

AMENDED IN ASSEMBLY MAY 21, 1996  
AMENDED IN ASSEMBLY MAY 6, 1996  
AMENDED IN ASSEMBLY APRIL 24, 1996  
AMENDED IN ASSEMBLY MARCH 27, 1996

CALIFORNIA LEGISLATURE—1995–96 REGULAR SESSION

**ASSEMBLY BILL**

**No. 3181**

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**Introduced by Assembly Members Isenberg and Hoge**

(Principal coauthor: Senator Kopp)

**(Coauthors: Assembly Members Bates, Brown, Cortese,  
Cunneen, Davis, Friedman, Hawkins, Mazzoni, Rainey,  
Sher, Speier, Sweeney, and Thompson)**

(Coauthors: Senators Johnston, Leonard, and Watson)

February 23, 1996

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An act to repeal Section 19445 of, and to repeal and add Chapter 5 (commencing with Section 19800) of Division 8 of, the Business and Professions Code, to add Section 1822.60 to the Code of Civil Procedure, to amend Sections 12012 and 15001 of, and to add Sections 15001.1 and 15001.2 to, the Government Code, and to amend Sections 186.9 and 14161 of, and to add Section 337j to, the Penal Code, relating to gambling.

LEGISLATIVE COUNSEL'S DIGEST

AB 3181, as amended, Isenberg. Gambling.

(1) Existing law, the Gaming Registration Act, among other things, prohibits the ownership or operation of a gaming

club, as defined, without first obtaining a valid registration from the Attorney General. Existing law subjects any person operating a gaming club without a license to punishment in the state prison or in a county jail for not more than one year.

This bill would repeal the Gaming Registration Act. The bill would recast these provisions, as specified, and would enact the Gambling Control Act.

(2) Existing law provides that the Department of Justice, under the direction and control of the Attorney General, is composed of the office of the Attorney General and the Division of Law Enforcement.

This bill would create the Division of Gambling Control within the Department of Justice. The bill would authorize the division to regulate legal gambling in this state, as specified. ~~This bill would constitute an amendment to the Political Reform Act of 1974 by requiring the Fair Political Practices Commission, at the request of the division, to consult with and advise the division regarding the definitions of terms necessary to implement and enforce regulations adopted by the division as required in the bill.~~ This bill would also create the California Gambling Control Board, and would authorize the board to hear appeals from decisions of the division.

(3) Under existing law, the California Horse Racing Board is the state entity responsible for negotiating with the Indian tribes for the purpose of entering into a tribal-state compact governing the conduct of horseracing activities on Indian lands of the tribe.

This bill would repeal that provision.

The bill, in addition, would designate the Governor as the state officer responsible for negotiating and executing, on behalf of the state, as specified, compacts with federally recognized Indian tribes in the State of California pursuant to the federal Indian Gaming Regulatory Act, for conducting class III gaming on Indian lands.

(4) Existing law prohibits certain conduct with regard to gambling, as specified.

This bill, among other things, would provide that a violation of the Gambling Control Act, unless otherwise indicated in the act, is a misdemeanor, thereby imposing a state-mandated local program by creating a new crime. The bill would also



prohibit specified persons from engaging in certain activities related to any controlled game, as defined, without having first procured a state license. A violation of this provision would be a misdemeanor, thereby imposing a state-mandated local program by creating a new crime.

(5) This bill would create within the State Treasury the Gambling Control Fund, and would make that fund available to the Department of Justice exclusively for the support of the Division of Gambling Control and the California Gambling Control Board, upon appropriation, as specified.

(6) The existing Political Reform Act of 1974 generally prohibits a party to, or a participant in, a proceeding involving a license, permit, or other entitlement for use pending before an agency from making a contribution of more than \$250 to any officer of that agency during the proceeding and for 3 months following the date a final decision is rendered by the agency in the proceeding. That act also imposes specified limitations upon campaign contributions made in local elections.

This bill would make any person ineligible to hold a state license if he or she makes a financial contribution to any committee controlled by the Attorney General or to any candidate for Attorney General.

The Milton Marks Postgovernment Employment Restrictions Act of 1990, a part of the Political Reform Act of 1974, generally prohibits officers and employees of a state administrative agency, as defined, from making an appearance or communication for a period of 12 months after he or she leaves office before or to that agency for the purpose of influencing administrative action or other proceeding of the agency.

This bill would prohibit certain officials and employees of the division and the board from making an appearance or communication for a period of 3 years from termination of employment or leaving of the office before or to the division or the board for the purpose of influencing the division or the board.

~~This bill would require the Secretary of State to submit the provisions summarized in this paragraph to the voters for~~



~~approval at the first direct primary or general election that is held after the enactment of the bill.~~

(7) Existing law provides that any person who conducts or attempts to conduct a money laundering transaction, as described, shall be punished by imprisonment in a county jail for not more than one year or in the state prison, by a specified fine, or both.

This bill would include any person or business engaged in controlled gambling, as specified, within the definition of “financial institution” for purposes of those money laundering provisions. Thus, by expanding the scope of an existing crime, the bill would impose a state-mandated local program.

(8) This bill would also impose a state-mandated local program by increasing the reporting and specified administrative duties of local law enforcement and licensing entities.

(9) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that for certain costs no reimbursement is required by this act for a specified reason.

However, the bill would provide that, if the Commission on State Mandates determines that this bill contains other costs mandated by the state, reimbursement for those costs shall be made pursuant to those statutory procedures and, if the statewide cost does not exceed \$1,000,000, shall be made from the State Mandates Claims Fund.

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

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

- 1 SECTION 1. Section 19445 of the Business and
- 2 Professions Code is repealed.
- 3 SEC. 2. Chapter 5 (commencing with Section 19800)
- 4 of Division 8 of the Business and Professions Code is
- 5 repealed.



1 SEC. 3. Chapter 5 (commencing with Section 19800)  
2 is added to Division 8 of the Business and Professions  
3 Code, to read:

4  
5 CHAPTER 5. THE GAMBLING CONTROL ACT

6  
7 Article 1. General Provisions

8  
9 19800. This chapter shall be known and may be cited  
10 as the "Gambling Control Act."

11 19801. The Legislature hereby finds and declares all  
12 of the following:

13 (a) The longstanding public policy of this state  
14 disfavors the business of gambling. State law prohibits  
15 commercially operated lotteries, banked or percentage  
16 games, and gambling machines, and strictly regulates  
17 parimutuel wagering on horseracing. To the extent that  
18 state law categorically prohibits certain forms of  
19 gambling and prohibits gambling devices, nothing herein  
20 shall be construed, in any manner, to reflect a legislative  
21 intent to relax those prohibitions.

22 (b) Gambling can become addictive and is not an  
23 activity to be promoted or legitimized as entertainment  
24 for children and families.

25 (c) Unregulated gambling enterprises are inimical to  
26 the public health, safety, welfare, and good order.  
27 Accordingly, no person in this state has a right to operate  
28 a gambling enterprise except as may be expressly  
29 permitted by the laws of this state and by the ordinances  
30 of local governmental bodies.

31 (d) It is the policy of this state that gambling activities  
32 that are not expressly prohibited or regulated by state law  
33 may be prohibited or regulated by local government.  
34 Moreover, it is the policy of this state that no new card  
35 room may be opened in a city, county, or city and county  
36 in which a card room was not operating on and before  
37 January 1, 1984, except upon the affirmative vote of the  
38 electors of that city, county, or city and county.

39 (e) It is not the purpose of this chapter to expand  
40 opportunities for gambling, or to create any right to

1 operate a gambling enterprise in this state or to have a  
2 financial interest in any gambling enterprise. Rather, it is  
3 the purpose of this chapter to regulate businesses that  
4 offer otherwise lawful forms of gambling games.

5 (f) Public trust that permissible gambling will not  
6 endanger public health, safety, or welfare requires that  
7 comprehensive measures be enacted to ensure that such  
8 gambling is free from criminal and corruptive elements,  
9 that it is conducted honestly and competitively, and that  
10 it is conducted in suitable locations.

11 (g) Public trust and confidence can only be  
12 maintained by strict and comprehensive regulation of all  
13 persons, locations, practices, associations, and activities  
14 related to the operation of lawful gambling  
15 establishments and the manufacture or distribution of  
16 permissible gambling equipment.

17 (h) All gambling operations, all persons having a  
18 significant involvement in gambling operations, all  
19 establishments where gambling is conducted, and all  
20 manufacturers, sellers, and distributors of gambling  
21 equipment must be licensed and regulated to protect the  
22 public health, safety, and general welfare of the residents  
23 of this state as an exercise of the police powers of the state.

24 (i) To ensure that gambling is conducted honestly,  
25 competitively, and free of criminal and corruptive  
26 elements, all licensed gambling establishments in this  
27 state must remain open to the general public and the  
28 access of the general public to licensed gambling  
29 activities must not be restricted in any manner, except as  
30 provided by the Legislature. However, subject to state  
31 and federal prohibitions against discrimination, nothing  
32 herein shall be construed to preclude exclusion of  
33 unsuitable persons from licensed gambling  
34 establishments in the exercise of reasonable business  
35 judgment.

36 (j) In order to effectuate state policy as declared  
37 herein, it is necessary that gambling establishments,  
38 activities, and equipment be licensed, that persons  
39 participating in those activities be licensed or registered,  
40 that certain transactions, events, and processes involving



1 gambling establishments and owners of gambling  
2 establishments be subject to prior approval or permission,  
3 that unsuitable persons not be permitted to associate with  
4 gambling activities or gambling establishments, and that  
5 gambling activities take place only in suitable locations.  
6 Any license or permit issued, or other approval granted  
7 pursuant to this chapter, is declared to be a revocable  
8 privilege, and no holder acquires any vested right therein  
9 or thereunder.

10 (k) The location of lawful gambling premises, the  
11 hours of operation of those premises, the number of tables  
12 permitted in those premises, and wagering limits in  
13 permissible games conducted in those premises are  
14 proper subjects for regulation by local governmental  
15 bodies. However, consideration of those same subjects by  
16 a state regulatory agency, as specified in this chapter, is  
17 warranted when local governmental regulation  
18 respecting those subjects is inadequate or the regulation  
19 fails to safeguard the legitimate interests of residents in  
20 other governmental jurisdictions.

21 (l) The exclusion or ejection of certain persons from  
22 gambling establishments is necessary to effectuate the  
23 policies of this chapter and to maintain effectively the  
24 strict regulation of licensed gambling.

25 (m) Records and reports of cash and credit  
26 transactions involving gambling establishments may  
27 have a high degree of usefulness in criminal and  
28 regulatory investigations and, therefore, licensed  
29 gambling operators may be required to keep records and  
30 make reports concerning significant cash and credit  
31 transactions.

32 (n) It is the intent of the Legislature that this chapter  
33 apply to class III gaming operations conducted on Indian  
34 lands located in this state only through the tribal-state  
35 compacting process as provided by the federal Indian  
36 Gaming Regulatory Act (25 U.S.C. Sec. 2701 et seq.).  
37 Nothing herein precludes the negotiation of terms and  
38 conditions in a tribal-state compact that differ from the  
39 provisions of this chapter.



1 19802. (a) It is the intent of the Legislature, in  
2 enacting this chapter, to provide uniform, minimum  
3 standards of regulation of permissible gambling activities  
4 and the operation of lawful gambling establishments.

5 (b) Nothing in this chapter shall be construed to  
6 preclude any city, county, or city and county from  
7 prohibiting any gambling activity, from imposing more  
8 stringent local controls or conditions upon gambling than  
9 are imposed by this chapter or by the board, from  
10 inspecting gambling premises to enforce applicable state  
11 and local laws, or from imposing any local tax or license  
12 fee, if the prohibition, control, condition, inspection, tax,  
13 or fee is not inconsistent with this chapter. Nothing in this  
14 chapter shall be construed to affect the responsibility of  
15 local law enforcement agencies to enforce the laws of this  
16 state, including this chapter.

17 19804. (a) In any action for declaratory or injunctive  
18 relief, or for relief by way of any extraordinary writ, other  
19 than an action initiated pursuant to Section 19922,  
20 wherein the construction, application, or enforcement of  
21 this chapter, or any regulation adopted pursuant thereto,  
22 or any order of the division or the board issued pursuant  
23 thereto, is called into question, a court shall not grant any  
24 preliminary or permanent injunction, or any peremptory  
25 writ of mandate, certiorari, or prohibition, in connection  
26 therewith, except as follows:

27 (1) Upon proof by clear and convincing evidence that  
28 the division or the board is abusing or threatens to abuse  
29 its discretion.

30 (2) Upon proof by clear and convincing evidence that  
31 the division or the board is exceeding or threatens to  
32 exceed its jurisdiction.

33 (b) No temporary injunction or other provisional  
34 order shall issue to restrain, stay, or otherwise interfere  
35 with any action by the division or the board except upon  
36 a finding by the court, based on clear and convincing  
37 evidence, that the public interest will not be prejudiced  
38 thereby, and no such order shall be effective for more  
39 than 15 calendar days.



1 (c) Nothing herein shall be construed to relieve a  
2 petitioner's obligation to exhaust administrative  
3 remedies.

4 (d) In an action for relief of any nature wherein the  
5 construction, application, or enforcement of this chapter,  
6 or any regulation adopted pursuant thereto, or any order  
7 of the division or board issued pursuant thereto, is called  
8 into question, the party filing the pleading shall furnish a  
9 copy thereof to the division. The copy shall be furnished  
10 by the party filing the pleading within 10 business days  
11 after filing.

12 19805. As used in this chapter, the following words  
13 mean:

14 (a) "Affiliate" means a person who, directly or  
15 indirectly through one or more intermediaries, controls,  
16 is controlled by, or is under common control with, a  
17 specified person.

18 (b) "Applicant" means any person who has applied  
19 for, or is about to apply for, a state gambling license,  
20 manufacturer's or distributor's license, or approval of any  
21 act or transaction for which division approval is required  
22 or permitted under this chapter.

23 (c) "Board" means the California Gambling Control  
24 Board.

25 (d) "Controlled game" means any controlled game, as  
26 defined by subdivision (d) of Section 337j of the Penal  
27 Code.

28 (e) "Controlled gambling" means to deal, operate,  
29 carry on, conduct, maintain, or expose for play, any  
30 controlled game.

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

36 (g) "Division" means the Division of Gambling  
37 Control in the Department of Justice.

38 (h) "Finding of suitability" means a finding that a  
39 person meets the qualification criteria described in  
40 subdivisions (a) and (b) of Section 19848, and that the



1 person would not be disqualified from holding a state  
2 gambling license on any of the grounds specified in  
3 subdivisions (b) to (f), inclusive, of Section 19850.

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

7 (j) “Game” and “gambling game” means any  
8 controlled game.

9 (k) “Gambling enterprise employee” means any  
10 natural person employed in the operation of a gambling  
11 enterprise, including, without limitation, dealers,  
12 floormen, security employees, count room personnel,  
13 cage personnel, collection personnel, surveillance  
14 personnel, data-processing personnel, appropriate  
15 maintenance personnel, waiters and waitresses, and  
16 secretaries, or any other natural person whose  
17 employment duties require or authorize access to  
18 restricted gambling establishment areas.

19 (l) “Gambling establishment” or “establishment”  
20 means one or more rooms where any controlled gambling  
21 occurs.

22 (m) “Gambling license” means any license issued by  
23 the state that authorizes the person named therein to  
24 conduct a gambling operation.

