service of process in this state. The emergency
23 order may suspend, limit, condition, or take other action in relation
24 to the license of one or more persons in an operation without
25 affecting other individual licensees, registrants, or the licensed
26 gambling establishment. The emergency order remains effective
27 until further order of the commission or final disposition of any
28 proceeding conducted pursuant to subdivision (d).

29 (d) Within two calendar days after issuance of an emergency
30 order, the division shall file an accusation with the commission
31 against the person or entity involved. Thereafter, the person or
32 entity against whom the emergency order has been issued and
33 served is entitled to a hearing which, if so requested, shall
34 commence within 10 business days of the date of the request if a
35 gambling operation is closed by the order, and in all other cases,
36 within 30 calendar days of the date of the request. On application
37 of the division, and for good cause shown, a court may extend the
38 time within which a hearing is required to be commenced, upon
39 those terms and conditions that the court deems equitable.



1 SEC. 94. Section 19922 of the Business and Professions Code
2 is amended and renumbered to read:
3 19932. (a) Any person aggrieved by a final decision or order
4 of the commission that limits, conditions, suspends, or revokes any
5 previously granted license or approval, made after hearing by the
6 commission, may petition the Superior Court for the County of
7 Sacramento for judicial review pursuant to Section 1094.5 of the
8 Code of Civil Procedure and Section 11523 of the Government
9 Code. Notwithstanding any other provision of law, the standard set
10 forth in paragraph (1) of subdivision (h) of Section 1094.5 of the
11 Code of Civil Procedure shall apply for obtaining a stay of the
12 operation of a final decision or order of the commission. In every
13 case where it is claimed that the findings are not supported by the
14 evidence, abuse of discretion is established if the court determines
15 that the findings are not supported by substantial evidence in light
16 of the whole record.
17 (b) The court may summarily deny the petition, or the court
18 may issue an alternative writ directing the commission to certify
19 the whole record of the division in the case to the court within a
20 time specified. No new or additional evidence shall be introduced
21 in the court, but, if an alternative writ issues, the cause shall be
22 heard on the whole record of the division as certified by the
23 commission.
24 (c) In determining the cause following issuance of an
25 alternative writ, the court shall enter judgment affirming,
26 modifying, or reversing the order of the commission, or the court
27 may remand the case for further proceedings before, or
28 reconsideration by, the commission.
29 (d) Except as otherwise provided in Section 19870 and
30 subdivision (e) in Section 19912, this section provides the
31 exclusive means to review adjudicatory decisions of the
32 commission.
33 SEC. 95. The heading of Article 10 (commencing with
34 Section 19930) of Chapter 5 of Division 8 of the Business and
35 Professions Code is repealed.
36 SEC. 96. The heading of Article 11 (commencing with
37 Section 19940) is added to Chapter 5 of Division 8 of the Business
38 and Professions Code, to read:
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Article 11. Penalties

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SEC. 97. Section 19930 of the Business and Professions Code is amended and renumbered to read:

19940. Any person included on the list of persons to be excluded or ejected from a gambling establishment pursuant to this chapter is guilty of a misdemeanor if he or she thereafter knowingly enters the premises of a licensed gambling establishment.

SEC. 98. Section 19932 of the Business and Professions Code is amended and renumbered to read:

19941. (a) A person under the age of 21 years shall not do any of the following:

(1) Play, be allowed to play, place wagers at, or collect winnings from, whether personally or through an agent, any gambling game.

(2) Loiter, or be permitted to loiter, in or about any room wherein any gambling game is operated or conducted.

(3) Be employed as an employee in a licensed gambling establishment except in a parking lot, coffee shop, restaurant, business office, or other similar room, as determined by regulations, wherein no gambling activity or activity directly associated with gambling takes place.

(4) Present or offer to any licensee, or to an agent of a licensee, any written, printed, or photostatic evidence of age and identity that is false, fraudulent, or not actually his or her own for the purpose of doing any of the things described in paragraphs (1) to (3), inclusive.

