

AMENDED IN ASSEMBLY JUNE 27, 2013

SENATE BILL

No. 472

Introduced by Senator Hill

February 21, 2013

An act to amend Section ~~19855~~ 19852.2, 19855, and 19858 of the Business and Professions Code, relating to gaming.

LEGISLATIVE COUNSEL'S DIGEST

SB 472, as amended, Hill. Gaming: licenses.

The Gambling Control Act provides for the licensure of certain individuals and establishments involved in various gambling activities, and for the regulation of those activities, by the California Gambling Control Commission. The act requires every person who is required to hold a state license to obtain the license prior to engaging in the activity or occupying the position with respect to which the license is required, except as specified. Existing law requires every person who, by order of the commission, is required to apply for a gambling license or a finding of suitability to file an application within 30 calendar days after receipt of the order.

This bill would instead require the application described above to be filed within 45 calendar days after receipt of an order of the commission.

The act also provides that, if the owner of a gambling enterprise is not a person, the owner is not eligible for a gambling license unless specified persons involved in the enterprise obtain a gambling license. Existing law authorizes the commission to exempt specified limited partners in limited partnerships from the licensing requirements described above solely for the purpose of the licensure of a card club located on the grounds of a racetrack that is owned by a limited partnership that also owns the racetrack.

This bill would instead authorize the commission to exempt specified limited partners in limited partnerships from the licensing requirements described above solely for the purpose of the licensure of a card club located on any portion of, or contiguous to, the grounds upon which a racetrack is or had been previously located and horse race meetings were authorized to be conducted by the California Horse Racing Board one or before January 1, 2012, that is owned by a limited partnership that also owns or owned the racetrack.

Existing law provides that a person is deemed 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 a prohibited form of gambling, whether within or without this state, except as specified.

This bill would exempt from these provisions a person who is licensed or had an application to be licensed on file with the commission on or before February 1, 2013, has a financial interest in a business or organization engaged in gambling prohibited by state law 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, and 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, that is directly or indirectly owned by a racetrack limited partnership owner, as defined. The bill would require an exempted person described above, within 3 years of obtaining a financial interest in a business or organization that is engaged in any form of prohibited gambling, as specified, to 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. The bill would also require an exempted person to 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 prohibited gambling, as specified.

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

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

1 **SECTION 1.** *Section 19852.2 of the Business and Professions*
2 *Code is amended to read:*

3 19852.2. (a) Notwithstanding Section 19852 or any other
4 provision of ~~law to the contrary,~~ *law*, and solely for the purpose
5 of the licensure of a card club located ~~on the grounds of a racetrack~~
6 *on any portion of, or contiguous to, the grounds upon which a*
7 *racetrack is or had been previously located and horse race*
8 *meetings were authorized to be conducted by the California Racing*
9 *Board on or before January 1, 2012, that is owned by a limited*
10 *partnership that also owns or owned the racetrack, the commission,*
11 ~~*in its discretion, may commission may, at its discretion, exempt*~~
12 ~~*from the licensing requirements of this chapter all of the following:*~~
13 *all of the following from the licensing requirements of this chapter:*

14 (1) The limited partners in a limited partnership that holds
15 interest in a holding company if all of the following criteria are
16 met:

17 (A) The limited partners of the limited partnership in the
18 aggregate directly hold at least 95 percent of the interest in the
19 holding company.

20 (B) The limited partner is one of the following:

21 (i) An “institutional investor” as defined in subdivision (w) of
22 Section 19805.

23 (ii) An “employee benefit plan” as defined in Section 1002(3)
24 of Title 29 of the United States Code.

25 (iii) An investment company that manages a state university
26 endowment.

27 (2) Other limited partners in a limited partnership described in
28 paragraph (1), if the partners do not number more than five and
29 each partner indirectly owns 1 percent or less of the shares of the
30 interest in the holding company.

31 (3) A limited partner in a limited partnership that holds in the
32 aggregate less than 5 percent of the interest in a holding company.

33 (b) Nothing in this section shall be construed to limit the
34 licensure requirements for a general partner of a limited partnership
35 or a limited partner that is not specifically described in this section.

36 **SECTION 1.**

37 **SEC. 2.** *Section 19855 of the Business and Professions Code*
38 *is amended to read:*

1 19855. Except as otherwise provided by statute or regulation,
2 every person who, by statute or regulation, is required to hold a
3 state license shall obtain the license prior to engaging in the activity
4 or occupying the position with respect to which the license is
5 required. Every person who, by order of the commission, is
6 required to apply for a gambling license or a finding of suitability
7 shall file the application within 45 calendar days after receipt of
8 the order.

9 *SEC. 3. Section 19858 of the Business and Professions Code*
10 *is amended to read:*

11 19858. (a) Except as provided in subdivision ~~(b)~~, (b) and (c),
12 a person shall be deemed to be unsuitable to hold a state gambling
13 license to own a gambling establishment if the person, or any
14 partner, officer, director, or shareholder of the person, has any
15 financial interest in any business or organization that is engaged
16 in any form of gambling prohibited by Section 330 of the Penal
17 Code, whether within or without this state.

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

21 (c) *Subdivision (a) shall not apply to a person who meets all of*
22 *the following criteria:*

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

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

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

35 (4) *The grounds upon which the gambling establishment*
36 *described in paragraph (3) is located are directly or indirectly*
37 *owned by a racetrack limited partnership owner. For purposes of*
38 *this paragraph, a “racetrack limited partnership owner” is defined*
39 *as a limited partnership, or a number of related limited*
40 *partnerships, that is or are at least 80 percent capitalized by limited*

1 *partners that are an “institutional investor” as defined in*
2 *subdivision (w) of Section 19805, an “employee benefit plan” as*
3 *defined in Section 1002(3) of Title 29 of the United States Code,*
4 *or an investment company that manages a state university*
5 *endowment.*

6 *(d) Within three years of obtaining a financial interest in a*
7 *business or organization that is engaged in any form of gambling*
8 *prohibited by Section 330 of the Penal Code, a person described*
9 *in subdivision (c) shall either divest that person’s interest in the*
10 *business or organization, or divest that person’s interest in the*
11 *gambling enterprise or gambling establishment for which the*
12 *person is licensed or has applied to be licensed by the commission.*

13 *(e) A person described in subdivision (c) shall inform the*
14 *commission within 30 days of the date on which a business or*
15 *organization in which the person has a financial interest begins*
16 *to engage in any form of gambling prohibited by Section 330 of*
17 *the Penal Code.*

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