

AB 701

AMENDED IN SENATE JULY 07, 2015

CALIFORNIA LEGISLATURE— 2015–2016 REGULAR SESSION

ASSEMBLY BILL

No. 701

Introduced by Assembly Member Cristina Garcia

February 25, 2015

An act to amend ~~Section~~ *Sections* 19817 *and 19858* of the Business and Professions Code, relating to gaming.

LEGISLATIVE COUNSEL'S DIGEST

AB 701, as amended, Cristina Garcia. ~~Gaming: Gaming Policy Advisory Committee.~~ *Gaming.*

Existing law, the Gambling Control Act, provides for the licensure and regulation of various legalized gambling activities and establishments by the California Gambling Control Commission and the investigation and enforcement of those activities and establishments by the Department of Justice. Existing law requires the commission to establish a 10-member Gaming Policy Advisory Committee for the purpose of discussing matters of controlled gambling regulatory policy and other relevant gambling-related issues. The committee is composed of representatives of controlled gambling licensees and members of the general public in equal numbers.

This bill would increase the membership of the committee from 10 to 12 members, and would instead require the committee to be composed of 5 representatives of controlled gambling licensees, 5 members of the general public, and 2 representatives from the Department of Justice.

Under the act, a person is deemed unsuitable to hold a license to own a gambling establishment if the person, or any partner, officer, director, or shareholder of the person, has any financial interest in any business or organization that is engaged in a prohibited form of gambling, whether within or without this state, except as specified.

This bill would exempt from that provision a person or entity that has held a license in good standing as an owner of a gambling establishment for at least 5 years as of January 1, 2015, has notified the California Gambling Control Commission and the Department of Justice, has received commission approval to obtain a financial interest in a business or organization within the United States that conducts lawful gambling outside of California that, if conducted within California, would be unlawful, and has paid the commission for the reasonable costs of the investigation and approval for obtaining the financial interest.

Digest Key

Vote: MAJORITY Appropriation: NO Fiscal Committee: YES Local Program: NO

Bill Text

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1.

Section 19817 of the Business and Professions Code is amended to read:

19817.

The commission shall establish and appoint a Gaming Policy Advisory Committee of 12 members. The committee shall be composed of five representatives of controlled gambling licensees, five members of the general public, and two members from the department. The executive director shall, from time to time, convene the committee for the purpose of discussing matters of controlled gambling regulatory policy and any other relevant gambling-related issue. The recommendations concerning gambling policy made by the committee shall be presented to the commission, but shall be deemed advisory and not binding on the commission in the performance of its duties or functions. The committee may not advise the commission on Indian gaming.

SEC. 2.

Section 19858 of the Business and Professions Code is amended to read:

19858.

(a) Except as provided in subdivisions ~~(b) and (c)~~, *(b), (c), and (d)*, a person shall be deemed to be unsuitable to hold a state gambling license to own a gambling establishment if the person, or any partner, officer, director, or shareholder of the person, has any financial interest in any

business or organization that is engaged in any form of gambling prohibited by Section 330 of the Penal Code, whether within or without this state.

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

(c) Subdivision (a) does not apply to a person or entity that meets all of the following criteria:

(1) Holds a license in good standing as an owner of a gambling establishment pursuant to this chapter for at least five years as of January 1, 2015.

(2) Has notified the commission and the department and received commission approval to obtain a financial interest in another business or organization within the United States that conducts lawful gambling outside of California that, if conducted within California, would be unlawful.

(3) Has paid the commission for the reasonable costs incurred by the commission for the investigation and approval to obtain the financial interest described in paragraph (2).

~~(e)~~

(d) Subdivision (a) ~~shall~~ *does* not apply to a person who meets all of the following criteria:

(1) The person is licensed or had an application to be licensed on file with the commission on or before February 1, 2013.

(2) The person has a financial interest in a business or organization engaged in gambling prohibited by Section 330 of the Penal Code that was closed and was not engaged in prohibited gambling at the time the person was either licensed or had filed an application to be licensed with the commission.

(3) The person has a financial interest in a gambling establishment that is located on any portion of, or contiguous to, the grounds on which a racetrack is or had been previously located and horserace meetings were authorized to be conducted by the California Horse Racing Board on or before January 1, 2012.

(4) The grounds upon which the gambling establishment described in paragraph (3) is located are directly or indirectly owned by a racetrack limited partnership owner. For purposes of this paragraph, a "racetrack limited partnership owner" is defined as a limited partnership, or a number of related limited partnerships, that is or are at least 80 percent capitalized by limited partners that are an "institutional investor" as defined in subdivision (w) of Section 19805, an "employee benefit plan" as defined in Section 1002(3) of Title 29 of the United States Code, or an investment company that manages a state university endowment.

~~(d)~~

(e) Within three years of the date the closed business or organization reopens or becomes engaged in any form of gambling prohibited by Section 330 of the Penal Code, a person described in subdivision ~~(e)~~ *(d)* shall either divest that person's interest in the business or

organization, or divest that person's interest in the gambling enterprise or gambling establishment for which the person is licensed or has applied to be licensed by the commission.

~~(e)~~

(f) A person described in subdivision ~~(e)~~ (d) shall inform the commission within 30 days of the date on which a business or organization in which the person has a financial interest begins to engage in any form of gambling prohibited by Section 330 of the Penal Code.

~~(f)~~

(g) During the three-year divestment period described in subdivision ~~(d)~~ (e), it is unlawful for any cross-promotion or marketing to occur between the business or organization that is engaged in any form of gambling prohibited by Section 330 of the Penal Code and the gambling enterprise or gambling establishment described in paragraph (3) of subdivision ~~(e)~~ (d). For purposes of this subdivision, "cross-promotion or marketing" means the offering to any customers of the gambling enterprise or gambling establishment anything of value related to visiting or gambling at the business or organization engaged in any form of gambling prohibited by Section 330 of the Penal Code.

~~(g)~~

(h) During the three-year divestment period described in subdivision ~~(d)~~ (e), any funds used in connection with the capital improvement of the gambling enterprise or gambling establishment described in paragraph (3) of subdivision ~~(e)~~ (d) shall not be provided from the gaming revenues of either the business or organization engaged in gaming prohibited under Section 330 of the Penal Code.

~~(h)~~

(i) If, at the end of the three-year divestment period described in subdivision ~~(d)~~ (e), any person described in subdivision ~~(e)~~ (d) has not divested his or her interest in either the gambling enterprise or gambling establishment or the business or organization engaged in any form of gaming prohibited under Section 330 of the Penal Code, the prohibitions of Section 19858 as it read on January 1, 2013, apply.