

AMENDED IN SENATE JULY 7, 2015

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

**ASSEMBLY BILL**

**No. 701**

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**Introduced by Assembly Member Cristina Garcia**

February 25, 2015

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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.*

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

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

1 SECTION 1. Section 19817 of the Business and Professions  
2 Code is amended to read:

3 19817. The commission shall establish and appoint a Gaming  
4 Policy Advisory Committee of 12 members. The committee shall  
5 be composed of five representatives of controlled gambling  
6 licensees, five members of the general public, and two members  
7 from the department. The executive director shall, from time to  
8 time, convene the committee for the purpose of discussing matters  
9 of controlled gambling regulatory policy and any other relevant  
10 gambling-related issue. The recommendations concerning gambling  
11 policy made by the committee shall be presented to the  
12 commission, but shall be deemed advisory and not binding on the  
13 commission in the performance of its duties or functions. The  
14 committee may not advise the commission on Indian gaming.

15 SEC. 2. Section 19858 of the Business and Professions Code  
16 is amended to read:

17 19858. (a) Except as provided in subdivisions ~~(b) and (e)~~, (b),  
18 (c), and (d), a person shall be deemed to be unsuitable to hold a  
19 state gambling license to own a gambling establishment if the  
20 person, or any partner, officer, director, or shareholder of the  
21 person, has any financial interest in any business or organization  
22 that is engaged in any form of gambling prohibited by Section 330  
23 of the Penal Code, whether within or without this state.

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

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

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

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

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

17 (e)

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

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

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

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

32 (4) The grounds upon which the gambling establishment  
33 described in paragraph (3) is located are directly or indirectly  
34 owned by a racetrack limited partnership owner. For purposes of  
35 this paragraph, a “racetrack limited partnership owner” is defined  
36 as a limited partnership, or a number of related limited partnerships,  
37 that is or are at least 80 percent capitalized by limited partners that  
38 are an “institutional investor” as defined in subdivision (w) of  
39 Section 19805, an “employee benefit plan” as defined in Section

1 1002(3) of Title 29 of the United States Code, or an investment  
 2 company that manages a state university endowment.

3 ~~(d)~~

4 (e) Within three years of the date the closed business or  
 5 organization reopens or becomes engaged in any form of gambling  
 6 prohibited by Section 330 of the Penal Code, a person described  
 7 in subdivision~~(e)~~ (d) shall either divest that person’s interest in  
 8 the business or organization, or divest that person’s interest in the  
 9 gambling enterprise or gambling establishment for which the  
 10 person is licensed or has applied to be licensed by the commission.

11 ~~(e)~~

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

17 ~~(f)~~

18 (g) During the three-year divestment period described in  
 19 subdivision~~(d)~~; (e), it is unlawful for any cross-promotion or  
 20 marketing to occur between the business or organization that is  
 21 engaged in any form of gambling prohibited by Section 330 of the  
 22 Penal Code and the gambling enterprise or gambling establishment  
 23 described in paragraph (3) of subdivision~~(e)~~; (d). For purposes of  
 24 this subdivision, “cross-promotion or marketing” means the  
 25 offering to any customers of the gambling enterprise or gambling  
 26 establishment anything of value related to visiting or gambling at  
 27 the business or organization engaged in any form of gambling  
 28 prohibited by Section 330 of the Penal Code.

29 ~~(g)~~

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

37 ~~(h)~~

38 (i) If, at the end of the three-year divestment period described  
 39 in subdivision~~(d)~~; (e), any person described in subdivision~~(e)~~ (d)  
 40 has not divested his or her interest in either the gambling enterprise

1 or gambling establishment or the business or organization engaged  
2 in any form of gaming prohibited under Section 330 of the Penal  
3 Code, the prohibitions of Section 19858 as it read on January 1,  
4 2013, apply.

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