25 (n) “Gambling operation” or “gambling enterprise”  
26 means one or more controlled games that are dealt,  
27 operated, carried on, conducted, maintained, or exposed  
28 for play for commercial gain.

29 (o) Except as provided by regulation, “gross revenue”  
30 means the total of all compensation received for  
31 conducting any controlled game, and includes cash  
32 received in payment for credit extended by an owner  
33 licensee to a patron for purposes of gambling.

34 (p) Except as determined by regulation,  
35 “independent agent” means any person who does either  
36 of the following:

37 (1) Approves or grants the extension of gambling  
38 credit on behalf of a gambling licensee or collects debt  
39 evidenced by a credit instrument.



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

5 (q) “Institutional investor” means any retirement  
6 fund administered by a public agency for the exclusive  
7 benefit of federal, state, or local public employees, any  
8 investment company registered under the Investment  
9 Company Act of 1940 (15 U.S.C. Sec. 80a-1 et seq.), any  
10 collective investment trust organized by banks under  
11 Part Nine of the Rules of the Comptroller of the  
12 Currency, any closed-end investment trust, any  
13 chartered or licensed life insurance company or property  
14 and casualty insurance company, any banking and other  
15 chartered or licensed lending institution, any investment  
16 advisor registered under the Investment Advisors Act of  
17 1940 (15 U.S.C. Sec. 80b-1 et seq.) acting in that capacity,  
18 and such other persons as the board may determine for  
19 reasons consistent with the policies of this chapter.

20 (r) “Key employee” means any natural person  
21 employed in the operation of a gambling enterprise in a  
22 supervisory capacity or empowered to make  
23 discretionary decisions that regulate gambling  
24 operations, including, without limitation, pit bosses, shift  
25 bosses, credit executives, cashier operations supervisors,  
26 gambling operation managers and assistant managers,  
27 managers or supervisors of security employees, or any  
28 other natural person designated as a key employee by the  
29 division for reasons consistent with the policies of this  
30 chapter.

31 (s) “Key employee license” means a state license  
32 authorizing the holder to be associated with a gambling  
33 enterprise as a key employee.

34 (t) “Licensed gambling establishment” means the  
35 gambling premises encompassed by a state gambling  
36 license.

37 (u) “Limited partnership” means a partnership  
38 formed by two or more persons having as members one  
39 or more general partners and one or more limited  
40 partners.



- 1 (v) “Limited partnership interest” means the right of  
2 a general or limited partner to any of the following:
- 3 (1) To receive from a limited partnership any of the  
4 following:
- 5 (A) A share of the revenue.  
6 (B) Any other compensation by way of income.  
7 (C) A return of any or all of his or her contribution to  
8 capital of the limited partnership.
- 9 (2) To exercise any of the rights provided under state  
10 law.
- 11 (w) “Owner licensee” means an owner of a gambling  
12 enterprise who holds a state gambling license.
- 13 (x) Unless otherwise indicated, “person” includes a  
14 natural person, corporation, partnership, limited  
15 partnership, trust, joint venture, association, or any other  
16 business organization.
- 17 (y) “Publicly traded racing association” means a  
18 corporation licensed to conduct horseracing and  
19 simulcast wagering pursuant to Chapter 4 (commencing  
20 with Section 19400) whose stock is publicly traded.
- 21 (z) “Qualified racing association” means a corporation  
22 licensed to conduct horseracing and simulcast wagering  
23 pursuant to Chapter 4 (commencing with Section 19400)  
24 that is a wholly owned subsidiary of a corporation whose  
25 stock is publicly traded.
- 26 (aa) “Work permit” means any card, certificate, or  
27 permit issued by the division or by a county, city, or city  
28 and county, whether denominated as a work permit,  
29 registration card, or otherwise, authorizing the holder to  
30 be employed as a gambling enterprise employee or to  
31 serve as an independent agent. A document issued by any  
32 governmental authority for any employment other than  
33 gambling is not a valid work permit for the purposes of  
34 this chapter.
- 35 19806. (a) Nothing in this chapter shall be construed  
36 in any way to permit or authorize any conduct made  
37 unlawful by Chapter 9 (commencing with Section 319)  
38 of, or Chapter 10 (commencing with Section 330) of, Title  
39 9 of Part 1 of the Penal Code, or any local ordinance.



1 19807. Except as otherwise provided in this chapter,  
2 whenever the division or board is a defendant or  
3 respondent in any proceeding, venue for the proceeding  
4 shall be in the County of Sacramento, the City and  
5 County of San Francisco, the County of Los Angeles, or  
6 the County of San Diego.

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Article 2. Administration

10 19809. There is within the Department of Justice the  
11 Division of Gambling Control as provided in Section  
12 15001 of the Government Code. Except as otherwise

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1 appointed for a term of three years, and one shall be  
2 appointed for a term of five years. After the initial terms,  
3 the term of office of each member of the board is five  
4 years.

5 (b) The Governor shall appoint the members of the  
6 board, subject to confirmation by the Senate, and shall  
7 designate one member to serve as chairperson. The initial  
8 appointments shall be made on or before March 1, 1997.  
9 Thereafter, vacancies shall be filled within 60 days of the  
10 date of the vacancy by the Governor, subject to  
11 confirmation by the Senate.

12 (c) The Governor may remove any board member for  
13 incompetence, neglect of duty, or corruption upon first  
14 giving him or her a copy of the charges and an  
15 opportunity to be heard.

16 19813. Before entering upon the duties of his or her  
17 office, each member shall subscribe to the constitutional  
18 oath of office and, in addition, swear that he or she is not,  
19 and during his or her term of office shall not be,  
20 pecuniarily interested in, or doing business with, any  
21 person, business, or organization holding a gambling  
22 license.

23 19814. Board members shall receive a per diem of one  
24 hundred dollars (\$100) for each day spent in attendance  
25 at meetings scheduled by the chairperson of the board for  
26 the purpose of fulfilling the duties of the board pursuant  
27 to this chapter, and shall be reimbursed for traveling and  
28 other expenses necessarily incurred in the performance  
29 of official duties.

30 19815. (a) The board shall have an executive  
31 secretary appointed by the board. A person is ineligible  
32 for appointment as executive secretary or deputy  
33 executive secretary if, within two years prior to  
34 appointment, the person, or any partnership or  
35 corporation in which the person is a principal, was  
36 employed by, retained by, or derived substantial income  
37 from, any gambling establishment, whether or not a  
38 controlled gambling establishment.

39 (b) The executive secretary shall receive the annual  
40 salary established by the board and approved by the



1 Department of Personnel Administration. The executive  
2 secretary shall be the board's executive officer and shall  
3 carry out and execute the duties as specified by law and  
4 by the board and, for that purpose, the executive  
5 secretary may appoint staff and clerical personnel. It is  
6 the intent of the Legislature that the employment of  
7 assistants and clerical personnel as provided by this  
8 subdivision shall not be accomplished by any reduction in  
9 the reasonably necessary staffing level of the division.

10 19816. The division shall furnish to the board all  
11 equipment, supplies, and office space that may be  
12 necessary for the purpose of carrying out the board's  
13 functions.

14 19817. Except as otherwise provided in this chapter,  
15 Article 9 (commencing with Section 11120) of Chapter 1  
16 of Part 1 of Division 3 of Title 2 of the Government Code  
17 applies to meetings of the board.

18 19818. The executive secretary of the board may  
19 appoint no more than two attorneys as counsel to the  
20 board. However, in lieu of representation by the  
21 attorneys appointed pursuant to this section, the board  
22 may request representation by the Attorney General in  
23 any proceeding before any court.

24 19820. (a) The division shall maintain a file of all  
25 applications for licenses under this chapter, together with  
26 a record of all action taken with respect to those  
27 applications. The file and record shall be open to public  
28 inspection.

29 (b) The division and board may maintain files and  
30 records as they deem appropriate. Except as provided in  
31 this chapter, the records of the division are exempt from  
32 disclosure under Chapter 3.5 (commencing with Section  
33 6250) of Division 7 of Title 1 of the Government Code.

34 (c) Except as necessary for the administration of this  
35 chapter, no member of the board and no official,  
36 employee, or agent of the board or division, having  
37 obtained access to confidential records or information in  
38 the performance of duties pursuant to this chapter, shall  
39 knowingly disclose or furnish the records or information,  
40 or any part thereof, to any person who is not authorized



1 by law to receive it. A violation of this subdivision is a  
2 misdemeanor.

3 (d) Notwithstanding subdivision (k) of Section  
4 1798.24 of the Civil Code, a court shall not compel  
5 disclosure of personal information in the possession of the  
6 division to any person in any civil proceeding wherein the  
7 division or the board is not a party, except for good cause  
8 and upon a showing that the information cannot  
9 otherwise be obtained. Nothing herein shall be construed  
10 to authorize the disclosure of personal information that  
11 would otherwise be exempt from disclosure.

12 19821. All files, records, reports, and other  
13 information in possession of any state or local  
14 governmental agency that are relevant to an  
15 investigation by the division conducted pursuant to this  
16 chapter shall be made available to the division as  
17 requested. However, any tax information received from  
18 a governmental agency shall be used solely for  
19 effectuating the purposes of this chapter. To the extent  
20 that the files, records, reports, or information described  
21 in this section are confidential or otherwise privileged  
22 from disclosure under any law or exercise of discretion,  
23 they shall not lose that confidential or privileged status for  
24 having been disclosed to the division.

25 19822. (a) The division and the board are responsible  
26 for all of the following:

27 (1) Assuring that licenses, approvals, and permits are  
28 not issued to, or held by, unqualified or disqualified  
29 persons, or by persons whose operations are conducted in  
30 a manner that is inimical to the public health, safety, or  
31 welfare.

32 (2) Assuring that there is no material involvement,  
33 directly or indirectly, with a licensed gambling operation,  
34 or the ownership or management thereof, by unqualified  
35 or disqualified persons, or by persons whose operations  
36 are conducted in a manner that is inimical to the public  
37 health, safety, or welfare.

38 (3) Investigating the qualifications of applicants  
39 before any license is issued, and investigating any request



1 for any approval or permission that may be required  
2 pursuant to this chapter.

3 (b) For purposes of this section, “unqualified person”  
4 means a person who is found to be unqualified pursuant  
5 to the criteria set forth in Section 19848, and “disqualified  
6 person” means a person who is found to be disqualified  
7 pursuant to the criteria set forth in Section 19850.

8 19822.1. The responsibilities of the division include,  
9 without limitation, all of the following:

10 (a) Monitoring the conduct of all licensees and other  
11 persons having a material involvement, directly or  
12 indirectly, with a gambling operation or its holding  
13 company, for the purpose of ensuring that licenses are not  
14 issued or held by, and that there is no direct or indirect  
15 material involvement with, a gambling operation or  
16 holding company by ineligible, unqualified, disqualified,  
17 or unsuitable persons, or persons whose operations are  
18 conducted in a manner that is inimical to the public  
19 health, safety, or welfare.

20 (b) Investigating suspected violations of this chapter  
21 or laws of this state relating to gambling, including any  
22 activity prohibited by Chapter 9 (commencing with  
23 Section 319) or Chapter 10 (commencing with Section  
24 330) of Title 9 of Part 1 of the Penal Code.

25 (c) Investigating complaints that are lodged against  
26 licensees, or other persons associated with a gambling  
27 operation, by members of the public.

28 (d) Initiating, where appropriate, disciplinary actions  
29 as provided in this chapter.

30 19823. The division shall have all powers necessary  
31 and proper to enable it fully and effectually to carry out  
32 the policies and purposes of this chapter, including,  
33 without limitation, the power to do all of the following:

34 (a) Require any person to apply for a license or  
35 approval as specified in this chapter.

36 (b) For any cause deemed reasonable by the division,  
37 deny any application for a license, permit, or approval  
38 provided for in this chapter, or limit, condition, or restrict  
39 any such license, permit, or approval.



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

3 (d) Take actions deemed to be reasonable to ensure  
4 that no ineligible, unqualified, disqualified, or unsuitable  
5 persons are associated with controlled gambling  
6 activities.

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

10 (f) Grant temporary licenses or approvals on  
11 appropriate terms and conditions.

12 (g) Institute a civil action in any superior court against  
13 any person subject to this chapter to restrain a violation  
14 of this chapter. An action brought against a person  
15 pursuant to this section does not preclude a criminal  
16 action or administrative proceeding against that person  
17 by the Attorney General or any district attorney or city  
18 attorney.

19 19823.1. In addition to other powers and duties  
20 specified in this chapter, the board may grant, deny,  
21 revoke, suspend, or impose conditions, restrictions, or  
22 limitations on licenses, permits, or approvals as provided  
23 in this chapter.

24 19825. (a) The division has all powers necessary and  
25 proper to enable it to carry out fully and effectually the  
26 duties and responsibilities of the division specified in this  
27 chapter. The investigatory powers of the division include,  
28 but are not limited to, all of the following:

29 (1) Upon approval of the director, and without notice  
30 or warrant, take any of the following actions:

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

37 (B) Visit, inspect, and examine all premises where  
38 gambling equipment is manufactured, sold, or  
39 distributed.



1 (C) Inspect all equipment and supplies in any  
2 gambling establishment or in any premises where  
3 gambling equipment is manufactured, sold, or  
4 distributed.

5 (D) Summarily seize, remove, and impound any  
6 equipment, supplies, documents, or records from any  
7 licensed premises for the purpose of examination and  
8 inspection. However, upon reasonable demand by the  
9 licensee or the licensee's authorized representative, a  
10 copy of all documents and records seized shall be made  
11 and left on the premises.

12 (E) Demand access to, and inspect, examine,  
13 photocopy, and audit all papers, books, and records of an  
14 owner licensee on the gambling premises in the presence  
15 of the licensee or his or her agent.

16 (2) Except as provided in paragraph (1), upon  
17 obtaining an inspection warrant pursuant to Section  
18 1822.60 of the Code of Civil Procedure, inspect and seize  
19 for inspection, examination, or photocopying any  
20 property possessed, controlled, bailed, or otherwise held  
21 by any applicant, licensee, or any intermediary company,  
22 or holding company.

23 (3) Investigate, for purposes of prosecution, any  
24 suspected criminal violation of this chapter. However,  
25 nothing in this paragraph limits the powers conferred by  
26 any other provision of law on agents of the division who  
27 are peace officers.

28 (4) Do both of the following:

29 (A) Issue subpoenas to require the attendance and  
30 testimony of witnesses and the production of books,  
31 records, documents, and physical materials.

32 (B) Administer oaths, examine witnesses under oath,  
33 take evidence, and take depositions and affidavits or  
34 declarations. Notwithstanding Section 11189 of the  
35 Government Code, the division, without leave of court,  
36 may take the deposition of any applicant or any licensee.  
37 Sections 11185 and 11191 of the Government Code do not  
38 apply to a witness who is an applicant or a licensee.



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

4 (2) Subdivision (a) shall not be construed to prevent  
5 entries and administrative inspections, including seizures  
6 of property, without a warrant in the following  
7 circumstances:

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

10 (B) In situations presenting imminent danger to  
11 health and safety.

12 (C) In situations involving inspection of conveyances  
13 where there is reasonable cause to believe that the  
14 mobility of the conveyance makes it impractical to obtain  
15 a warrant, or in any other exceptional or emergency  
16 circumstance where time or opportunity to apply for a  
17 warrant is lacking.

18 (D) In accordance with this chapter.