(b) Any licensee or employee in a gambling establishment who violates or permits the violation of this section, and any person under 21 years of age who violates this section, is guilty of a misdemeanor.

(c) Proof that a licensee, or agent or employee of a licensee, demanded, was shown, and acted in reliance upon bona fide evidence of age and identity shall be a defense to any criminal prosecution under this section or to any proceeding for the suspension or revocation of any license or work permit based thereon. For the purposes of this section, “bona fide evidence of age and identity” means a document issued by a federal, state, county, or municipal government, or subdivision or agency



1 thereof, including, but not limited to, a motor vehicle operator’s
2 license or an identification card issued to a member of the armed
3 forces, that contains the name, date of birth, description, and
4 picture of the person.

5 SEC. 99. Section 19933 of the Business and Professions Code
6 is amended and renumbered to read:

7 19942. (a) Any person who willfully fails to report, pay, or
8 truthfully account for and pay over any license fee imposed by this
9 chapter, or who willfully attempts in any manner to evade or defeat
10 the license fee or payment thereof, shall be punished by
11 imprisonment in a county jail, by a fine of not more than five
12 thousand dollars (\$5,000), or by both that imprisonment and fine.

13 (b) Any person who willfully violates any of the provisions of
14 this chapter for which a penalty is not expressly provided, is guilty
15 of a misdemeanor.

16 SEC. 100. Section 19933.5A of the Business and Professions
17 Code is amended and renumbered to read:

18 19943. (a) Except as specified in subdivision (c), this section
19 applies to any person or business that is engaged in controlled
20 gambling, whether or not licensed to do so.

21 (b) Any person or business described in subdivision (a), with
22 actual knowledge of the requirements of regulations adopted by
23 the commission pursuant to subdivision (d) of Section 19841, that
24 knowingly and willfully fails to comply with the requirements of
25 those regulations shall be liable for a monetary penalty. The
26 commission may impose a monetary penalty for each violation.
27 However, in the first proceeding that is initiated pursuant to this
28 subdivision, the penalties for all violations shall not exceed a total
29 sum of ten thousand dollars (\$10,000). If a penalty was imposed
30 in a prior proceeding before the commission, the penalties for all
31 violations shall not exceed a total sum of twenty-five thousand
32 dollars (\$25,000). If a penalty was imposed in two or more prior
33 proceedings before the commission, the penalties for all violations
34 shall not exceed a total sum of one hundred thousand dollars
35 (\$100,000).

36 (c) This section does not apply to any case where the person is
37 criminally prosecuted in federal or state court for conduct related
38 to a violation of Section 14162 of the Penal Code.

39 SEC. 101. Section 19934 of the Business and Professions
40 Code is amended and renumbered to read:



1 19944. Any person who willfully resists, prevents, impedes,
2 or interferes with the division or the commission or any of their
3 agents or employees in the performance of duties pursuant to this
4 chapter is guilty of a misdemeanor, punishable by imprisonment
5 in a county jail for not more than six months, by a fine not
6 exceeding one thousand dollars (\$1,000), or by both that
7 imprisonment and fine.

8 SEC. 102. The heading of Article 11 (commencing with
9 Section 19940) of Chapter 5 of Division 8 of the Business and
10 Professions Code is repealed.

11 SEC. 103. The heading of Article 12 (commencing with
12 Section 19950) is added to Chapter 5 of Division 8 of the Business
13 and Professions Code, to read:

14
15 Article 12. Revenues

16
17 SEC. 104. Section 19940 of the Business and Professions
18 Code is amended and renumbered to read:

19 19950. (a) All fines and penalties collected pursuant to this
20 chapter shall be deposited in a special account in the General Fund,
21 and, upon appropriation, may be expended by the Department of
22 Justice to offset costs incurred pursuant to this chapter.

