

AMENDED IN ASSEMBLY AUGUST 5, 2013

AMENDED IN ASSEMBLY JUNE 27, 2013

SENATE BILL

No. 472

Introduced by Senator Hill

February 21, 2013

An act to amend ~~Section~~ *Sections* 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 makes any person who willfully violates any of the provisions of the act for which a penalty is not expressly provided guilty of a misdemeanor.*

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~~ on 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 ~~horse race~~ horse race 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~~ *the date the closed* business or organization ~~that is~~ *reopens and becomes* 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~~ *had* 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. *The bill would also*

make it unlawful, during the 3-year divestment period, for any cross-promotion or marketing, as defined, to occur between the business or organization that is engaged in any form of prohibited gambling, as specified, and a gambling enterprise or gambling establishment, as described. By creating a new crime, the bill would impose a state-mandated local program.

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 no reimbursement is required by this act for a specified reason.

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

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, and solely for the purpose of the licensure of a
- 5 card club located on any portion of, or contiguous to, the grounds
- 6 upon which a racetrack is or had been previously located and
- 7 horserace meetings were authorized to be conducted by the
- 8 California *Horse* Racing Board on or before January 1, 2012, that
- 9 is owned by a limited partnership that also owns or owned the
- 10 racetrack, the commission may, at its discretion, exempt all of the
- 11 following from the licensing requirements of this chapter:
- 12 (1) The limited partners in a limited partnership that holds
- 13 interest in a holding company if all of the following criteria are
- 14 met:
- 15 (A) The limited partners of the limited partnership in the
- 16 aggregate directly hold at least 95 percent of the interest in the
- 17 holding company.
- 18 (B) The limited partner is one of the following:
- 19 (i) An “institutional investor” as defined in subdivision (w) of
- 20 Section 19805.
- 21 (ii) An “employee benefit plan” as defined in Section 1002(3)
- 22 of Title 29 of the United States Code.

1 (iii) An investment company that manages a state university
2 endowment.

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

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

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

12 SEC. 2. Section 19855 of the Business and Professions Code
13 is amended to read:

14 19855. Except as otherwise provided by statute or regulation,
15 every person who, by statute or regulation, is required to hold a
16 state license shall obtain the license prior to engaging in the activity
17 or occupying the position with respect to which the license is
18 required. Every person who, by order of the commission, is
19 required to apply for a gambling license or a finding of suitability
20 shall file the application within 45 calendar days after receipt of
21 the order.

22 SEC. 3. Section 19858 of the Business and Professions Code
23 is amended to read:

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

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

34 (c) Subdivision (a) shall not apply to a person who meets all of
35 the following criteria:

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

38 (2) The person has a financial interest in a business or
39 organization engaged in gambling prohibited by Section 330 of
40 the Penal Code that was closed and was not engaged in prohibited

1 gambling at the time the person was either licensed or had filed
2 an application to be licensed with the commission.

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

8 (4) The grounds upon which the gambling establishment
9 described in paragraph (3) is located are directly or indirectly
10 owned by a racetrack limited partnership owner. For purposes of
11 this paragraph, a “racetrack limited partnership owner” is defined
12 as a limited partnership, or a number of related limited partnerships,
13 that is or are at least 80 percent capitalized by limited partners that
14 are an “institutional investor” as defined in subdivision (w) of
15 Section 19805, an “employee benefit plan” as defined in Section
16 1002(3) of Title 29 of the United States Code, or an investment
17 company that manages a state university endowment.

18 (d) Within three years of ~~obtaining a financial interest in a~~ *the*
19 *date the closed* business or organization ~~that is~~ *reopens or becomes*
20 engaged in any form of gambling prohibited by Section 330 of the
21 Penal Code, a person described in subdivision (c) shall either divest
22 that person’s interest in the business or organization, or divest that
23 person’s interest in the gambling enterprise or gambling
24 establishment for which the person is licensed or has applied to
25 be licensed by the commission.

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

31 (f) *During the three-year divestment period described in*
32 *subdivision (d), it is unlawful for any cross-promotion or marketing*
33 *to occur between the business or organization that is engaged in*
34 *any form of gambling prohibited by Section 330 of the Penal Code*
35 *and the gambling enterprise or gambling establishment described*
36 *in paragraph (3) of subdivision (c). For purposes of this*
37 *subdivision, “cross-promotion or marketing” means the offering*
38 *to any customers of the gambling enterprise or gambling*
39 *establishment anything of value related to visiting or gambling at*

1 *the business or organization engaged in any form of gambling*
2 *prohibited by Section 330 of the Penal Code.*
3 *SEC. 4. No reimbursement is required by this act pursuant to*
4 *Section 6 of Article XIII B of the California Constitution because*
5 *the only costs that may be incurred by a local agency or school*
6 *district will be incurred because this act creates a new crime or*
7 *infraction, eliminates a crime or infraction, or changes the penalty*
8 *for a crime or infraction, within the meaning of Section 17556 of*
9 *the Government Code, or changes the definition of a crime within*
10 *the meaning of Section 6 of Article XIII B of the California*
11 *Constitution.*