19 (E) In all other situations where a warrant is not  
20 constitutionally required.

21 19827. (a) Without limiting any privilege that is  
22 otherwise available under law, any communication or  
23 document from, or concerning, an applicant, licensee, or  
24 registrant is absolutely privileged under the following  
25 circumstances:

26 (1) It was made or published by an agent or employee  
27 of the division or board in the proper discharge of official  
28 duties or in the course of any proceeding under this  
29 chapter.

30 (2) It was required to be made or transmitted to the  
31 division or board, or any of their agents or employees by  
32 law, regulation, or subpoena of the division or the board.

33 (3) It was made or transmitted to the division for the  
34 purpose of causing, or during the course of, an  
35 investigation conducted pursuant to this chapter. No  
36 statement, and no publication of any document,  
37 described in this subdivision, shall impose liability for  
38 defamation or constitute a ground for recovery in any  
39 civil action.



1 (b) If any document or communication provided to  
2 the division contains any information that is privileged  
3 pursuant to Division 8 (commencing with Section 900) of  
4 the Evidence Code, or any other provision of law, that  
5 privilege is not waived or lost because the document or  
6 communication is disclosed to the division or the board or  
7 to any of their agents or employees.

8 (c) The division, the board, and their agents and  
9 employees shall not release or disclose any information,  
10 documents, or communications provided by an applicant  
11 or licensee that are privileged pursuant to Division 8  
12 (commencing with Section 900) of the Evidence Code,  
13 without the prior written consent of the applicant or  
14 licensee, or pursuant to lawful court order after timely  
15 notice of the proceedings has been given to the applicant  
16 or licensee. An application to a court for an order  
17 requiring the division or the board to release any  
18 information declared by law to be confidential shall be  
19 made only upon motion made in writing on not less than  
20 10 business days' notice to the division, and to all persons  
21 who may be affected by the entry of the order.

22 19828. Every district attorney, and every state and  
23 local law enforcement agency, shall furnish to the  
24 division, on forms prepared by the division, all  
25 information obtained during the course of any substantial  
26 investigation or prosecution of any person, as determined  
27 by the division, if it appears that a violation of any law  
28 related to gambling has occurred, including any violation  
29 of Chapter 9 (commencing with Section 319) or Chapter  
30 10 (commencing with Section 330) of Title 9 of Part 1 of  
31 the Penal Code.

32 19829. There is an investigative account within the  
33 Gambling Control Fund. All funds received for the  
34 purpose of paying expenses incurred by the division for  
35 investigation of an application for a license or approval  
36 under this chapter shall be deposited in the account.  
37 Expenses may be advanced from the investigative  
38 account to the division by the director.

39



Article 3. Regulations

1  
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 3 19830. (a) The division may adopt regulations for the  
 4 administration and enforcement of this chapter. To the  
 5 extent appropriate, regulations of the division shall take  
 6 into consideration the operational differences of large  
 7 ~~and small establishments. If requested by the division, the~~  
 8 ~~Fair Political Practices Commission shall consult with and~~  
 9 ~~advise the division regarding the definitions of terms~~  
 10 ~~necessary to implement and enforce regulations adopted~~  
 11 ~~pursuant to this chapter. The board may adopt rules and~~  
 12 *small establishments. The board may adopt rules* relating  
 13 to its internal procedures that may be required and that  
 14 are not inconsistent with this chapter.

15 (b) Except as expressly provided in this chapter,  
 16 Chapter 3.5 (commencing with Section 11340) of Part 1  
 17 of Division 3 of Title 2 of the Government Code shall not  
 18 apply to any regulation adopted pursuant to this article.  
 19 Failure to comply with this article shall not affect the  
 20 validity of any regulation adopted by the division, or any  
 21 amendment or repeal of the regulation, if there has been  
 22 substantial compliance with this article.

23 19831. (a) In emergencies, the division may  
 24 summarily adopt, amend, or repeal any regulation, if, at  
 25 the time, the division makes a finding that the action is  
 26 necessary for the immediate preservation of the public  
 27 peace, health, safety, morals, good order, or general  
 28 welfare, together with a statement of the facts  
 29 constituting the emergency.

30 (b) Regulations adopted by the division on or before  
 31 September 1, 1997, for the purpose of implementing this  
 32 chapter, shall be deemed to be emergency regulations  
 33 and shall take effect immediately upon adoption.

34 (1) No regulation that is deemed to be an emergency  
 35 regulation solely by operation of this subdivision shall be  
 36 valid after July 1, 1998, unless the regulation has been  
 37 subsequently adopted by the division, following a public  
 38 hearing, in accordance with this article.

1 (2) Nothing in paragraph (1) shall be construed to  
2 limit the power of the division to adopt emergency  
3 regulations pursuant to subdivision (a).

4 19832. Regulations, except emergency regulations,  
5 adopted by the division pursuant to this article, including  
6 orders of repeal, shall be effective upon the filing of a  
7 certified copy thereof with the Secretary of State.

8 19833. Except as provided in Section 19831, the  
9 division shall adopt, amend, and repeal regulations in  
10 accordance with the following procedures:

11 (a) At least 45 calendar days prior to the hearing, if  
12 any, and at the close of the public comment period on the  
13 adoption, amendment, or repeal of a regulation, notice of  
14 the proposed action shall be mailed to every person who  
15 has filed a request for notice of regulatory actions with the  
16 division, and may be mailed to any person or group of  
17 persons who the division believes to be interested in the  
18 proposed action. The notice of proposed adoption,  
19 amendment, or repeal of a regulation shall include all of  
20 the following:

21 (1) A statement of the time, place, and nature of the  
22 proceedings for adoption, amendment, or repeal of a  
23 regulation.

24 (2) A reference to the particular code sections or  
25 provisions of law that are being implemented,  
26 interpreted, or made specific.

27 (3) An informative digest containing a concise and  
28 clear summary of existing laws and regulations, if any,  
29 related directly to the proposed action and the effect of  
30 the proposed action.

31 (4) The name and telephone number of the employee  
32 or officer to whom inquiries concerning the proposed  
33 administrative action may be directed.

34 (5) The date by which comments submitted in writing  
35 must be received to present statements, arguments, or  
36 contentions in writing, relating to the proposed action, in  
37 order for them to be considered by the division before it  
38 adopts, amends, or repeals a regulation.

1 (6) A statement indicating that the full text of the  
2 proposed regulation is available from the employee or  
3 officer designated in paragraph (4).

4 (b) When a public hearing is held, statements,  
5 arguments, or contentions, either oral or in writing, or  
6 both, shall be permitted. The division, consistent with  
7 paragraph (5) of subdivision (a), shall afford any  
8 interested person or his or her duly authorized  
9 representative, the opportunity to present statements,  
10 arguments, or contentions in writing. The division shall  
11 consider the comments of the controlled gambling  
12 industry, and all other relevant matter presented to it  
13 before adopting, amending, or repealing any regulation,  
14 including emergency regulations. In any hearing held  
15 under this subdivision, the director or the authorized  
16 representative of the director, may administer oaths or  
17 affirmations. The division may continue or postpone a  
18 hearing from time to time, to the time and place it  
19 determines. However, if a hearing is continued or  
20 postponed, the division shall provide notice to the public  
21 advising when the hearing will be resumed or  
22 rescheduled.

23 (c) A public hearing shall be held if, no later than 15  
24 calendar days prior to the close of the written comment  
25 period, a written request for a public hearing is filed with  
26 the division. Notwithstanding the foregoing, no public  
27 hearing shall be required if, following submission of the  
28 written request, the division determines that the  
29 proposed regulation is of a technical or nonsubstantive  
30 nature and that submission of written comments is  
31 sufficient.

32 (d) Any interested person may file a written petition  
33 with the division requesting the adoption, amendment,  
34 or repeal of a regulation. The petition shall state, clearly  
35 and concisely, all of the following:

36 (1) The substance or nature of the regulation,  
37 amendment, or repeal requested.

38 (2) The reasons for the request.

39 (3) Reference to the authority of the division to take  
40 the action requested.



1 (e) Upon receipt of a petition described in subdivision  
2 (d), the division within 30 days, shall deny the request in  
3 writing or schedule the matter for action in accordance  
4 with subdivision (a).

5 19834. The regulations adopted by the division shall  
6 do all of the following:

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

10 (1) Prescribe the method and form of application and  
11 registration.

12 (2) Prescribe the information to be furnished by any  
13 applicant, licensee, or registrant concerning, as  
14 appropriate, the person's personal history, habits,  
15 character, associates, criminal record, business activities,  
16 organizational structure, and financial affairs, past or  
17 present.

18 (3) Prescribe the information to be furnished by an  
19 owner licensee relating to the licensee's gambling  
20 employees.

21 (4) Require fingerprinting or other methods of  
22 identification of an applicant, licensee, or employee of a  
23 licensee.

24 (5) Prescribe the manner and method of collection  
25 and payment of fees and issuance of licenses.

26 (b) Provide for the approval of game rules and  
27 equipment by the division to ensure fairness to the public  
28 and compliance with state laws.

29 (c) Implement the provisions of this chapter relating  
30 to licensing.

31 (d) Require owner licensees to report and keep  
32 records of transactions, as determined by the division,  
33 involving cash or credit. The regulations may include,  
34 without limitation, regulations requiring owner licensees  
35 to file with the division reports similar to those required  
36 by Sections 5313 and 5314 of Title 31 of the United States  
37 Code, and by Sections 103.22 and 103.23 of Title 31 of the  
38 Code of Federal Regulations, and any successor  
39 provisions thereto, from financial institutions, as defined  
40 in Section 5312 of Title 31 of the United States Code and



1 Section 103.11 of Title 31 of the Code of Federal  
2 Regulations, and any successor provisions.

3 (e) Provide for the receipt of protests and written  
4 comments on an application by public agencies, public  
5 officials, local governing bodies, or residents of the  
6 location of the gambling establishment or future  
7 gambling establishment.

8 (f) Provide for the disapproval of advertising by  
9 licensed gambling establishments that is determined by  
10 the division to be deceptive to the public. Advertisement  
11 that appeals to children, promotes the theme of family  
12 entertainment, or offers gambling as a means of  
13 becoming wealthy is presumptively deceptive.

14 (g) Govern all of the following:

15 (1) The extension of credit.

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

18 (3) The verification of identification in monetary  
19 transactions.

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

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

26 (2) Prescribing the manner in which compensation  
27 from games and gross revenue shall be computed and  
28 reported by an owner licensee.

29 (3) The provision of reliable records, accounts, and  
30 reports of transactions, operations, and events, including  
31 reports to the division.

32 (i) Provide for the adoption and use of internal audits,  
33 whether by qualified internal auditors or by certified  
34 public accountants. As used in this subdivision, “internal  
35 audit” means a type of control that operates through the  
36 testing and evaluation of other controls and that is also  
37 directed toward observing proper compliance with the  
38 minimum standards of control prescribed in subdivision  
39 (h).



1 (j) Require periodic financial reports from each owner  
2 licensee.

3 (k) Specify standard forms for reporting financial  
4 conditions, results of operations, and other relevant  
5 financial information.

6 (l) Formulate a uniform code of accounts and  
7 accounting classifications to ensure consistency,  
8 comparability, and effective disclosure of financial  
9 information.

10 (m) Prescribe intervals at which the information in  
11 subdivisions (j) to (k), inclusive, shall be furnished to the  
12 division.

13 (n) Require audits to be conducted, in accordance  
14 with generally accepted auditing standards, of the  
15 financial statements of all owner licensees whose annual  
16 gross revenues equal or exceed a specified sum. However,  
17 nothing herein shall be construed to limit the division's  
18 authority to require audits of any owner licensee. Audits,  
19 compilations, and reviews provided for in this subdivision  
20 shall be made by independent certified public  
21 accountants licensed to practice in this state.

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

25 (p) Define and limit the area, games, and equipment  
26 permitted, or the method of operation of games and  
27 equipment, when, at the request of a sheriff or district  
28 attorney, the division determines that local regulation of  
29 these subjects is insufficient to protect the health, safety,  
30 or welfare of residents in geographical areas proximate to  
31 a gambling establishment.

32 (q) Prohibit gambling establishments from cashing  
33 checks, drawn against any federal, state, or county fund,  
34 including, but not limited to, social security,  
35 unemployment insurance, disability payments, or public  
36 assistance payments.

37 However, a gambling establishment shall not be  
38 prohibited from cashing any payroll checks or checks for  
39 the delivery of goods or services that are drawn against  
40 a federal, state, or county fund.



1 19834.5. The division shall not prohibit, on a statewide  
2 basis, any controlled game that was lawfully played in  
3 California prior to July 1, 1995. Nothing in this section shall  
4 be construed to preclude the division from prohibiting,  
5 on a statewide basis, any game that is made unlawful in  
6 this state by any law.

7 19835. (a) The division shall, by regulation, provide  
8 for the formulation of a list of persons who are to be  
9 excluded or ejected from any gambling establishment.  
10 The list may include any person whose presence in the  
11 establishment is determined by the division to pose a  
12 threat to the interests of this state or to controlled  
13 gambling, or both.

14 (b) In making the determination described in  
15 subdivision (a), the division may consider, but is not  
16 limited to, any of the following:

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

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

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

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

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

36 (d) The division shall adopt regulations establishing  
37 procedures for hearing of petitions by persons who are  
38 ejected or excluded from licensed premises pursuant to  
39 this section or pursuant to Section 19835.5.



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

6 19835.5. (a) A licensee may remove from his or her  
7 licensed premises any person who, while on the premises:

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

10 (2) Interferes with a lawful gambling operation.

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

12 (4) Beggars, is boisterous, or is otherwise offensive to  
13 other persons.

14 (5) Commits any public offense.

15 (6) Is intoxicated.

16 (7) Is a person who the division, by regulation, has  
17 determined should be excluded from licensed gambling  
18 establishments in the public interest.

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

24

25 Article 4. Licensing

26

27 19840. Every person who, either as owner, lessee, or  
28 employee, whether for hire or not, either solely or in  
29 conjunction with others, deals, operates, carries on,  
30 conducts, maintains, or exposes for play any controlled  
31 game in this state, or who receives, directly or indirectly,  
32 any compensation or reward, or any percentage or share  
33 of the money or property played, for keeping, running, or  
34 carrying on any controlled game in this state, shall obtain,  
35 and thereafter maintain a valid state gambling license,  
36 key employee license, or work permit, as specified in this  
37 chapter. In any criminal prosecution for violation of this  
38 section, the punishment shall be as provided in Section  
39 337j of the Penal Code.



1 19840.5. (a) The owner of a gambling enterprise shall  
2 apply for and obtain a state gambling license.

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

9 19841. An owner of a gambling enterprise that is not  
10 a natural person shall not be eligible for a state gambling  
11 license unless each of the following persons individually  
12 applies for and obtains a state gambling license:  
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1 (g) Each person who receives, or is to receive, any  
2 percentage share of the revenue earned by the owner  
3 from gambling activities.

4 (h) Every employee, agent, guardian, personal  
5 representative, lender, or holder of indebtedness of the  
6 owner who, in the judgment of the division, has the power  
7 to exercise a significant influence over the gambling  
8 operation.

9 19842. (a) The division, by regulation or order, may  
10 require that the following persons register with the  
11 division, apply for a finding of suitability, or apply for a  
12 gambling license:

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

18 (2) Any person who owns an interest in the premises  
19 of a licensed gambling establishment or in real property  
20 used by a licensed gambling establishment.