23 (b) Except as otherwise provided in subdivision (a), all fees and
24 revenue collected pursuant to this chapter shall be deposited in the
25 Gambling Control Fund, which is hereby created in the State
26 Treasury. The funds deposited in the Gambling Control Fund shall
27 be available, upon appropriation by the Legislature, for
28 expenditure by the division and commission exclusively for the
29 support of the division and commission in carrying out their duties
30 and responsibilities under this chapter.

31 SEC. 105. Section 19941 of the Business and Professions
32 Code is amended and renumbered to read:

33 19951. (a) Every application for a license or approval shall
34 be accompanied by a nonrefundable fee of five hundred dollars
35 (\$500).

36 (b) The fee for the initial issuance or renewal of a state
37 gambling license, including all licenses issued to key employees
38 and other persons whose names are endorsed upon the license,
39 shall be assessed against the gambling license issued to the owner
40 of the gambling enterprise. The fee for initial issuance of a state



1 gambling license shall be an amount determined by the division
2 pursuant to the schedule in subdivision (c). The fee for the renewal
3 of a state gambling license shall be determined pursuant to the
4 schedule in subdivision (c) or the schedule in subdivision (d),
5 whichever amount is greater.

6 (c) The schedule based on the number of tables is as follows:

7 (1) For a license authorizing one to five tables, inclusive, at
8 which games are played, two hundred fifty dollars (\$250) for each
9 table.

10 (2) For a license authorizing six to eight tables, inclusive, at
11 which games are played, four hundred fifty dollars (\$450) for each
12 table.

13 (3) For a license authorizing 9 to 14 tables, inclusive, at which
14 games are played, one thousand fifty dollars (\$1,050) for each
15 table.

16 (4) For a license authorizing 15 to 25 tables, inclusive, at which
17 games are played, two thousand one hundred fifty dollars (\$2,150)
18 for each table.

19 (5) For a license authorizing 26 to 70 tables, inclusive, at which
20 games are played, three thousand two hundred dollars (\$3,200) for
21 each table.

22 (6) For a license authorizing 71 or more tables at which games
23 are played, three thousand seven hundred dollars (\$3,700) for each
24 table.

25 (d) Without regard to the number of tables at which games may
26 be played pursuant to a gambling license, if, at the time of any
27 license renewal, it is determined that the gross revenues of an
28 owner licensee during the licensee's previous fiscal year fell
29 within the following ranges, the annual fee for renewal of the
30 license shall be as follows:

31 (1) For a gross revenue of two hundred thousand dollars
32 (\$200,000) to four hundred ninety-nine thousand nine hundred
33 ninety-nine dollars (\$499,999), inclusive, the amount specified by
34 the division pursuant to paragraph (2) of subdivision (c).

35 (2) For a gross revenue of five hundred thousand dollars
36 (\$500,000) to one million nine hundred ninety-nine thousand nine
37 hundred ninety-nine dollars (\$1,999,999), inclusive, the amount
38 specified by the division pursuant to paragraph (3) of subdivision
39 (c).



1 (3) For a gross revenue of two million dollars (\$2,000,000) to
2 nine million nine hundred ninety-nine thousand nine hundred
3 ninety-nine dollars (\$9,999,999), inclusive, the amount specified
4 by the division pursuant to paragraph (4) of subdivision (c).

5 (4) For a gross revenue of ten million dollars (\$10,000,000) or
6 more, the amount specified by the division pursuant to paragraph
7 (5) of subdivision (c).

8 (e) The commission may provide for payment of the annual
9 gambling license fee on an annual or installment basis.

10 (f) For the purposes of this section, each table at which a game
11 is played constitutes a single game table.

12 SEC. 106. Section 19942A of the Business and Professions
13 Code is amended and renumbered to read:

14 19952. The commission, by regulation, shall establish fees for
15 special licenses authorizing irregular operation of tables in excess
16 of the total number of tables otherwise authorized to a licensed
17 gambling establishment, for tournaments and other special events.

18 SEC. 107. Section 19944 of the Business and Professions
19 Code is amended and renumbered to read:

20 19953. Nothing contained in this chapter shall be deemed to
21 restrict or limit the power of any city, county, or city and county
22 to fix, impose, and collect a license tax.

