

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

SECTION 1. Article 18 (commencing with Section 19990) is added to Chapter 5 of Division 8 of the Business and Professions Code, to read:

Article 18. Intrastate Internet Gambling

19990. The Legislature finds and declares the following:

- (a) Leading gaming consultants estimate that in 2005 United States citizens illegally wagered four billion dollars (\$4,000,000,000) online at off-shore, non-United States Internet gambling Web sites and that every week more than 1,000,000 California citizens play poker on the Internet.
- (b) Currently, 2,300 Internet gambling Web sites operate outside the United States, unregulated by any United States governmental entity and in violation of United States laws. Questions often arise about the honesty and the fairness of the games played on these Internet Web sites, and about the true purpose for, and use of, proceeds generated by these unregulated Internet Web sites.
- (c) In 2006, Congress passed and the President signed the Unlawful Internet Gambling Enforcement Act of 2006 (Public Law 109-347) (hereafter "UIGEA"). While UIGEA prohibits the use of banking instruments such as credit cards, checks, or fund transfers for interstate Internet gambling, the statute has not eliminated illegal, unregulated Internet gambling, nor has it provided any increased protection for participants from game operators and others who would impair the integrity of on-line gambling activity.
- (d) Congress included specific provisions in the UIGEA for individual states to permit intrastate Internet gambling, provided that state laws permitting and regulating such activity could impose reasonable protections against participation by underage persons or by persons located outside the boundaries of the states authorizing such activity.
- (e) It is in the best interest of the State and its citizens to permit operation of a government-regulated intrastate Internet poker wagering Web site because only through such authorization and regulation can Californians be assured that the games they are playing are honest, that winners are paid when and in amounts due, and that the State and its citizens, rather than illegal off-shore companies, will benefit from economic activity in the State.
- (f) The only practical and economically feasible way to ensure that Internet gaming conducted entirely within California's borders receives governmental oversight adequate to ensure that the web sites offering such gaming remain honest, safe, and in compliance with all applicable state and federal laws, and that the State of California receives the economic benefits from such activity to which the State is entitled, would be to limit such activity to a single website owned and operated by an association or other organization owned and operated by individuals and/or business entities licensed of the California Gambling Control Commission, and the governments or wholly-owned sub-entities of federally-recognized California tribal governments.

(g) The purpose of this Chapter is to provide persons over the age of 21 who are physically present within the State of California and desire to use the Internet to play poker games that are not prohibited by California law with a lawful, highly-regulated means of doing so in conformity with all applicable laws and regulations. Therefore, nothing in this Article, which authorizes the intrastate use of the Internet to conduct such poker games, shall be construed to expand "gambling," as used in Article 13 (commencing with Section 19960).

(h) It is in the interest of the State and its citizens to increase funding for tribal governments to enhance both their ability to provide services to their communities and the incentive for tribal governments that have no or small gaming operations to refrain from opening or expanding such gaming facilities.

19991. No person, association, or division of State, local, or tribal government may provide a controlled game through the Internet in California unless licensed to provide such games by the Bureau of Gambling Control pursuant to this Article and regulations issued hereunder.

19992. (a) The Bureau of Gambling Control within the Department of Justice hereby is authorized to issue such licenses and promulgate such regulations as it determines may be necessary to implement the provisions of this chapter; *provided*, that persons already licensed by the California Gambling Control Commission to own or operate a card club, the governments of California tribes as recognized by the United States Department of the Interior, Bureau of Indian Affairs, or the wholly owned sub-entities of such tribal governments shall not be required to apply for or obtain licenses to own interests in the Licensed Entity. On or before March 31, 2010 the Bureau of Gambling Control shall adopt regulations, in consultation with the Gambling Control Commission, governing the intrastate play of various poker games on the Internet to provide persons over the age of 21 who are physically present in California with the same protections they enjoy while playing in gambling establishments licensed under this chapter or in tribally-owned and regulated gaming facilities.

(b) The regulations adopted pursuant to subdivision (a) shall require all of the following:

(1) Procedures through which a single entity ("Licensed Entity") consisting of and owned by the licensed owners of California gambling establishments licensed by the California Gambling Control Commission and the governments of federally-recognized California Indian tribes, or wholly-owned sub-entities of such California tribal governments, may apply for a license to operate a website through which persons over the age of 21 and physically located within the State of California may play poker games not prohibited by the laws of this State via the Internet within the State of California.

(2) Procedures through which persons over the age of 21 who are physically present in California may register to lawfully engage in intrastate Internet poker games not prohibited the the laws of this State through the website provided by the Licensed Entity.