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

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

29 (5) Any person who provides any goods or services to  
30 a gambling enterprise for compensation that the division  
31 finds to be grossly disproportionate to the value of the  
32 goods or services provided.

33 (6) Every person who, in the judgment of the division,  
34 has the power to exercise a significant influence over the  
35 gambling operation.

36 (b) Paragraphs (2), (3), and (4) of subdivision (a) do  
37 not apply to a publicly traded corporation that is engaged  
38 in the activity described in those paragraphs.

39 19844. (a) Every key employee shall apply for and  
40 obtain a key employee license.



1 (b) Licenses issued to key employees shall be for  
2 specified positions only, and those positions shall be  
3 enumerated in the endorsement described in subdivision  
4 (b) of Section 19840.5.

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

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

10 19846. Every person who, by statute or regulation, is  
11 required to hold a state license shall obtain the license  
12 prior to engaging in the activity or occupying the position  
13 with respect to which the license is required. Every  
14 person who, by order of the division, is required to apply  
15 for a gambling license or a finding of suitability shall file  
16 the application within 30 calendar days after receipt of  
17 the order.

18 19847. (a) Any person who the division determines is  
19 qualified to receive a state license, having due  
20 consideration for the proper protection of the health,  
21 safety, and general welfare of the residents of the State of  
22 California and the declared policy of this state, may be  
23 issued a license. The burden of proving his or her  
24 qualifications to receive any license is on the applicant.

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

29 (c) In reviewing an application for any gambling  
30 license, the division shall consider whether issuance of the  
31 license is inimical to public health, safety, or welfare, and  
32 whether issuance of the license will undermine public  
33 trust that the gambling operations with respect to which  
34 the license would be issued are free from criminal and  
35 dishonest elements and would be conducted honestly.

36 19848. No gambling license shall be issued unless,  
37 based on all of the information and documents submitted,  
38 the division is satisfied that the applicant is all of the  
39 following:

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



1 (b) A person whose prior activities, criminal record, if  
2 any, reputation, habits, and associations do not pose a  
3 threat to the public interest of this state, or to the effective  
4 regulation and control of controlled gambling, or create  
5 or enhance the dangers of unsuitable, unfair, or illegal  
6 practices, methods, and activities in the conduct of  
7 controlled gambling or in the carrying on of the business  
8 and financial arrangements incidental thereto.

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

11 19848.5. (a) Except as provided in subdivision (b), a  
12 person shall be deemed to be unsuitable to hold a state  
13 gambling license to own a gambling establishment if the  
14 person, or any partner, officer, director, or shareholder of  
15 the person, has any financial interest in any business or  
16 organization that is engaged in any form of gambling  
17 prohibited by Section 330 of the Penal Code, whether  
18 within or without this state.

19 (b) Subdivision (a) does not apply to a publicly traded  
20 racing association, a qualified racing association, or any  
21 person who is licensed pursuant to subdivision (b) or (c)  
22 of Section 19841.

23 19850. The division shall deny a license to any  
24 applicant who is disqualified for any of the following  
25 reasons:

26 (a) Failure of the applicant to clearly establish  
27 eligibility and qualification in accordance with this  
28 chapter.

29 (b) Failure of the applicant to provide information,  
30 documentation, and assurances required by this chapter  
31 or requested by the director, or failure of the applicant to  
32 reveal any fact material to qualification, or the supplying  
33 of information that is untrue or misleading as to a material  
34 fact pertaining to the qualification criteria.

35 (c) Conviction of the applicant for any crime  
36 punishable as a felony.

37 (d) Conviction of the applicant for any misdemeanor  
38 involving dishonesty or moral turpitude within the  
39 10-year period immediately preceding the submission of  
40 the application, unless the applicant has been granted



1 relief pursuant to Section 1203.4, 1203.4a, or 1203.45 of the  
2 Penal Code.

3 (e) Association of the applicant with criminal  
4 profiteering activity or organized crime, as defined by  
5 Section 186.2 of the Penal Code.

6 (f) Contumacious defiance by the applicant of any  
7 legislative investigatory body, or other official  
8 investigatory body of any state or of the United States,  
9 when that body is engaged in the investigation of crimes  
10 relating to gambling; official corruption related to  
11 gambling activities; or criminal profiteering activity or  
12 organized crime, as defined by Section 186.2 of the Penal  
13 Code.

14 (g) The applicant is less than 21 years of age.  
15 19851. The division shall deny a gambling license with  
16 respect to any gambling establishment that is located in  
17 a city, county, or city and county that does not have an  
18 ordinance governing all of the following matters:

19 (a) The hours of operation of gambling  
20 establishments.

21 (b) Patron security and safety in and around the  
22 gambling establishments.

23 (c) The location of gambling establishments.

24 (d) Wagering limits in gambling establishments.

25 (e) The number of gambling tables in each gambling  
26 establishment and in the jurisdiction.

27 19852. In addition to other grounds stated in this  
28 chapter, the division may deny a gambling license for any  
29 of the following reasons:

30 (a) If issuance of the license with respect to the  
31 proposed gambling establishment or expansion would  
32 tend unduly to create law enforcement problems in a city,  
33 county, or city and county other than the city, county, or  
34 city and county that has regulatory jurisdiction over the  
35 applicant's premises.

36 (b) If issuance of the license with respect to the  
37 proposed gambling establishment or expansion would  
38 create an undue concentration of gambling  
39 establishments in the relevant market area, as  
40 determined by the division, and the applicant fails to



1 show that public convenience or necessity would be  
2 served by issuance of the license.

3 (c) If issuance of the license is sought in respect to a  
4 new gambling establishment, or the expansion of an  
5 existing gambling establishment, that is to be located or  
6 is located near an existing school, an existing building  
7 used primarily as a place of worship, an existing  
8 playground or other area of juvenile congregation, an  
9 existing hospital, convalescence facility, or near another  
10 similarly unsuitable area, as determined by regulation of  
11 the division, which is located in a city, county, or city and  
12 county other than the city, county, or city and county that  
13 has regulatory jurisdiction over the applicant's gambling  
14 premises.

15 (d) For purposes of this section, "expansion" means an  
16 increase of 25 percent or more in the number of  
17 authorized gambling tables in a gambling establishment,  
18 based on the number of gambling tables for which a  
19 license was initially issued pursuant to this chapter.

20 19852.1. A publicly traded racing association or a  
21 qualified racing association shall be allowed to operate  
22 only one gaming club, and the gaming club shall be  
23 located on the same premises as the entity's racetrack.  
24 Nothing precludes a publicly traded racing association or  
25 qualified racing association from owning the real  
26 property in which a licensed gambling operation is being  
27 conducted by another licensee.

28 19853. (a) Application for a state license or other  
29 division action shall be made on forms furnished by the  
30 division.

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

33 (1) The name of the proposed licensee.

34 (2) The name and location of the proposed gambling  
35 establishment.

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

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

39 (5) A description of the proposed gambling  
40 establishment and operation.



1 (6) Any other information and details the division may  
2 require in order to discharge its duty properly.

3 19853.5. The division shall furnish to the applicant  
4 supplemental forms, which the applicant shall complete  
5 and file with the division. These supplemental forms shall  
6 require, but shall not be limited to requiring, complete  
7 information and details with respect to the applicant's  
8 personal history, habits, character, criminal record,  
9 business activities, financial affairs, and business  
10 associates, covering at least a 10-year period immediately  
11 preceding the date of filing of the application.

12 19854. An applicant for licensing or for any approval  
13 or consent required by this chapter, shall make full and  
14 true disclosure of all information to the division as  
15 necessary to carry out the policies of this state relating to  
16 licensing, registration, and control of gambling.

17 19855. (a) An application for a license shall be  
18 accompanied by the deposit of a sum of money which, in  
19 the judgment of the director, will be adequate to pay the  
20 anticipated costs and charges incurred in the  
21 investigation and processing of the application. The  
22 director shall adopt a schedule of costs and charges of  
23 investigation for use as guidelines in fixing the amount of  
24 any required deposit under this section.

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

29 (c) Any money received from an applicant in excess of  
30 the costs and charges incurred in the investigation or the  
31 processing of the application shall be refunded pursuant  
32 to regulations adopted by the division. At the conclusion  
33 of the investigation, the director shall provide the  
34 applicant a written accounting of the costs and charges so  
35 incurred.

36 19856. Within a reasonable time after the filing of an  
37 application and any supplemental information the  
38 division may require, and the deposit of any fee required  
39 pursuant to Section 19855, the division shall commence its  
40 investigation of the applicant and, for that purpose, may



1 conduct any proceedings it deems necessary. To the  
2 extent practicable, all applications shall be acted upon  
3 within 180 calendar days of the date of submission of a  
4 completed application. If an investigation has not been  
5 concluded within 180 days after the date of submission of  
6 a completed application, the division shall provide the  
7 applicant with a conditional license. Issuance of a  
8 conditional license creates no vested right to the issuance  
9 of a state gambling license, and the applicant retains the  
10 burden of proving his or her qualifications for that license.

11 19857. A request for withdrawal of any application  
12 may be made at any time prior to final action upon the  
13 application by the director by the filing of a written  
14 request to withdraw with the division. The division shall  
15 not grant the request unless the applicant has established  
16 that withdrawal of the application would be consistent  
17 with the public interest and the policies of this chapter.  
18 If a request for withdrawal is denied, the division may go  
19 forward with its investigation and may act upon the  
20 application as if no request for withdrawal had been  
21 made. If a request for withdrawal is granted with  
22 prejudice, the applicant thereafter shall be ineligible to  
23 renew its application until the expiration of one year from  
24 the date of the withdrawal. Unless the division shall  
25 otherwise direct, no fee or other payment relating to any  
26 application is refundable by reason of withdrawal of an  
27 application.

28 19858. (a) The division may either deny the  
29 application or grant a license to an applicant who it  
30 determines to be qualified to hold the license.

31 (b) When the division grants an application for a  
32 license or approval, the division may limit or place  
33 restrictions thereon as it may deem necessary in the  
34 public interest, consistent with the policies described in  
35 this chapter.

36 (c) Prior to denying a license or issuing a license with  
37 limitations, conditions, or restrictions, the director, or the  
38 director's designee, shall meet with the applicant, or the  
39 applicant's duly authorized representative, and inform



1 the applicant generally of the basis for the denial,  
2 limitations, conditions, or restrictions.

3 (d) If a license is denied, the director shall prepare and  
4 serve on the applicant a written statement of reasons for  
5 the denial.

6 (e) Within 10 business days after the division mails a  
7 notice of action on an application, the applicant may file  
8 a written objection thereto with the board. Upon receipt  
9 of a timely objection, in proper form, the board shall meet  
10 to consider the application.

11 19858.5. (a) The board meeting described in Section  
12 19858 shall be conducted in accordance with regulations  
13 of the board and as follows:

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

16 (2) Each party shall have the following rights:

17 (A) To call and examine witnesses.

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

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

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

25 (E) To offer rebuttal evidence.

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

29 (4) The meeting need not be conducted according to  
30 technical rules relating to evidence and witnesses. Any  
31 relevant evidence may be considered, and is sufficient in  
32 itself to support a finding, if it is the sort of evidence on  
33 which responsible persons are accustomed to rely in the  
34 conduct of serious affairs, regardless of the existence of  
35 any common law or statutory rule that might make  
36 improper the admission of that evidence over objection  
37 in a civil action.

38 (b) Nothing in this section confers upon an applicant  
39 a right to discovery of the division's investigative reports  
40 or to require disclosure of any document or information



1 the disclosure of which is otherwise prohibited by any  
2 other provision of this chapter.

3 19858.7. (a) No member of the board may  
4 communicate ex parte, directly or indirectly, with any  
5 applicant, or any agent, representative, or person acting  
6 on behalf of an applicant, upon the merits of an  
7 application for a license, permit, registration, or approval  
8 while the application is pending disposition before the  
9 division or the board.

10 (b) No applicant, or any agent, representative, or  
11 person acting on behalf of an applicant, and no person  
12 who has a direct or indirect interest in the outcome of a  
13 proceeding to consider an application for a license,  
14 permit, registration, or approval may communicate ex  
15 parte, directly or indirectly, with any member of the  
16 commission, upon the merits of the application while the  
17 application is pending disposition before the board.

18 (c) The receipt by a member of the board of an ex  
19 parte communication prohibited by subdivision (b) may  
20 provide the basis for disqualification of that member or  
21 the denial of the application. The board shall adopt  
22 regulations to implement this subdivision.

23 (d) For purposes of this subdivision, 'ex parte' means  
24 a communication without notice and opportunity for all  
25 parties to participate in the communication.

26 19859. No license may be assigned or transferred  
27 either in whole or in part.

28 19860. Subject to subdivision (b) of Section 19840.5,  
29 the division or board, as the case may be, shall issue and  
30 deliver to the applicant a license entitling the applicant  
31 to engage in the activity for which the license is issued,  
32 together with an enumeration of any specific terms and  
33 conditions of the license if both of the following  
34 conditions have been met:

35 (a) The division or board is satisfied that the applicant  
36 is eligible and qualified to receive the license.

37 (b) All license fees required by statute and by  
38 regulations of the division have been paid.

39 19861. An owner's gambling license shall be posted at  
40 all times in a conspicuous place in the area where



1 gambling is conducted in the establishment for which the  
2 license is issued until it is replaced by a succeeding  
3 license.

4 19862. (a) Subject to the power of the division or  
5 board to deny, revoke, suspend, condition, or limit any  
6 license, as provided in this chapter, a license shall be  
7 renewed annually by the division from the date of  
8 issuance, upon proper application for renewal and  
9 payment of state license fees as required by statute or  
10 regulation.

11 (b) An application for renewal of a gambling license  
12 shall be filed by the owner licensee with the division no  
13 later than 120 calendar days prior to the expiration of the  
14 current license, and all license fees shall be paid to the  
15 division on or before the expiration of the current license.  
16 The division shall act upon any application for renewal  
17 prior to the date of expiration of the current license. Upon  
18 renewal of any owner license, the division shall issue an  
19 appropriate renewal certificate or validating device or  
20 sticker.

21 (c) Unless the division determines otherwise, renewal  
22 of an owner's gambling license shall be deemed to  
23 effectuate the renewal of every other gambling license  
24 endorsed thereon.

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

31 (e) If an owner licensee fails to renew the gambling  
32 license as provided in this chapter, the division may order  
33 the immediate closure of the premises and a cessation of  
34 all gambling activity therein until the license is renewed.

35 19862.5. Failure of an owner licensee to file an  
36 application for renewal before the date specified in this  
37 chapter may be deemed a surrender of the license. A  
38 license has not been renewed within the meaning of this  
39 section until all required renewal fees have been paid.



1 19863. (a) Neither an owner licensee, nor a  
2 California affiliate of an owner licensee, shall enter into,  
3 without prior approval of the division, any contract or  
4 agreement with a person who is denied a license, or  
5 whose license is suspended or revoked by the division, or  
6 with any business enterprise under the control of that  
7 person, after the date of receipt of notice of the action by  
8 the division.

9 (b) An owner licensee or an affiliate of the owner  
10 licensee shall not employ, without prior approval of the  
11 division, any person in any capacity for which he or she  
12 is required to be licensed, if the person has been denied  
13 a license, or if his or her license has been suspended or  
14 revoked after the date of receipt of notice of the action  
15 by the division. Neither an owner licensee, nor a  
16 California affiliate of an owner licensee, without prior  
17 approval of the division, shall enter into any contract or  
18 agreement with a person whose application has been  
19 withdrawn with prejudice, or with any business  
20 enterprise under the control of that person, for the period  
21 of time during which the person is prohibited from filing  
22 a new application for licensure.