23 SEC. 108. The heading of Article 12 (commencing with
24 Section 19950) of Chapter 5 of Division 8 of the Business and
25 Professions Code is repealed.

26 SEC. 109. The heading of Article 13 (commencing with
27 Section 19960) is added to Chapter 5 of Division 8 of the Business
28 and Professions Code, to read:

29

30 Article 13. Local Governments

31

32 SEC. 110. Section 19950 of the Business and Professions
33 Code is amended and renumbered to read:

34 19960. This chapter shall not prohibit the enactment,
35 amendment, or enforcement of any ordinance by any city, county,
36 or city and county relating to licensed gambling establishments
37 that is not inconsistent with this chapter. No city, county, or city
38 and county shall issue a gambling license with respect to any
39 gambling establishment unless one of the following is true:



1 (a) The gambling establishment is located in a city, county, or
2 city and county wherein, after January 1, 1984, an ordinance was
3 adopted by the electors of the city, county, or city and county, in
4 an election conducted pursuant to former Section 19819 of the
5 Business and Professions Code, as that section read immediately
6 before its repeal by the act that enacted this chapter.

7 (b) The gambling establishment is located in a city, county, or
8 city and county wherein, prior to January 1, 1984, there was in
9 effect an ordinance that expressly authorized the operation of one
10 or more cardrooms.

11 (c) After the effective date of this chapter, a majority of the
12 electors voting thereon affirmatively approve a measure
13 permitting controlled gambling within that city, county, or city and
14 county.

15 (1) The measure to permit controlled gambling shall appear on
16 the ballot in substantially the following form:

17
18 “Shall licensed gambling establishments in which any controlled
19 games permitted by law, such as draw poker, low-ball poker,
20 panguine (pan), seven-card stud, or other lawful card games or tile
21 games, are played, be allowed in _____? Yes ____ No ____.”
22

23 (2) In addition, the initial implementing ordinances shall be
24 drafted and appear in full on the sample ballot and shall set forth
25 at least all of the following:

- 26 (A) The hours of operation.
- 27 (B) The games to be played.
- 28 (C) The wagering limits.
- 29 (D) The maximum number of gambling establishments
30 permitted by the ordinance.
- 31 (E) The maximum number of tables permitted in each
32 gambling establishment.

33 (d) The authorization of subdivision (c) is subject to Sections
34 19962 and 19963 until those sections are repealed.

35 SEC. 111. Section 19950.1 of the Business and Professions
36 Code is amended and renumbered to read:

37 19961. (a) On or after the effective date of this chapter, any
38 amendment to any ordinance that would result in an expansion of
39 gambling in the city, county, or city and county, shall not be valid
40 unless the amendment is submitted for approval to the voters of the



1 city, county, or city and county, and is approved by a majority of
2 the electors voting thereon. An ordinance may be amended
3 without the approval of the electors one time on or after the
4 effective date of this chapter to expand gambling by a change that
5 results in an increase of less than 25 percent with respect to any of
6 the matters set forth in paragraphs (1), (2), (3), (5), and (6) of
7 subdivision (b). Thereafter, any additional expansion shall be
8 approved by a majority of the electors voting thereon. This
9 subdivision does not apply to a licensed gambling establishment
10 with five or fewer tables.

11 (b) For the purposes of this section, “expansion of gambling”
12 means, when compared to that authorized on January 1, 1996, or
13 under an ordinance adopted pursuant to subdivision (a) of Section
14 19960, whichever is the lesser number, a change that results in any
15 of the following:

16 (1) An increase of 25 percent or more in the number of
17 gambling tables in the city, county, or city and county.

18 (2) An increase of 25 percent or more in the number of licensed
19 card rooms in the city, county, or city and county.

20 (3) An increase of 25 percent or more in the number of
21 gambling tables that may be operated in a gambling establishment
22 in the city, county, or city and county.