(3) The Licensed Entity shall offer intrastate Internet poker games not prohibited by the laws of this State pursuant to this article only on a network approved by the Bureau of Gambling Control

Licensed Entity may increase the amount after obtaining and verifying the validity of identification and personal information. However, that increase shall not be effective until at least 48 hours after the change is requested.

(12) The Licensed Entity shall conduct the intrastate Internet poker games in a manner similar to the conduct of such games played in licensed gambling establishments or tribal government gaming facilities in the State. Only those non-banked, non-percentage card games approved for play within the State may be offered for play on the the Licensed Entity's intrastate Internet Web site. The Licensed Entity's intrastate Internet Website may collect fees from players in the poker games pursuant to the player fee collection methods approved for use within licensed gambling establishments in California.

(13) The Bureau of Gambling Control may assess such fees on the Licensed Entity as may be reasonably necessary to reimburse the Bureau for its costs in implementing and administering this Chapter.

19993. After the regulations required by subdivision (a) of Section 19992 have been adopted by the bureau pursuant to the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code), the entity seeking to be licensed to offer intrastate Internet poker games shall apply to the Bureau of Gambling Control for licensure to engage in that activity. The Bureau shall charge the applicant entity a registration fee sufficient to cover all costs associated with the issuance of the license.

19994. In addition to any licensing or other administrative fees that the Bureau of Gambling Control may assess as reimbursement for the costs of implementing this Chapter, the Licensed Entity shall pay to the State of California a license fee equal to ___% of the fees collected by the Licensed Entity from players participating in poker games conducted on its Website.

SECTION 2. Section 330b of the Penal Code is amended by adding the following new subdivision:

(g) Personal, networked, or server computers are not included within the term "slot machine" or "gambling device," as defined in this section, if operated pursuant to a license or permit in compliance with Section Article 18 (commencing with Section 19990) of the Business and Professions Code.

SECTION. 4. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

Section 6: Definitions. The following terms shall have the following meanings.

containing an Internet Web site that is registered with the Bureau of Gambling Control to offer that service. The Licensed Entity shall not offer any form of Internet poker games independent of that network.

(4) A person desiring to play intrastate Internet poker games shall register with the Licensed Entity by presenting documentation, upon logging on to the website, that the person is at least 21 years of age and is physically present within the State of California. After verifying the validity of the proffered documentation and confirming the person's physical presence within this State, the person shall be permitted to play intrastate Internet poker games not prohibited by the laws of this State provided by the Licensed Entity.

(5) The Licensed Entity's intrastate Internet poker games Website shall provide information on problem gambling, including a problem gambling hotline telephone number that an individual may call to seek information and assistance for a potential gambling addiction, and shall offer responsible gambling services such as self-exclusion and limits on losses, amounts wagered and playing time, and such other services as the Bureau of Gambling Control reasonably may determine are appropriate.

(6) The Licensed Entity's intrastate Internet poker Website shall utilize the services of an independent third party licensed by the Bureau of Gambling Control to perform identification, physical presence in California, and age verification services for persons establishing accounts.

(7) The games shall be honestly and fairly run.

(8) The Licensed Entity's intrastate Internet poker Website shall utilize personal identification numbers and other technology so that only the account-holder has access to his/her wagering account, and that games can be played only from within the State of California.

(9) The Licensed Entity shall provide for withdrawals from the wagering account only by check, made payable to the account holder and sent to the address of the account holder, or by an electronic transfer to an account held by the verified account holder. The account holder may withdraw funds from the wagering account at a licensed gambling establishment or tribal gaming facility participating in the Licensed Entity by presenting valid identification and verifiable personal and account information.

(10) The Licensed Entity shall allow the Bureau access to its operating premises at any time and without notice to visit, investigate, and place expert accountants and other persons it deems necessary to ensure strict compliance with its regulations concerning game integrity, credit authorization, account access, and other security provisions, provided that such activities may not interfere with the normal lawful functioning of the Licensed Entity's operations.

(11) The Licensed Entity shall offer an individual, when opening an account, the option to place a limitation on the amount of funds that may be transferred into that account within a 24-hour period. The Licensed Entity shall adopt procedures to ensure that the player may not deposit more funds into the account than the amount specified on the application. If, after the account is opened, an individual wishes to increase the amount of funds that may be transferred, the

A. "Licensed Entity" shall mean the association or other business entity formed by the licensed owners of licensed gambling establishments, on the one hand, and the governments of federally-recognized California Indian tribes , or wholly owned sub-entities of such tribes, on the other, for the purpose of operating a website offering adults physically present within the State of California the opportunity to play poker games on the Internet within the boundaries of the State of California.

B. As used in this Chapter, "person" includes a federally-recognized American Indian tribe or a sub-entity of such a tribe that is wholly owned by said tribe.