23 (c) (1) If an employee who is required to be licensed  
24 pursuant to this chapter fails to apply for a license within  
25 the time specified by regulation, is denied a license, or has  
26 his or her license revoked by the division, the employee  
27 shall be terminated in any capacity in which he or she is  
28 required to be licensed and he or she shall not be  
29 permitted to exercise a significant influence over the  
30 gambling operation, or any part thereof, upon being  
31 notified of that action.

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

39 (3) If the owner licensee designates another employee  
40 to replace the employee whose employment was



1 terminated, the owner licensee shall promptly notify the  
2 division and shall require the newly designated employee  
3 to apply for a license.

4 (d) An owner licensee or an affiliate of the owner  
5 licensee shall not pay to a person whose employment has  
6 been terminated pursuant to subdivision (c) any  
7 remuneration for any service performed in any capacity  
8 in which the person is required to be licensed except for  
9 amounts due for services rendered before the date of  
10 receipt of notice of the action by the division. Neither an  
11 owner licensee, nor an affiliate thereof, during the period  
12 of suspension, shall pay to a person whose employment  
13 has been suspended pursuant to subdivision (c), any  
14 remuneration for any service performed in any capacity  
15 in which the person is required to be licensed, except for  
16 amounts due for services rendered before the date of  
17 receipt of notice of the action by the division.

18 (e) Except as provided in subdivision (c), a contract or  
19 agreement for the provision of services or property to an  
20 owner licensee or an affiliate thereof, or for the conduct  
21 of any activity at a gambling establishment, which is to be  
22 performed by a person required by this chapter or by the  
23 division to be licensed, shall be terminated upon a  
24 suspension or revocation of the person's license.

25 (f) In any case in which a contract or agreement for  
26 the provision of services or property to an owner licensee  
27 or an affiliate thereof, or for the conduct of any activity  
28 at a gambling establishment, is to be performed by a  
29 person required by this chapter or by the division to be  
30 licensed, the contract shall be deemed to include a  
31 provision for its termination without liability on the part  
32 of the owner licensee or its duly registered holding  
33 company upon a suspension or revocation of the person's  
34 license. In any action brought by the division to terminate  
35 a contract pursuant to subdivision (c) or (e), it shall not  
36 be a defense that the agreement does not expressly  
37 include the provision described in this subdivision, and  
38 the lack of express inclusion of the provision in the  
39 agreement shall not be a basis for enforcement of the  
40 contract by a party thereto.



1 19864. With regard to a person who has had his or her  
2 application for a license denied by the division, all of the  
3 following shall apply:

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

8 (b) The person shall not retain his or her interest in a  
9 business entity described in subdivision (a) beyond that  
10 period prescribed by the division.

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

16 (d) Nothing in this section shall be construed as a  
17 restriction or limitation on the powers of the division  
18 specified in this chapter.

19

20 Article 5. Licensing of Corporations

21

22 19870. In addition to the requirements of Section  
23 19841, in order to be eligible to receive a gambling license  
24 as the owner of a gambling enterprise, a corporation shall  
25 comply with all of the following requirements:

26 (a) Maintain an office of the corporation in the  
27 gambling establishment.

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

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

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

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

37 (d) Register as a corporation with the division and  
38 supply the following supplemental information to the  
39 division:



- 1 (1) The organization, financial structure, and nature  
2 of the business to be operated, including the names,  
3 personal and criminal history, and fingerprints of all  
4 officers, directors, and key employees, and the names,  
5 addresses, and number of shares held by all stockholders  
6 of record.
- 7 (2) The rights and privileges acquired by the holders  
8 of different classes of authorized securities, including  
9 debentures.
- 10 (3) The terms on which securities are to be offered.
- 11 (4) The terms and conditions on all outstanding loans,  
12 mortgages, trust deeds, pledges, or any other  
13 indebtedness or security device.
- 14 (5) The extent of the equity security holdings in the  
15 corporation of all officers, directors, and underwriters,  
16 and their remuneration as compensation for services, in  
17 the form of salary, wages, fees, or otherwise.
- 18 (6) The amount of remuneration to persons other than  
19 directors and officers in excess of fifty thousand dollars  
20 (\$50,000) per annum.
- 21 (7) Bonus and profit-sharing arrangements.
- 22 (8) Management and service contracts.
- 23 (9) Options existing, or to be created, in respect of  
24 their securities or other interests.
- 25 (10) Financial statements for at least three fiscal years  
26 preceding the year of registration, or, if the corporation  
27 has not been in existence for a period of three years,  
28 financial statements from the date of its formation. All  
29 financial statements shall be prepared in accordance with  
30 generally accepted accounting principles and audited by  
31 a licensee of the State Board of Accountancy.
- 32 (11) Any further financial data that the division may  
33 deem necessary or appropriate for the protection of the  
34 state.
- 35 (12) An annual profit-and-loss statement and an  
36 annual balance sheet, and a copy of its annual federal  
37 income tax return, within 30 calendar days after that  
38 return is filed with the Internal Revenue Service.
- 39 19871. (a) No corporation is eligible to receive a  
40 license to own a gambling enterprise unless the conduct



1 of controlled gambling is among the purposes stated in its  
2 articles of incorporation and the articles of incorporation  
3 have been submitted to and approved by the division.

4 (b) Beginning July 1, 1997, the Secretary of State shall  
5 not accept for filing any articles of incorporation of any  
6 corporation that include as a stated purpose the conduct  
7 of controlled gambling, or any amendment thereto, or  
8 any amendment that adds this purpose to articles of  
9 incorporation already filed, unless the articles have, or  
10 amendment has, been approved by the division.

11 19872. (a) If at any time the division denies a license  
12 to an individual owner of any security issued by a

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1 or key employees within 10 business days after the  
2 change. An officer, director, or key employee who is  
3 required to apply for a license shall apply for the license  
4 within 30 calendar days after he or she becomes an officer,  
5 director, or key employee.

6 (b) The corporation shall immediately remove any  
7 officer or director required to apply for a license from any  
8 office or directorship if any of the following apply to that  
9 officer or director:

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

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

13 (3) His or her license is revoked.

14 (c) If the license of any officer or director is  
15 suspended, the corporation shall, immediately and for the  
16 duration of the suspension, suspend that officer or  
17 director.

18 (d) If any shareholder who is required to apply for a  
19 gambling license fails to apply for the license within the  
20 time required, the shareholder shall be deemed to have  
21 been denied a license for purposes of subdivision (b) of  
22 Section 19872.

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

28

29 Article 6. Licensing of Limited Partnerships

30

31 19880. In addition to the requirements of Section  
32 19841, in order to be eligible to receive a gambling license  
33 to own a gambling enterprise, a limited partnership shall  
34 comply with all of the following requirements:

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

36 (b) Maintain an office of the limited partnership in the  
37 gambling establishment.

38 (c) Comply with all of the requirements of the laws of  
39 this state pertaining to limited partnerships.



1 (d) Maintain a ledger in the principal office of the  
2 limited partnership in California that shall meet both of  
3 the following conditions:

4 (1) At all times reflects the ownership of all interests  
5 in the limited partnership.

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

8 (e) Register with the division and supply the following  
9 supplemental information to the division:

10 (1) The organization, financial structure, and nature  
11 of the business to be operated, including the names,  
12 personal history, and fingerprints of all general partners  
13 and key employees, and the name, address, and interest  
14 of each limited partner.

15 (2) The rights, privileges, and relative priorities of  
16 limited partners as to the return of contributions to  
17 capital, and the right to receive income.

18 (3) The terms on which limited partnership interests  
19 are to be offered.

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

23 (5) The extent of the holding in the limited  
24 partnership of all underwriters, and their remuneration  
25 as compensation for services, in the form of salary, wages,  
26 fees, or otherwise.

27 (6) The remuneration to persons other than general  
28 partners in excess of fifty thousand dollars (\$50,000) per  
29 annum.

30 (7) Bonus and profit-sharing arrangements.

31 (8) Management and service contracts.

32 (9) Options existing or to be created.

33 (10) Financial statements for at least three fiscal years  
34 preceding the year of registration, or, if the limited  
35 partnership has not been in existence for a period of three  
36 years, financial statements from the date of its formation.

37 All financial statements shall be prepared in accordance  
38 with generally accepted accounting principles and  
39 audited by a licensee of the State Board of Accountancy



1 in accordance with generally accepted auditing  
2 standards.

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

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

9 19881. No limited partnership is eligible to receive a  
10 license to own a gambling enterprise unless the conduct  
11 of gambling is among the purposes stated in the  
12 certificate of limited partnership.

13 19882. (a) The purported sale, assignment, transfer,  
14 pledge, or other disposition of any interest in a limited  
15 partnership that holds a gambling license, or the grant of  
16 an option to purchase the interest, is void unless approved  
17 in advance by the division.

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

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

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

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

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

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



1 19883. 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  
4 limited partnership that holds or applies for a license to  
5 own a gambling enterprise shall be licensed individually.  
6 The limited partnership shall require these persons to  
7 apply for and obtain a gambling license. A person who is  
8 required to be licensed by this section as a general or  
9 limited partner shall not hold that position until he or she  
10 secures the required approval of the division. A person  
11 who is required to be licensed pursuant to a decision of  
12 the division shall apply for a license within 30 days after  
13 the division requests him or her to do so.

14  
15 Article 8. Restrictions on Certain Transactions

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

22 (1) In a security issued by a corporation that is a holder  
23 of a gambling license in this state, other than a publicly  
24 traded racing association where a creditor has acquired  
25 control of the security by forfeiture.

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

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

30 (b) The division shall adopt regulations establishing  
31 the procedure for the enforcement of a security interest.  
32 Any remedy provided by the regulations for the  
33 enforcement of the security interest is in addition to any  
34 other remedy provided by law.

35 19901. It is unlawful for any person to sell, purchase,  
36 lease, hypothecate, borrow or loan money, or create a  
37 voting trust agreement or any other agreement of any  
38 sort to, or with, any licensee in connection with any  
39 controlled gambling operation licensed under this  
40 chapter or with respect to any portion of the gambling

1 operation, except in accordance with the regulations of  
2 the division.

3 19902. When any person contracts to sell or lease any  
4 property or interest in property, real or personal, under  
5 circumstances that require the approval or licensing of  
6 the purchaser or lessee by the division pursuant to  
7 subdivision (a) of Section 19842, the contract shall not  
8 specify a closing date for the transaction that is earlier  
9 than the expiration of 90 calendar days after the  
10 submission of the completed application for approval for  
11 licensing. Any provision of a contract that specifies an  
12 earlier closing date is void for all purposes, but the  
13 invalidity does not affect the validity of any other  
14 provision of the contract.

15 19903. When any person contracts to sell or lease any  
16 property or interest in property, real or personal, under  
17 circumstances that require the approval or licensing of  
18 the purchaser or lessee by the division pursuant to  
19 subdivision (a) of Section 19842, the contract shall contain  
20 a provision satisfactory to the division regarding  
21 responsibility for the payment of any fees due pursuant  
22 to any subsequent deficiency determinations made under  
23 this chapter that shall encompass any period of time  
24 before the closing date of the transaction.

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

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



Article 9. Work Permits

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19910. The Legislature finds that to protect and promote the health, safety, good order, and general welfare of the inhabitants of this state, and to carry out the policy declared by this chapter, it is necessary that the division ascertain and keep itself informed of the identity, prior activities, and present location of all gambling enterprise employees and independent agents in the State of California, and when appropriate to do so, approve persons for employment in gambling establishments as provided in this article.

19910.4. No person under the age of 21 years shall be eligible for a work permit and no permit shall be issued to a person under the age of 21 years.

19910.5. (a) (1) A person shall not be employed as a gambling enterprise employee, or serve as an independent agent, except as provided in paragraph (2), unless he or she is the holder of one of the following:

(A) A valid work permit issued in accordance with the applicable ordinance or regulations of the county, city, or city and county in which his or her duties are performed.

(B) A work permit issued by the division.

(2) An independent agent is not required to hold a work permit if he or she is not a resident of this state and has registered with the division in accordance with regulations.

(b) A work permit shall not be issued by any city, county, or city and county to any person who would be disqualified from holding a state gambling license for the reasons stated in subdivisions (c) to (f), inclusive, of Section 19850.

(c) The division may object to the issuance of a work permit by a city, county, or city and county for any cause deemed reasonable by the division, and if the division objects to issuance of a work permit, the work permit shall be denied.

(1) The division shall adopt regulations specifying particular grounds for objection to issuance of, or refusal to issue, a work permit.



1 (2) The ordinance of any city, county, or city and  
2 county relating to issuance of work permits shall permit  
3 the division to object to the issuance of any permit.

4 (3) Any person whose application for a work permit  
5 has been denied because of an objection by the division  
6 may apply to the division for an evidentiary hearing in  
7 accordance with regulations.

8 (d) Application for a work permit for use in any  
9 jurisdiction where a locally issued work permit is not  
10 required by the licensing authority of a city, county, or  
11 city and county shall be made to the division, and may be  
12 granted or denied for any cause deemed reasonable by  
13 the division. If the division denies the application, it shall  
14 include in its notice of denial a statement of facts upon  
15 which it relied in denying the application.

16 (e) An order of the division denying an application for  
17 a work permit, including an order declining to issue a  
18 work permit following review pursuant to paragraph (3)  
19 of subdivision (c), is subject to the procedures described  
20 in Sections 19858, 19858.5, and 19858.7.

21 19911. (a) The division may issue an order summarily  
22 suspending a person's work permit, whether issued by a  
23 city, county, or city and county, or by the division, upon  
24 a finding that the suspension is necessary for the  
25 immediate preservation of the public peace, health,  
26 safety, or general welfare. The order is effective when  
27 served upon the holder of the permit.

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

32 (c) An order of summary suspension shall be signed by  
33 the Attorney General or by the Chief Deputy Attorney  
34 General.

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

39 19912. The board may revoke a work permit or, if  
40 issued by the licensing authority of a city, county, or city



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

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

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

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

19 (4) Committed, attempted, or conspired to commit,  
20 any embezzlement or larceny against a gambling licensee  
21 or upon the premises of a gambling establishment.

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

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

29 (7) Been refused the issuance of any license, permit, or  
30 approval to engage in or be involved with gambling or  
31 parimutuel wagering in any jurisdiction, or had the  
32 license, permit, or approval revoked or suspended.

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

38 (9) Been convicted of any felony.

39 (b) The board shall revoke a work permit if it finds,  
40 after hearing, that the holder thereof would be



1 disqualified from holding a state gambling license for the  
2 reasons specified in subdivision (e) or (f) of Section  
3 19850.

4 (c) Nothing in this section shall be construed to limit  
5 any powers of the division with respect to licensing.

6 19913. The fee for a work permit issued by the division  
7 shall be not less than twenty-five dollars (\$25) or more  
8 than two hundred fifty dollars (\$250). The fee for renewal  
9 of a work permit shall be no more than twenty-five dollars  
10 (\$25).