23 (4) The authorization of any additional form of gambling, other
24 than card games, that may be legally played in this state, to be
25 played at a gambling establishment in the city, county, or city and
26 county.

27 (5) An increase of 25 percent or more in the hours of operation
28 of a gambling establishment in the city, county, or city and county.

29 (6) An increase of 25 percent or more in the maximum amount
30 permitted to be wagered in a game.

31 (c) The measure to expand gambling shall appear on the ballot
32 in substantially the following form:

33

34 “Shall gambling be expanded in ____ beyond that operated or
35 authorized on January 1, 1996, by ____ (describe expansion)? Yes
36 ____ No ____.”

37

38 (d) The authorization of subdivision (c) is subject to Sections
39 19962 and 19963 until those sections are repealed.



1 SEC. 112. Section 19950.2 of the Business and Professions
2 Code is amended and renumbered to read:
3 19962. (a) On and after the effective date of this chapter,
4 neither the governing body nor the electors of a county, city, or city
5 and county that has not authorized legal gaming within its
6 boundaries prior to January 1, 1996, shall authorize legal gaming.
7 (b) No ordinance in effect on January 1, 1996, that authorizes
8 legal gaming within a city, county, or city and county may be
9 amended to expand gaming in that jurisdiction beyond that
10 permitted on January 1, 1996.
11 (c) This section shall remain operative only until January 1,
12 2007, and as of that date is repealed.
13 SEC. 113. Section 19950.3 of the Business and Professions
14 Code is amended and renumbered to read:
15 19963. (a) In addition to any other limitations on the
16 expansion of gambling imposed by Section 19962 or any
17 provision of this chapter, the commission shall not issue a
18 gambling license for a gambling establishment that was not
19 licensed to operate on December 31, 1999, unless an application
20 to operate that establishment was on file with the division prior to
21 September 1, 2000.
22 (b) This section shall remain in effect only until January 1,
23 2007, and as of that date is repealed, unless a later enacted statute,
24 that is enacted before January 1, 2007, deletes or extends that date.
25 SEC. 114. Section 19951 of the Business and Professions
26 Code is amended and renumbered to read:
27 19964. No city, county, or city and county may grant, or
28 permit to continue in effect, a license to deal, operate, carry on,
29 conduct, maintain, or expose for play any controlled game to any
30 applicant or holder of a local license unless the applicant or local
31 licensee is an owner licensee as defined in this chapter. However,
32 the issuance of a state gambling license to a person imposes no
33 requirements upon the city, county, or city and county to issue a
34 license to the person.
35 SEC. 115. The heading of Article 13 (commencing with
36 Section 19956) of Chapter 5 of Division 8 of the Business and
37 Professions Code is repealed.
38 SEC. 116. The heading of Article 14 (commencing with
39 Section 19970) is added to Chapter 5 of Division 8 of the Business
40 and Professions Code, to read:



1 Article 14. Miscellaneous Provisions

2
3 SEC. 117. Section 19956 of the Business and Professions
4 Code is amended and renumbered to read:

5 19970. If any clause, sentence, paragraph, or part of this
6 chapter, for any reason, is adjudged by a court of competent
7 jurisdiction to be invalid, that judgment shall not affect, impair, or
8 invalidate the remainder of this chapter and the application thereof
9 to other persons or circumstances, but shall be confined to the
10 operation of the clause, sentence, paragraph, or part thereof
11 directly involved in the controversy in which the judgment was
12 rendered and to the person or circumstances involved.

13 SEC. 118. Section 19957 of the Business and Professions
14 Code is amended and renumbered to read:

15 19971. This act is an exercise of the police power of the state
16 for the protection of the health, safety, and welfare of the people
17 of the State of California, and shall be liberally construed to
18 effectuate those purposes.

19 SEC. 119. Section 19958 of the Business and Professions
20 Code is amended and renumbered to read:

21 19972. For the purposes of Section 3482 of the Civil Code, the
22 issuance of a state gambling license shall not be construed to
23 authorize any conduct or activity other than the conduct of
24 controlled gambling.