11

12 Article 9.1. Conditions of Operation

13

14 19915. It is the policy of the State of California to  
15 require that all establishments wherein controlled  
16 gambling is conducted in this state be operated in a  
17 manner suitable to protect the public health, safety, and  
18 general welfare of the residents of the state.  
19 Responsibility for the employment and maintenance of  
20 suitable methods of operation rests with the owner  
21 licensee, and willful or persistent use or toleration of  
22 methods of operation deemed unsuitable by the division  
23 or by local government shall constitute grounds for  
24 license revocation or other disciplinary action.

25 19915.5. No person under the age of 21 years shall be  
26 permitted to enter upon the premises of a licensed  
27 gambling establishment, or any part thereof, except the  
28 following:

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

34 (b) Restrooms.

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

38 Any area of a gambling establishment to which a person  
39 under the age of 21 years may have access under this  
40 subdivision shall have an entrance that shall not require



1 the entrants to enter upon or pass through the gambling  
2 floor. All persons under the age of 21 years shall be  
3 restricted to the entrance specified in this subdivision.

4 (d) Effective January 1, 1999, no license shall be  
5 renewed with respect to a gambling establishment that  
6 is operated as of the effective date of this chapter unless  
7 the establishment has complied with this section.

8 19916. No owner licensee shall operate a gambling  
9 enterprise in violation of any provision of this chapter or  
10 any regulation adopted pursuant to this chapter.

11 19917. No owner licensee shall operate a gambling  
12 enterprise in violation of any governing local ordinance.

13 19918. Each owner licensee shall maintain security  
14 controls over the gambling premises and all operations  
15 therein related to gambling, and those security controls  
16 are subject to the approval of the division.

17

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Article 9.5. Disciplinary Actions

19

20 19920. (a) The division shall make appropriate  
21 investigations as follows:

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

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

28 (3) To aid in adopting regulations.

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

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

37 (c) In addition to any action that the board may take  
38 against a license, permit, finding of suitability, or  
39 approval, the board may also require the payment of fines  
40 or penalties. However, no fine imposed shall exceed



1 twenty thousand dollars (\$20,000) for each separate  
2 violation of any provision of this chapter or any regulation  
3 adopted thereunder.

4 19920.5. The board may suspend or revoke a license,  
5 permit, or finding of suitability, or may impose a fine, on  
6 any ground that would constitute grounds for denial of a  
7 license under Section 19850, or for any violation of this  
8 chapter or any regulation adopted pursuant to this  
9 chapter.

10 19921. (a) The division may issue any emergency  
11 orders against an owner licensee or any person involved  
12 in a transaction requiring prior approval that the division  
13 deems reasonably necessary for the immediate  
14 preservation of the public peace, health, safety, or  
15 general welfare.

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

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

34 (d) Within two calendar days after issuance of an  
35 emergency order, the division shall file an accusation  
36 with the board against the person or entity involved.  
37 Thereafter, the person or entity against whom the  
38 emergency order has been issued and served is entitled  
39 to a hearing which, if so requested, shall commence  
40 within 10 business days of the date of the request if a



1 gambling operation is closed by the order, and in all other  
2 cases, within 30 calendar days of the date of the request.  
3 On application of the division, and for good cause shown,  
4 a court may extend the time within which a hearing is  
5 required to be commenced, upon those terms and  
6 conditions that the court deems equitable.

7 19922. (a) Any person aggrieved by a final decision  
8 or order of the board that imposes any fine, or limits,  
9 conditions, suspends, or revokes any previously granted  
10 license or approval, made after hearing by the board, may  
11 petition the Superior Court for the County of Sacramento  
12 for judicial review pursuant to Section 1094.5 of the Code  
13 of Civil Procedure and Section 11523 of the Government  
14 Code. Notwithstanding any other provision of law, the  
15 standard set forth in paragraph (1) of subdivision (h) of  
16 Section 1094.5 of the Code of Civil Procedure shall apply  
17 for obtaining a stay of the operation of a board order. In  
18 every case where it is claimed that the findings are not  
19 supported by the evidence, abuse of discretion is  
20 established if the court determines that the findings are  
21 not supported by substantial evidence in light of the  
22 whole record.

23 (b) The court may not modify an order of the board,  
24 but judgment of the court in a proceeding pursuant to this  
25 section may vacate a board decision or order and remand  
26 the case to the board for reconsideration.

27 (c) This section provides the exclusive means to  
28 review adjudicatory decisions of the board.

29

30

Article 10. Penalties

31

32 19930. Any person included on the list of persons to be  
33 excluded or ejected from a gambling establishment  
34 pursuant to this chapter is guilty of a misdemeanor if he  
35 or she thereafter knowingly enters the premises of a  
36 licensed gambling establishment.

37 19932. (a) A person under the age of 21 years shall  
38 not do any of the following:



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

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

7 (3) Be employed as an employee in a licensed  
8 gambling establishment.

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

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

18 (c) Proof that a licensee, or agent or employee of a  
19 licensee, demanded, was shown, and acted in reliance  
20 upon bona fide evidence of majority and identity shall be  
21 a defense to any criminal prosecution under this section  
22 or to any proceeding for the suspension or revocation of  
23 any license or work permit based thereon. For purposes  
24 of this section, "bona fide evidence of majority and  
25 identity" means a document issued by a federal, state,  
26 county, or municipal government, or subdivision or  
27 agency thereof, including, but not limited to, a motor  
28 vehicle operator's license or an identification card issued  
29 to a member of the armed forces, which contains the  
30 name, date of birth, description, and picture of the  
31 person.

32 19933. (a) Any person who willfully fails to report,  
33 pay, or truthfully account for and pay over any license fee  
34 imposed by this chapter, or willfully attempts in any  
35 manner to evade or defeat the license fee or payment  
36 thereof shall be punished by imprisonment in the county  
37 jail, or by a fine of not more than five thousand dollars  
38 (\$5,000), or by both that imprisonment and fine.



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

4 19933.5. (a) Except as specified in subdivision (c),  
5 this section applies to any person or business that is  
6 engaged in controlled gambling, whether or not licensed  
7 to do so.

8 (b) Any person or business described in subdivision  
9 (a), with actual knowledge of the requirements of  
10 regulations adopted by the division pursuant to  
11 subdivision (d) of Section 19834, that knowingly and  
12 willfully fails to comply with the requirements of those  
13 regulations shall be liable for a monetary penalty.

14 The board may impose a monetary penalty for each  
15 violation. However, in the first proceeding that is  
16 initiated pursuant to this subdivision, the penalties for all  
17 violations shall not exceed a total sum of ten thousand  
18 dollars (\$10,000). If a penalty was imposed in a prior  
19 proceeding before the board, the penalties for all  
20 violations shall not exceed a total sum of twenty-five  
21 thousand dollars (\$25,000). If a penalty was imposed in  
22 two or more prior proceedings before the board, the  
23 penalties for all violations shall not exceed a total sum of  
24 one hundred thousand dollars (\$100,000).

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

29 19934. Any person who willfully resists, prevents,  
30 impedes, or interferes with the division or the board or  
31 any of their agents or employees in the performance of  
32 duties pursuant to this chapter is guilty of a misdemeanor,  
33 punishable by imprisonment in the county jail for not  
34 more than six months, or by a fine not exceeding one  
35 thousand dollars (\$1,000), or by both that imprisonment  
36 and fine.

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Article 11. Revenues

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19940. (a) All fines and penalties collected pursuant to this chapter shall be deposited in a special account in the General Fund, and, upon appropriation, may be expended by the Department of Justice to offset costs incurred pursuant to this chapter.

(b) Except as otherwise provided in subdivision (a), all fees and revenue collected pursuant to this chapter shall be deposited in the Gambling Control Fund, which is hereby created in the State Treasury. Funds deposited in the Gambling Control Fund shall be available, upon appropriation, for expenditure by the division and board, and shall, if appropriated, be appropriated exclusively for the support of the division and board in carrying out their duties and responsibilities under this chapter.

19941. (a) Every application for a license or approval shall be accompanied by a nonrefundable fee of five hundred dollars (\$500).

(b) All fees for issuance or renewal of a state gambling license or key employee license shall be assessed against the gambling license issued to the owner of the gambling enterprise. Except as provided in subdivision (c), the annual fee for the issuance and renewal of that gambling license shall be determined by the division pursuant to the following schedule:

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

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

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

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



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

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

7 (c) Without regard to the number of tables at which  
8 games may be played pursuant to a gambling license, if,  
9 at the time of any license renewal, it is determined that  
10 the gross revenues of an owner licensee during the  
11 licensee's previous fiscal year fell within the following  
12 ranges, the annual fee for renewal of the license shall be  
13 as follows:

14 (1) For a gross revenue of two hundred thousand  
15 dollars (\$200,000) to four hundred ninety-nine thousand  
16 nine hundred ninety-nine dollars (\$499,999), inclusive,  
17 the amount specified by the division pursuant to  
18 paragraph (2) of subdivision (b).

19 (2) For a gross revenue of five hundred thousand  
20 dollars (\$500,000) to one million nine hundred  
21 ninety-nine thousand nine hundred ninety-nine dollars  
22 (\$1,999,999), inclusive, the amount specified by the  
23 division pursuant to paragraph (3) of subdivision (b).

24 (3) For a gross revenue of two million dollars  
25 (\$2,000,000) to nine million nine hundred ninety-nine  
26 thousand nine hundred ninety-nine dollars (\$9,999,999),  
27 inclusive, the amount specified by the division pursuant  
28 to paragraph (4) of subdivision (b).

29 (4) For a gross revenue of ten million dollars  
30 (\$10,000,000) or more, the amount specified by the  
31 division pursuant to paragraph (5) of subdivision (b).

32 (d) Notwithstanding subdivision (c), the fee for  
33 renewal of a gambling license shall not be less than the  
34 amount specified in subdivision (b).

35 (e) (1) No later than July 1, 2000, the Attorney  
36 General shall review the fee schedule set forth in this  
37 section and make a recommendation to the Legislature  
38 concerning the reduction or increase in the fee amounts,  
39 if any.



1 (2) If, at the end of any fiscal year prior to July 1, 2000,  
 2 the division determines that the total of all issuance and  
 3 renewal fees collected during that fiscal year exceeded  
 4 the amount appropriated by the Legislature pursuant to  
 5 subdivision (b) of Section 19940, the excess shall be  
 6 refunded to all owner licensees within 180 calendar days  
 7 after the close of the fiscal year, by way of a pro rata  
 8 distribution.

9 (f) The division may provide for payment of the  
 10 annual gambling license fee on an annual or more  
 11 frequent basis.

12 (g) For purposes of this section, each table at which a  
 13 game is played constitutes a single game table.

14 19942. The division, by regulation, shall establish fees  
 15 for special licenses authorizing irregular operation of  
 16 tables in excess of the total number of tables otherwise  
 17 authorized to a licensed gambling establishment, for  
 18 tournaments and other special events.

19 19944. Nothing contained in this chapter shall be  
 20 deemed to restrict or limit the power of any city, county,  
 21 or city and county to fix, impose, and collect a license tax.

22  
 23 Article 12. Local Governments  
 24

25 19950. This chapter shall not prohibit the enactment,  
 26 amendment, or enforcement of any ordinance by any  
 27 city, county, or city and county relating to licensed  
 28 gambling establishments that is not inconsistent with this  
 29 chapter. On and after the effective date of this chapter,  
 30 no city, county, or city and county shall issue a gambling  
 31 license with respect to any gambling establishment unless  
 32 one of the following is true:

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



1 (b) The gambling establishment is located in a city,  
2 county, or city and county wherein, prior to January 1,  
3 1984, there was in effect an ordinance that expressly  
4 authorized the operation of one or more cardrooms.

5 (c) After the effective date of this chapter, two-thirds  
6 of the electors voting thereon affirmatively approve a  
7 measure permitting controlled gambling within that city,  
8 county, or city and county.

9 (1) The measure to permit controlled gambling shall  
10 appear on the ballot in substantially the following form:  
11 “Shall licensed gambling establishments in which any  
12 controlled games permitted by law, such as draw poker,  
13 low-ball poker, panguine (pan), seven-card stud, or other  
14 lawful card games or tile games, are played be allowed in  
15 \_\_\_\_\_? Yes \_\_\_\_\_ No \_\_\_\_\_.”

16 (2) In addition, the initial implementing ordinances  
17 shall be drafted and appear in full on the sample ballot  
18 and shall set forth at least the following:

- 19 (A) The hours of operation.
- 20 (B) The games to be played.
- 21 (C) The wagering limits.
- 22 (D) The maximum number of gambling  
23 establishments permitted by the ordinance.
- 24 (E) The maximum number of tables permitted in each  
25 gambling establishment.

26 19950.1. (a) On or after the effective date of this  
27 chapter, any amendment to any ordinance that would  
28 result in an expansion of gambling in the city, county, or  
29 city and county, shall not be valid unless the amendment  
30 is submitted for approval to the voters of the city, county,  
31 or city and county, and is approved by a majority of the  
32 electors voting thereon.

33 (b) For purposes of this section, “expansion of  
34 gambling” means, when compared to that operated or  
35 authorized January 1, 1996, whichever is the lesser  
36 number, a change that results in any of the following:

- 37 (1) An increase in the number of gambling tables in  
38 the city, county, or city and county.
- 39 (2) An increase in the number of licensed card rooms  
40 in the city, county, or city and county.



1 (3) An increase in the number of gambling tables that  
2 may be operated in a gambling establishment in the city,  
3 county, or city and county.

4 (4) An increase in the number of persons who may be  
5 seated at a gaming table in the city, county, or city and  
6 county.

7 (5) An increase in the number of additional  
8 authorized games, including card games, or an increase  
9 in any other form of gambling that may be legally played  
10 in this state, to be played at a gambling establishment in  
11 the city, county, or city and county.

12 (6) An increase in the hours of operation of a gambling  
13 establishment in the city, county, or city and county.

14 (7) An increase in the maximum amount permitted to  
15 be wagered in a game.

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

18 (1) "Shall licensed gambling establishments in which  
19 any games permitted by law, such as draw poker, low-ball  
20 poker, and panguine (pan), are played be allowed in  
21 \_\_\_\_? Yes \_\_\_\_ No \_\_\_\_."

22 (2) "Shall gambling be expanded in \_\_\_\_ beyond  
23 that operated or authorized on January 1, 1996, by  
24 \_\_\_\_ (describe expansion)? Yes \_\_\_\_ No  
25 \_\_\_\_."

26 19950.2. (a) On and after the effective date of this  
27 chapter, neither the governing body nor the electors of  
28 a county, city, or city and county that has not authorized  
29 legal gaming within its boundaries prior to January 1,  
30 1996, shall authorize legal gaming.

31 (b) No ordinance in effect on January 1, 1996, that  
32 authorizes legal gaming with a city, county, or city and  
33 county may be amended to expand gaming in that  
34 jurisdiction beyond that permitted on January 1, 1996.

35 (c) On or after January 1, 1996, no election shall be  
36 held for the purpose of permitting or expanding legal  
37 gaming within the boundaries of a city, county, or city and  
38 county. Any election held on or after January 1, 1996, and  
39 prior to January 1, 1999, that violates this subdivision is  
40 void.



1 (d) This section shall remain in effect only until  
2 January 1, 1999, and as of that date is repealed.

3 19951. No city, county, or city and county may grant,  
4 or permit to continue in effect, a license to deal, operate,  
5 carry on, conduct, maintain, or expose for play any  
6 controlled game to any applicant or holder of a local  
7 license unless the applicant or local licensee is an owner  
8 licensee as defined in this chapter. However, the issuance  
9 of a state gambling license to a person imposes no  
10 requirements upon the city, county, or city and county to  
11 issue a license to the person.

12  
13 Article 13. Miscellaneous Provisions  
14

15 19956. If any clause, sentence, paragraph, or part of  
16 this chapter is, for any reason, adjudged by a court of  
17 competent jurisdiction to be invalid, that judgment shall  
18 not affect, impair, or invalidate the remainder of this  
19 chapter and the application thereof to other persons or  
20 circumstances, but shall be confined to the operation of  
21 the clause, sentence, paragraph, or part thereof, directly  
22 involved in the controversy in which the judgment was  
23 rendered and to the person or circumstances involved.

24 19957. This act is an exercise of the police power of the  
25 state for the protection of the health, safety, and welfare  
26 of the people of the State of California, and shall be  
27 liberally construed to effectuate those purposes.

28 19958. For purposes of Section 3482 of the Civil Code,  
29 the issuance of a state gambling license shall not be  
30 construed to authorize any conduct or activity other than  
31 the conduct of controlled gambling.

32  
33 Article 14. Additional Restrictions Related To Fair  
34 Elections and Corruption of Regulators  
35

36 19959. (a) The Legislature finds and declares that  
37 there is a compelling governmental interest in ensuring  
38 that elections conducted pursuant to Section 19950 are  
39 conducted fairly and that electors in those elections are  
40 presented with fair and balanced arguments in support of

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

7 (b) The Legislature finds and declares that the  
8 integrity of investigations conducted by the Attorney  
9 General pursuant to this chapter, and the public's  
10 confidence in the integrity of those investigations, is  
11 seriously undermined if persons who may be subject to  
12 those investigations are permitted to contribute to the  
13 election or reelection of the Attorney General.

14 (c) In California, in other states, and in other  
15 countries, there is ample historical evidence of the  
16 potential for revenues derived from gambling to be used  
17 to corrupt political officials in the regulation or  
18 prosecution of crimes related to gambling activities,  
19 embezzlement, and money laundering.

20 (d) This article is an exercise of the police power of the  
21 state for the protection of the health, safety, and welfare  
22 of the people of this state.

23 19959.5. (a) A member of the board, the executive  
24 secretary of the board, the director of the division, and  
25 any employee designated by regulation of the division for  
26 purposes of this section, shall not, for a period of three  
27 years after leaving office or terminating employment, for  
28 compensation, act as agent or attorney for, or otherwise  
29 represent, any other person by making any formal or  
30 informal appearance, or by making any oral or written  
31 communication, before the board or the division, or any  
32 officer or employee thereof, if the appearance or  
33 communication is for the purpose of influencing  
34 administrative action, or influencing any action or  
35 proceeding involving the issuance, amendment,  
36 awarding, or revocation of a permit, license, or approval.

37 (b) A member of the board shall not solicit or accept  
38 campaign contributions from any person, including any  
39 applicant or licensee.



1 19960. (a) Notwithstanding any other provision in  
2 this chapter, a person who is required to be licensed  
3 pursuant to Section 19840.5, 19841, or 19842 shall be  
4 ineligible to hold a state license, if, after the effective date  
5 of this chapter, and within two years prior to submission  
6 of an application for licensure, or while holding a state  
7 license, the person makes a financial contribution,  
8 directly or indirectly, to any committee controlled by the  
9 Attorney General, to any candidate for the office of  
10 Attorney General, or to any committee organized for the  
11 purpose of electing a person to the office of Attorney  
12 General.

13 (b) Notwithstanding any other provision in this  
14 chapter, any person, other than a person described in  
15 subdivision (a), who is subject to licensure in the  
16 discretion of the division, whether by regulation or order,  
17 is ineligible to hold a state license, if, after becoming  
18 subject to licensure, or while holding a state license, the  
19 person makes a financial contribution, directly or  
20 indirectly, to any committee controlled by the Attorney  
21 General, to any candidate for the office of Attorney  
22 General, or to any committee organized for the purpose  
23 of electing a person to the office of Attorney General.

24 ~~19960.2. (a) A license may be denied, suspended, or~~  
25 ~~revoked if the applicant or licensee, within three years~~  
26 ~~prior to the submission of the license or renewal~~  
27 ~~application, or any time thereafter, violates, on or after~~  
28 ~~January 1, 1997, any law or ordinance with respect to~~  
29 ~~campaign finance disclosure or contribution limitations~~  
30 ~~applicable to an election that is conducted pursuant to~~  
31 ~~Section 19950 or Section 19950.1. Whether or not a~~  
32 ~~violation is inadvertent, negligent, or deliberate, or~~  
33 ~~involves the presence or absence of good faith, shall be~~  
34 ~~considered in applying the remedies provided in this~~  
35 ~~section.~~

36 *19960.2. (a) The division shall, by regulation, provide*  
37 *for the denial, suspension, or revocation of an application*  
38 *or license for the knowing and willful violation of any law*  
39 *or ordinance committed after January 1, 1997, and within*  
40 *three years prior to the submission of the license or*



1 *renewal application, or any time thereafter, with respect*  
2 *to campaign finance disclosure or contribution*  
3 *limitations applicable to an election that is conducted*  
4 *pursuant to Section 19950 or 19950.1.*

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

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

11 (3) Any final determination by a city or county  
12 governmental body having ultimate jurisdiction over the  
13 matter that the applicant did not violate an ordinance  
14 with respect to campaign finance disclosure or  
15 contribution limitations applicable to an election  
16 conducted pursuant to section 19950 or 19950.1, shall be  
17 binding on the division.

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

22 (1) Any statement or other document required to be  
23 filed with the Secretary of State or the Fair Political  
24 Practices Commission relative to an election that is  
25 conducted pursuant to Section 19950 or 19950.1, or former  
26 Section 19819, as that section read immediately prior to  
27 its repeal by the act that enacted this chapter, within  
28 three years of the date on which the application is  
29 submitted.

30 (2) Any statement or other document required to be  
31 filed with any local jurisdiction respecting campaign  
32 finance disclosure or contribution limitations applicable  
33 to an election that is conducted pursuant to Section 19950  
34 or 19950.1, or former Section 19819, as that section read  
35 immediately prior to its repeal by the act that enacted this  
36 chapter, within three years of the date on which the  
37 application is submitted.

38 (3) A report of any contribution of money or thing of  
39 value, in excess of one hundred dollars (\$100), made to  
40 any committee, as defined by Section 82013 of the



1 Government Code, associated with any election that is  
2 conducted pursuant to Section 19950 or 19950.1, or former  
3 Section 19819, as that section read immediately prior to  
4 its repeal by the act that enacted this chapter, within  
5 three years of the date on which the application is  
6 submitted.

7 (4) A report of any other significant involvement by  
8 the applicant or licensee in an election that is conducted  
9 pursuant to Section 19950 or 19950.1, or former Section  
10 19819, as that section read immediately prior to its repeal  
11 by the act that enacted this chapter, within three years of  
12 the date on which the application is submitted.

13 (c) The division shall adopt regulations to implement  
14 this section.

15 19960.4. It is the intent of the Legislature that if any  
16 provision of this article is adjudged by a court to be invalid  
17 because of any conflict or inconsistency with the Political  
18 Reform Act of 1974 (Title 9 (commencing with Section  
19 81000) of the Government Code), as amended, that  
20 judgment shall not affect, impair, or invalidate any other  
21 provision of this chapter and the application thereof to  
22 other persons or circumstances, but shall be confined to  
23 the operation of the clause, sentence, paragraph, or part  
24 thereof directly involved in the controversy in which the  
25 judgment was rendered and to the person or  
26 circumstances involved.

27 SEC. 4. Section 1822.60 is added to the Code of Civil  
28 Procedure, to read:

29 1822.60. A warrant may be issued under the  
30 requirements of this title to authorize personnel of the  
31 Division of Gambling Control of the Department of  
32 Justice to conduct inspections as provided in subdivision  
33 (a) of Section 19825 of the Business and Professions Code.

34 SEC. 5. Section 12012 of the Government Code is  
35 amended to read:

36 12012. (a) The Governor is the sole official organ of  
37 communication between the government of this state  
38 and the government of any other state or of the United  
39 States.



1 (b) The Governor is the designated state officer  
2 responsible for negotiating and executing, on behalf of  
3 the state, compacts with federally recognized Indian  
4 tribes in the State of California pursuant to the federal  
5 Indian Gaming Regulatory Act (25 U.S.C. Sec. 2701 et  
6 seq.), for conducting class III gaming, as defined in that  
7 act, on Indian lands. Notwithstanding any other provision  
8 of law, the Governor is empowered, but is not required,  
9 to negotiate and execute a tribal-state compact  
10 concerning the regulation of any gambling activity  
11 prohibited by state law that is permissible on Indian lands  
12 in this state as a matter of federal law.

13 (c) Following completion of negotiations conducted  
14 pursuant to subdivision (b), the Governor shall submit  
15 any proposed tribal-state compact to the Joint Committee  
16 on Rules for assignment to an appropriate joint  
17 committee of the Legislature. Within 30 calendar days  
18 after receiving a proposed compact from the Governor,  
19 the appropriate joint committee may conduct hearings  
20 on the proposed compact and shall forward its comments,  
21 if any, to the Governor. The Governor shall not execute  
22 a compact until the expiration of 30 calendar days from  
23 the date of submission of the proposed compact to the  
24 Joint Committee on Rules or until the receipt of  
25 comments, whichever occurs first. If comments are  
26 received during the 30-day period, the Governor shall not  
27 execute a compact until the Governor has considered  
28 those comments.

29 SEC. 6. Section 15001 of the Government Code is  
30 amended to read:

31 15001. The department is composed of the Office of  
32 the Attorney General, the Division of Law Enforcement,  
33 and the Division of Gambling Control.

34 SEC. 7. Section 15001.1 is added to the Government  
35 Code, to read:

36 15001.1. The Division of Gambling Control is  
37 responsible for investigation and enforcement of  
38 controlled gambling activity in this state as set forth in the  
39 Gambling Control Act (Chapter 5 (commencing with



1 Section 19800) of Division 8 of the Business and  
2 Professions Code).

3 SEC. 8. Section 15001.2 is added to the Government  
4 Code, to read:

5 15001.2. Any process issued by the Division of  
6 Gambling Control for purposes of implementing and  
7 enforcing the Gambling Control Act (Chapter 5  
8 (commencing with Section 19800) of Division 8 of the  
9 Business and Professions Code) may be issued in the  
10 name of the division. Any hearing conducted by the  
11 Attorney General for these purposes may be styled as  
12 conducted before the division.

13 SEC. 9. Section 186.9 of the Penal Code is amended to  
14 read:

15 186.9. As used in this chapter:

16 (a) "Conducts" includes, but is not limited to,  
17 initiating, concluding, or participating in conducting,  
18 initiating, or concluding a transaction.

19 (b) "Financial institution" means, when located or  
20 doing business in this state, any national bank or banking  
21 association, state bank or banking association,  
22 commercial bank or trust company organized under the  
23 laws of the United States or any state, any private bank,  
24 industrial savings bank, savings bank or thrift institution,  
25 savings and loan association, or building and loan  
26 association organized under the laws of the United States  
27 or any state, any insured institution as defined in Section  
28 401 of the National Housing Act (12 U.S.C. Sec. 1724(a)),  
29 any credit union organized under the laws of the United  
30 States or any state, any national banking association or  
31 corporation acting under Chapter 6 (commencing with  
32 Section 601) of Title 12 of the United States Code, any  
33 agency, agent or branch of a foreign bank, any currency  
34 dealer or exchange, any person or business engaged  
35 primarily in the cashing of checks, any person or business  
36 who regularly engages in the issuing, selling, or  
37 redeeming of traveler's checks, money orders, or similar  
38 instruments, any broker or dealer in securities registered  
39 or required to be registered with the Securities and  
40 Exchange Commission under the Securities Exchange

1 Act of 1934 or with the Commissioner of Corporations  
2 under Part 3 (commencing with Section 25200) of  
3 Division 1 of Title 4 of the Corporations Code, any  
4 licensed transmitter of funds or other person or business  
5 regularly engaged in transmitting funds to a foreign  
6 nation for others, any investment banker or investment  
7 company, any insurer, any dealer in gold, silver, or  
8 platinum bullion or coins, diamonds, emeralds, rubies, or  
9 sapphires, any pawnbroker, any telegraph company, any  
10 personal property broker, any person or business acting  
11 as a real property securities dealer within the meaning of  
12 Section 10237 of the Business and Professions Code,  
13 whether licensed to do so or not, any person or business  
14 acting within the meaning and scope of subdivisions (d)  
15 and (e) of Section 10131 and Section 10131.1 of the  
16 Business and Professions Code, whether licensed to do so  
17 or not, any person or business regularly engaged in  
18 gaming within the meaning and scope of Section 330, any  
19 person or business regularly engaged in pool selling or  
20 bookmaking within the meaning and scope of Section  
21 337a, any person or business regularly engaged in  
22 horseracing whether licensed to do so or not under the  
23 Business and Professions Code, any person or business  
24 engaged in the operation of a gambling ship within the  
25 meaning and scope of Section 11317, any person or  
26 business engaged in controlled gambling within the  
27 meaning and scope of subdivision (e) of Section 19805 of  
28 the Business and Professions Code, whether licensed to  
29 do so or not, and any person or business defined as a  
30 “bank,” “financial agency,” or “financial institution” by  
31 Section 5312 of Title 31 of the United States Code or  
32 Section 103.11 of Title 31 of the Code of Federal  
33 Regulations and any successor provisions thereto.

34 (c) “Transaction” includes the deposit, withdrawal,  
35 transfer, bailment, loan, pledge, payment, or exchange of  
36 currency, or a monetary instrument, as defined by  
37 subdivision (d), or the electronic, wire, magnetic, or  
38 manual transfer of funds between accounts by, through,  
39 or to, a financial institution as defined by subdivision (b).



1 (d) “Monetary instrument” means United States  
2 currency and coin; the currency, coin, and foreign bank  
3 drafts of any foreign country; payment warrants issued by  
4 the United States, this state, or any city, county, or city  
5 and county of this state or any other political subdivision  
6 thereof; any bank check, cashier’s check, traveler’s check,  
7 personal check, money order, stock, investment security,  
8 or negotiable instrument in bearer form or otherwise in  
9 such form that title thereto passes upon delivery; gold,  
10 silver, or platinum bullion or coins; and diamonds,  
11 emeralds, rubies, or sapphires. Except for foreign bank  
12 drafts and federal, state, county, or city warrants,  
13 “monetary instrument” does not include bank checks,  
14 cashier’s checks, traveler’s checks, personal checks, or  
15 money orders made payable to the order of a named  
16 party which have not been endorsed or which bear  
17 restrictive endorsements, and also does not include  
18 personal checks which have been endorsed by the named  
19 party and deposited by the named party into the named  
20 party’s account with a financial institution.

21 (e) “Criminal activity” means a criminal offense  
22 punishable under the laws of this state by death or  
23 imprisonment in the state prison or from a criminal  
24 offense committed in another jurisdiction punishable  
25 under the laws of that jurisdiction by death or  
26 imprisonment for a term exceeding one year.

27 (f) “Foreign bank draft” means a bank draft or check  
28 issued or made out by a foreign bank, savings and loan,  
29 casa de cambio, credit union, currency dealer or  
30 exchanger, check cashing business, money transmitter,  
31 insurance company, investment or private bank, or any  
32 other foreign financial institution that provides similar  
33 financial services, on an account in the name of the  
34 foreign bank or foreign financial institution held at a bank  
35 or other financial institution located in the United States  
36 or a territory of the United States.