25 SEC. 120. The heading of Article 14 (commencing with
26 Section 19959) of Chapter 5 of Division 8 of the Business and
27 Professions Code is repealed.

28 SEC. 121. The heading of Article 15 (commencing with
29 Section 19980) is added to Chapter 5 of Division 8 of the Business
30 and Professions Code, to read:

31
32 Article 15. Additional Restrictions Related to Fair Elections
33 and Corruption of Regulators

34
35 SEC. 122. Section 19959 of the Business and Professions
36 Code is amended and renumbered to read:

37 19980. (a) The Legislature finds and declares that there is a
38 compelling governmental interest in ensuring that elections
39 conducted pursuant to Section 19960 are conducted fairly and that
40 electors in those elections are presented with fair and balanced



1 arguments in support of and in opposition to the existence of
2 gambling establishments. Large contributions by gambling
3 operators or prospective gambling operators who will be
4 financially interested in the outcome of the election often unfairly
5 distort the context in which those elections take place.

6 (b) In California, in other states, and in other countries, there
7 is ample historical evidence of the potential for revenues derived
8 from gambling to be used to corrupt political officials in the
9 regulation or prosecution of crimes related to gambling activities,
10 embezzlement, and money laundering.

11 (c) This article is an exercise of the police power of the state for
12 the protection of the health, safety, and welfare of the people of this
13 state.

14 SEC. 123. Section 19959.5A of the Business and Professions
15 Code is amended and renumbered to read:

16 19981. (a) A member of the commission, the executive
17 director, the director, and any employee of the commission or
18 division designated by regulation, shall not, for a period of three
19 years after leaving office or terminating employment, for
20 compensation, act as agent or attorney for, or otherwise represent,
21 any other person by making any formal or informal appearance,
22 or by making any oral or written communication, before the
23 commission or the division, or any officer or employee thereof, if
24 the appearance or communication is for the purpose of influencing
25 administrative action, or influencing any action or proceeding
26 involving the issuance, amendment, awarding, or revocation of a
27 permit, license, or approval.

28 (b) A member of the commission shall not solicit or accept
29 campaign contributions from any person, including any applicant
30 or licensee.

31 SEC. 124. Section 19960.2A of the Business and Professions
32 Code is amended and renumbered to read:

33 19982. (a) A license may be denied, suspended, or revoked
34 if the applicant or licensee, within three years prior to the
35 submission of the license or renewal application, or any time
36 thereafter, violates any law or ordinance with respect to campaign
37 finance disclosure or contribution limitations applicable to an
38 election that is conducted pursuant to Section 19960, former
39 Section 19950, or pursuant to former Section 19819, as that



1 section read immediately prior to its repeal by the act that enacted
2 this chapter.

3 (1) The remedies specified herein are in addition to any other
4 remedy or penalty provided by law.

5 (2) Any final determination by the Fair Political Practices
6 Commission that the applicant did not violate any provision of
7 state law within its jurisdiction shall be binding on the
8 commission.

9 (3) Any final determination by a city or county governmental
10 body having ultimate jurisdiction over the matter that the applicant
11 did not violate an ordinance with respect to campaign finance
12 disclosure or contribution limitations applicable to an election
13 conducted pursuant to Section 19960, former Section 19950, or
14 former Section 19819, as that section read immediately prior to its
15 repeal by the act that enacted this chapter, shall be binding on the
16 commission.

17 (b) Every applicant for a gambling license, or any renewal
18 thereof, shall file with the division, at the time the license
19 application or renewal is filed, the following information:

20 (1) Any statement or other document required to be filed with
21 the Fair Political Practices Commission relative to an election that
22 is conducted pursuant to Section 19960, former Section 19950, or
23 former Section 19819, as that section read immediately prior to its
24 repeal by the act that enacted this chapter, within three years of the
25 date on which the application is submitted.