37 SEC. 10. Section 337j is added to the Penal Code, to  
38 read:

39 337j. (a) It is unlawful for any person, as owner,  
40 lessee, or employee, whether for hire or not, either solely



1 or in conjunction with others, to do any of the following  
2 without having first procured and thereafter maintained  
3 in effect all federal, state, and local licenses required by  
4 law:

5 (1) To deal, operate, carry on, conduct, maintain, or  
6 expose for play in this state any controlled game or  
7 gambling equipment used in connection with any  
8 controlled game.

9 (2) To receive, directly or indirectly, any  
10 compensation or reward or any percentage or share of the  
11 revenue, for keeping, running, or carrying on any  
12 controlled game.

13 (3) To manufacture or distribute within the territorial  
14 boundaries of this state any gambling equipment to be  
15 used in connection with any controlled game.

16 (b) It is unlawful for any person to knowingly permit  
17 any controlled game to be conducted, operated, dealt, or

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1 (D) Games played with cards in private homes or  
2 residences in which no person makes money for  
3 operating the game, except as a player.

4 SEC. 11. Section 14161 of the Penal Code is amended  
5 to read:

6 14161. As used in this title:

7 (a) “Financial institution” means, when located or  
8 doing business in this state, any national bank or banking  
9 association, state bank or banking association,  
10 commercial bank or trust company organized under the  
11 laws of the United States or any state, any private bank,  
12 industrial savings bank, savings bank or thrift institution,  
13 savings and loan association, or building and loan  
14 association organized under the laws of the United States  
15 or any state, any insured institution as defined in Section  
16 401 of the National Housing Act, any credit union  
17 organized under the laws of the United States or any state,  
18 any national banking association or corporation acting  
19 under Chapter 6 (commencing with Section 601) of Title  
20 12 of the United States Code, any foreign bank, any  
21 currency dealer or exchange, any person or business  
22 engaged primarily in the cashing of checks, any person or  
23 business who regularly engages in the issuing, selling, or  
24 redeeming of traveler’s checks, money orders, or similar  
25 instruments, any broker or dealer in securities registered  
26 or required to be registered with the Securities and  
27 Exchange Commission under the Securities Exchange  
28 Act of 1934, any licensed sender of money, any  
29 investment banker or investment company, any  
30 insurance company, any dealer in coins, precious metals,  
31 stones, or jewelry, any pawnbroker, any telegraph  
32 company, any person or business engaged in controlled  
33 gambling within the meaning of subdivision (e) of  
34 Section 19805 of the Business and Professions Code,  
35 whether licensed to do so or not, and any person or  
36 business defined as a “bank,” “financial agency,” or  
37 “financial institution” by Section 5312 of Title 31 of the  
38 United States Code or Section 103.11 of Title 31 of the  
39 Code of Federal Regulations and any successor provisions  
40 thereto.



1 (b) “Transaction” includes the deposit, withdrawal,  
2 transfer, bailment, loan, payment, or exchange of  
3 currency, or a monetary instrument, as defined by  
4 subdivision (d), by, through, or to, a financial institution,  
5 as defined by subdivision (a). “Transaction” does not  
6 include the purchase of gold, silver, or platinum bullion  
7 or coins, or diamonds, emeralds, rubies, or sapphires by a  
8 bona fide dealer therein, and does not include the sale of  
9 gold, silver, or platinum bullion or coins, or diamonds,  
10 emeralds, rubies, or sapphires by a bona fide dealer  
11 therein in exchange for other than a monetary  
12 instrument, and does not include the exchange of gold,  
13 silver, or platinum bullion or coins, or diamonds,  
14 emeralds, rubies, or sapphires by a bona fide dealer  
15 therein for gold, silver, or platinum bullion or coins, or  
16 diamonds, emeralds, rubies, or sapphires.

17 (c) “Monetary instrument” means United States  
18 currency and coin; the currency and coin of any foreign  
19 country; and any instrument defined as a “monetary  
20 instrument” by Section 5312 of Title 31 of the United  
21 States Code or Section 103.11 of Title 31 of the Code of  
22 Federal Regulations, or the successor of either.  
23 Notwithstanding any other provision of this subdivision,  
24 “monetary instrument” does not include bank checks,  
25 cashier’s checks, traveler’s checks, personal checks, or  
26 money orders made payable to the order of a named  
27 party that have not been endorsed or that bear restrictive  
28 endorsements.

29 (d) “Department” means the Department of Justice.

30 (e) “Criminal justice agency” means the Department  
31 of Justice and any district attorney’s office, sheriff’s  
32 department, police department, or city attorney’s office  
33 of this state.

34 (f) “Currency” means United States currency or coin,  
35 the currency or coin of any foreign country, and any legal  
36 tender or coin defined as currency by Section 103.11 of  
37 Title 31 of the Code of Federal Regulations or any  
38 succeeding provision.

39 SEC. 12. (a) For purposes of this section, “provisional  
40 license” means a license that is either granted by



1 operation of law pursuant to this section, or is issued by  
2 the Director of the Division of Gambling Control  
3 pursuant to this section, and authorizes the holder to own  
4 , manage, or operate a gambling establishment, as defined  
5 by the Gambling Control Act (Chapter 5 (commencing  
6 with Section 19800) of Division 8 of the Business and  
7 Professions Code), as enacted by this act. The issuance of  
8 a provisional license creates no vested right to the  
9 issuance of a state gambling license. A provisional license  
10 is held subject to all terms and conditions under which a  
11 state gambling license is held pursuant to the Gambling  
12 Control Act (Chapter 5 (commencing with Section  
13 19800) of Division 8 of the Business and Professions  
14 Code), as enacted by this act.

15 (b) (1) Every person possessing a valid registration,  
16 issued pursuant to former Chapter 5 (commencing with  
17 Section 19800) of Division 8 of the Business and  
18 Professions Code, as it read immediately prior to its repeal  
19 by this act, and unexpired as of January 1, 1997, shall be  
20 deemed, as of January 1, 1997, to hold a provisional license  
21 to conduct those activities authorized by the registration.

22 (2) (A) Except as provided in Section 19852.1, every  
23 owner of a gaming club who possesses a valid registration  
24 issued pursuant to former Chapter 5 (commencing with  
25 Section 19800) of Division 8 of the Business and  
26 Professions Code, as it read immediately prior to its repeal  
27 by this act, if the license is unexpired as of January 1, 1997,  
28 shall be deemed to hold a provisional license to own all or  
29 a part of another gambling establishment, or of other  
30 gambling establishments, if all of the following conditions  
31 are satisfied with respect to the other gambling  
32 establishment or establishments:

33 (i) The gambling establishment, on January 1, 1997,  
34 was owned by a person holding a provisional license  
35 pursuant to this subdivision.

36 (ii) Acquisition of the ownership interest is completed  
37 no later than June 30, 1997.

38 (iii) The applicant has deposited all monies as required  
39 pursuant to Section 19855 of the Business and Professions  
40 Code, as enacted by this act.



1 (iv) The applicant has deposited with the division a  
2 license fee calculated as the amount specified for the  
3 appropriate level of operation in subdivision (a) of  
4 Section 19941 of the Business and Professions Code, as  
5 enacted by this act.

6 (B) A provisional license granted in respect to a  
7 gambling establishment by operation of subparagraph  
8 (A) shall expire on July 30, 1997, unless, on or before that  
9 date, the holder of the provisional license files an  
10 application for a gambling license with respect to that  
11 gambling establishment under the Gambling Control Act  
12 (Chapter 5 (commencing with Section 19800), of  
13 Division 8 of the Business and Professions Code) as  
14 enacted by this act.

15 (3) Until a provisional licensee is summoned pursuant  
16 to subdivision (e), no other state gambling license and no  
17 key employee license shall be required in connection  
18 with the operation that is owned, managed, or operated  
19 by a person holding a provisional license. Nothing in this  
20 paragraph shall relieve any person who, on or after the  
21 effective date of this act, acquires an ownership interest  
22 in a gambling establishment, from the provisions of  
23 Section 19840 of the Business and Professions Code, as  
24 enacted by this act. Upon payment of the fees described  
25 in this section, the provisional license shall be valid until  
26 the earlier of the following events:

27 (A) December 31, 1997.

28 (B) The granting or denial of an application for a  
29 gambling license.

30 (c) Until July 1, 1997, the Director of the Division of  
31 Gambling Control may issue a provisional license to any  
32 person who submitted a completed application for  
33 registration pursuant to former Chapter 5 (commencing  
34 with Section 19800) of Division 8 of the Business and  
35 Professions Code, as it read immediately prior to its repeal  
36 by this act, if all of the following are true:

37 (1) The director determines that the applicant is not  
38 disqualified based on any of the reasons for which an  
39 application for registration could have been denied or  
40 revoked under former Section 19809 or 19810 of the



1 Business and Professions Code as those sections read  
2 immediately prior to repeal by this act.

3 (2) The applicant has paid all fees required pursuant  
4 to Section 19855 of the Business and Professions Code, as  
5 enacted by this act, less any fees paid pursuant to Section  
6 19808 of the Business and Professions Code, as that section  
7 read immediately prior to its repeal by this act.

8 (3) The applicant has deposited with the division a  
9 license fee calculated as the amount specified for each  
10 level of operation in subdivision (a) of Section 19941 of  
11 the Business and Professions Code, as enacted by this act.

12 (d) Every person holding a provisional license  
13 pursuant to subdivision (b), who desires that the  
14 provisional license be converted to a gambling license  
15 under the Gambling Control Act enacted by this act shall,  
16 no later than January 31, 1997, deposit with the Division  
17 of Gambling Control a license fee calculated as the  
18 amount specified for each level of operation in  
19 subdivision (a) of Section 19941 of the Business and  
20 Professions Code, as enacted by this act.

21 (e) (1) Commencing July 1, 1997, the Division of  
22 Gambling Control shall summon persons holding  
23 provisional licenses for the purpose of applying for  
24 gambling licenses under the Gambling Control Act  
25 enacted by this act. Thereafter, except as otherwise  
26 provided herein, the license application process shall  
27 proceed as an initial application for licensure in  
28 accordance with the provisions of the Gambling Control  
29 Act, including the advance deposit of fees for  
30 investigation of the application or applications, if any.

31 (2) The division shall not require an applicant who  
32 holds a provisional license pursuant to subdivision (b) to  
33 furnish, in connection with an application for licensure,  
34 information or documentation that is presently in the  
35 possession of the Department of Justice by virtue of  
36 having conducted a prior investigation of the applicant  
37 pursuant to former Chapter 5 (commencing with Section  
38 19800) of Division 8 of the Business and Professions Code,  
39 as it read immediately prior to its repeal by this act.



1 (f) If an application for a gambling license is granted,  
2 and upon payment of the fees specified in the Gambling  
3 Control Act, a gambling license may be issued to the  
4 owner of a gambling enterprise, to expire not later than  
5 12 months thereafter. If this license is issued prior to  
6 December 31, 1997, the licensee shall be entitled to a  
7 credit, if any, for the fee paid pursuant to subdivision (d).

8 (g) Notwithstanding subdivision (a) of Section 19847,  
9 there shall be a rebuttable presumption that every  
10 natural person who, on December 31, 1996, holds a valid  
11 and unexpired registration issued pursuant to former  
12 Chapter 5 (commencing with Section 19800) of Division  
13 8 of the Business and Professions Code, as it read  
14 immediately prior to its repeal by this act, is suitable for  
15 licensure pursuant to this act.

16 (h) If an application for a gambling license is denied,  
17 the applicant shall be entitled to a pro rata refund of the  
18 fee paid pursuant to subdivision (d), and any unused  
19 deposit of investigative fees.

20 (i) If the Division of Gambling Control does not, prior  
21 to December 31, 1997, summon a person holding a  
22 provisional license for the purpose of applying for a  
23 gambling license, the division, upon request of the holder  
24 of the provisional license, and upon payment of the fees  
25 specified in the Gambling Control Act, shall extend the  
26 provisional license until December 31, 1998. Thereafter,  
27 the process described in subdivisions (e), (f), and (g)  
28 shall apply in similar fashion.

29 (j) No application for a state gambling license may be  
30 submitted to the Division of Gambling Control prior to  
31 July 1, 1997. It is the intent of the Legislature that the  
32 division and the Gambling Control Board shall be fully  
33 operative by July 1, 1997.

34 SEC. 13. All administrative or judicial proceedings  
35 that were initiated pursuant to former Chapter 5  
36 (commencing with Section 19800) of Division 8 of the  
37 Business and Professions Code, as it read immediately  
38 prior to its repeal by this act, and that are not concluded  
39 prior to the effective date of this act, shall continue and  
40 shall be governed by those provisions until concluded.



1 SEC. 14. Section 19852 of the Business and Professions  
2 Code, as enacted by this act, shall not apply in a situation  
3 where the initial or subsequent annual renewal licensure  
4 of any gambling establishment with respect to which, on  
5 December 31, 1996, all persons who were required to be  
6 registered pursuant to former Chapter 5 (commencing  
7 with Section 19800) of Division 8 of the Business and  
8 Professions Code, as it read immediately prior to its repeal  
9 by this act, possessed a current and valid registration.  
10 However, Section 19852 shall apply to any annual renewal  
11 licensure under the Gambling Control Act, if the  
12 application therefor includes an application for  
13 expansion, as defined by subdivision (d) of Section 19852  
14 of the Business and Professions Code, as enacted by this  
15 act.

16 SEC. 15. All funds remaining in the special account in  
17 the General Fund established pursuant to former Section  
18 19818 of the Business and Professions Code, as that section  
19 read immediately prior to its repeal by this act, effective  
20 January 1, 1997, shall be transferred to the Gambling  
21 Control Fund created by Section 19940 of the Business  
22 and Professions Code, as enacted by this act.

23 ~~SEC. 16. The Secretary of State, pursuant to~~  
24 ~~subdivision (b) of Section 81012 of the Government Code,~~  
25 ~~shall submit Article 14 (commencing with Section 19959)~~  
26 ~~of Chapter 5 of Division 8 of the Business and Professions~~  
27 ~~Code, as added by this act, for approval by the voters at~~  
28 ~~the first direct primary or general election that is held~~  
29 ~~after the enactment of this act.~~

30 ~~SEC. 17.—~~

31 SEC. 16. No reimbursement is required by this act  
32 pursuant to Section 6 of Article XIII B of the California  
33 Constitution for those costs that may be incurred by a  
34 local agency or school district because this act creates a  
35 new crime or infraction, changes the definition of a crime  
36 or infraction, changes the penalty for a crime or  
37 infraction, or eliminates a crime or infraction.

38 However, notwithstanding Section 17610 of the  
39 Government Code, if the Commission on State Mandates  
40 determines that this act contains other costs mandated by



1 the state, reimbursement to local agencies and school  
2 districts for those costs shall be made pursuant to Part 7  
3 (commencing with Section 17500) of Division 4 of Title  
4 2 of the Government Code. If the statewide cost of the  
5 claim for reimbursement does not exceed one million  
6 dollars (\$1,000,000), reimbursement shall be made from  
7 the State Mandates Claims Fund.

8 Notwithstanding Section 17580 of the Government  
9 Code, unless otherwise specified in this act, the provisions  
10 of this act shall become operative on the same date that  
11 the act takes effect pursuant to the California  
12 Constitution.