26 (2) Any statement or other document required to be filed with
27 any local jurisdiction respecting campaign finance disclosure or
28 contribution limitations applicable to an election that is conducted
29 pursuant to Section 19960, former Section 19950, or former
30 Section 19819, as that section read immediately prior to its repeal
31 by the act that enacted this chapter, within three years of the date
32 on which the application is submitted.

33 (3) A report of any contribution of money or thing of value, in
34 excess of one hundred dollars (\$100), made to any committee, as
35 defined by Section 82013 of the Government Code, associated
36 with any election that is conducted pursuant to Section 19960,
37 former Section 19950, or former Section 19819, as that section
38 read immediately prior to its repeal by the act that enacted this
39 chapter, within three years of the date on which the application is
40 submitted.



1 (4) A report of any other significant involvement by the
2 applicant or licensee in an election that is conducted pursuant to
3 Section 19960, former Section 19950, or former Section 19819,
4 as that section read immediately prior to its repeal by the act that
5 enacted this chapter, within three years of the date on which the
6 application is submitted.

7 (c) The commission shall adopt regulations to implement this
8 section.

9 SEC. 125. Section 19960.4 of the Business and Professions
10 Code is amended and renumbered to read:

11 19983. It is the intent of the Legislature that if any provision
12 of this article is adjudged by a court to be invalid because of any
13 conflict or inconsistency with the Political Reform Act of 1974
14 (Title 9 (commencing with Section 81000) of the Government
15 Code), as amended, that judgment shall not affect, impair, or
16 invalidate any other provision of this chapter and the application
17 thereof to other persons or circumstances, but shall be confined to
18 the operation of the clause, sentence, paragraph, or part thereof
19 directly involved in the controversy in which the judgment was
20 rendered and to the person or circumstances involved.

21 SEC. 126. The heading of Article 16 (commencing with
22 Section 19984) is added to Chapter 5 of Division 8 of the Business
23 and Professions Code, to read:

24
25 Article 16. Additional Contracts: Proposition Players
26

27 SEC. 127. Section 19980 of the Business and Professions
28 Code is amended and renumbered to read:

29 19984. Notwithstanding any other provision of law, a licensed
30 gambling establishment may contract with a third party for the
31 purpose of providing proposition player services, subject to the
32 following conditions:

33 (a) Any agreement, contract, or arrangement between a
34 gambling establishment and a third-party provider of proposition
35 player services shall be approved in advance by the division, and
36 in no event shall a gambling establishment or the house have any
37 interest, whether direct or indirect, in funds wagered, lost, or won.

38 (b) The commission shall establish reasonable criteria for, and
39 require the licensure and registration of, any person or entity that
40 provides proposition player services to gambling establishments



1 pursuant to this section, including owners, supervisors, and
2 players. Those employed by a third-party provider of proposition
3 player services, including owners, supervisors, observers, and
4 players, shall wear a badge which clearly identifies them as
5 proposition players whenever they are present within a gambling
6 establishment. The commission may impose licensing
7 requirements, disclosures, approvals, conditions, or limitations as
8 it deems necessary to protect the integrity of controlled gambling
9 in this state, and may assess and collect reasonable fees and
10 deposits as necessary to defray the costs of providing this
11 regulation and oversight.

12 (c) The division, pursuant to regulations of the commission, is
13 empowered to perform background checks, financial audits, and
14 other investigatory services as needed to assist the commission in
15 regulating third party providers of proposition player services, and
16 may assess and collect reasonable fees and deposits as necessary
17 to defray the costs of providing this regulation and oversight. The
18 ~~commission shall adopt emergency regulations in order to~~
19 ~~implement this section in an expeditious manner.~~ *division may*
20 *adopt emergency regulations in order to implement this*
21 *subdivision.*

22 (d) No agreement or contract between a licensed gambling
23 establishment and a third party concerning the provision of
24 proposition player services shall be invalidated or prohibited by
25 the division pursuant to this section until the commission
26 establishes criteria for, and makes determinations regarding the
27 licensure or registration of, the provision of these services
28 pursuant to subdivision (b).

