

AMENDED IN SENATE JULY 7, 1999  
AMENDED IN ASSEMBLY JUNE 1, 1999  
AMENDED IN ASSEMBLY APRIL 20, 1999  
AMENDED IN ASSEMBLY APRIL 5, 1999

CALIFORNIA LEGISLATURE—1999–2000 REGULAR SESSION

**ASSEMBLY BILL**

**No. 714**

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**Introduced by Assembly Member Firebaugh**

February 24, 1999

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An act to amend Sections 19805, ~~19815~~, 19818, ~~19844~~, 19834, 19834A, and 19848.5 of, to amend and renumber Section 19815.5A of, and to add Sections ~~19816~~, ~~19823.1~~, and ~~19861~~ 19823.1, 19834.4, and 19935 to, the Business and Professions Code, relating to gambling.

LEGISLATIVE COUNSEL'S DIGEST

AB 714, as amended, Firebaugh. California Gambling Control Commission.

(1) Existing law provides that the California Gambling Control Commission, in conjunction with the Division of Gambling Control within the office of the Attorney General, is vested with general regulatory and licensing authority over gambling establishments, and provides that persons seeking to own, or to be employed as key employees within, a gambling establishment, must respectively obtain a gambling license or key employee license, as specified. Existing law also

requires all gambling enterprise employees, as defined, to obtain a work permit, as specified.

This bill would exclude maintenance personnel ~~and waiters and waitresses~~ from the definition of “gambling enterprise employee,” thereby allowing these persons to be employed at a gambling establishment without a work permit. ~~This bill would also provide that a person who holds a key employee license with respect to a gambling establishment may transfer that license to another gambling establishment subject to the objection of the division.~~

(2) Existing law provides that the Gambling Control Commission succeeded to all the powers of the California Gambling Control Board, which was abolished pursuant to the occurrence of specified conditions, and that wherever reference is made to the board within the Gambling Control Act, it shall be construed to mean the commission.

This bill would amend ~~provisions~~ *a provision* referring to the board to instead refer to the commission, thereby making a technical change. This bill would also reenact, with reference to the commission, ~~a provision that required the division to furnish equipment, supplies, and office space to the board,~~ and a provision that vested the board with general authority to grant, deny, revoke, suspend, or impose conditions, restrictions, or limitations on any license, permit, or approval provided for under the Gambling Control Act. With regard to ~~the later~~ *this* provision, the bill would additionally provide that the commission shall have the authority to reinstate a license to own a gambling establishment, a key employee license, or any other license provided for under the act that has been revoked, suspended, or terminated, provided that the license was not revoked, suspended, or terminated by the division or commission for cause. The bill would require the commission to adopt regulations implementing this reinstatement authority.

(3) Existing law requires the commission to establish and appoint a Gaming Policy Advisory Committee of 10 members, comprised equally of representatives of controlled gambling licensees and members of the public, for the purpose of discussing matters of regulatory policy and providing nonbinding advisory recommendations to the commission.



The bill would provide that this committee shall be composed of 4 representatives of controlled gambling licensees, 3 representatives of local governments that have gambling establishments within their jurisdictions, and 3 members of the general public.

(4) Existing law provides that 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 specified types of gambling that are illegal in California, whether within or without this state.

This bill would provide that a person shall not be deemed unsuitable to hold a gambling owner's license under these provisions if that person, or any partner, member, officer, director, or shareholder thereof, holds a financial interest in a publicly traded business or organization engaged in specified types of illegal gambling, whether within or without this state, provided that the total financial interest thereby owned, directly or indirectly, by the person and all the partners, members, officers, directors, and shareholders thereof, taken together, amounts to less than 1% of all the outstanding financial interests of the publicly traded business or organization.

This bill would also provide for purposes of these provisions, that (1) an individual shall be deemed to own any financial interest that is owned, directly or indirectly, by that individual's spouse, siblings, ancestors, or lineal descendants and (2) an interest that is directly or indirectly owned by or for any business entity or any estate or trust shall be deemed as being proportionately owned by or for the respective shareholders, partners, members, or beneficiaries.

~~(5) Existing law authorizes the Division of Gambling Control to issue provisional licenses, as defined, for the operation of gambling establishments that as of a specified date met enumerated requirements, including the possession of, or submission of an application for, a valid registration under the former Gaming Registration Act.~~

~~This bill would authorize the Gambling Control Commission to issue a temporary license to own a gambling~~



~~establishment after a determination that the applicant is not disqualified from holding that license, as specified. The bill would provide that a temporary license may be issued only for the purpose of operating the establishment owned by the previous licensee and may be issued only to the heir of a previous licensee, a trust beneficiary, a trustee, or a purchaser of a gambling establishment. The bill would provide that the commission may attach limits and conditions on temporary licenses as it deems necessary, and that a temporary license may be summarily revoked if subsequent information indicated the licensee is unsuitable to be licensed, violates any provision of the Gambling Control Act, or fails to comply with any limitation or condition attached to the license. Existing law provides for the commission's adoption of regulations with respect to various matters, including the extension of credit and the cashing, deposit, and redemption of checks by gambling establishments.~~

*This bill would delete the reference to regulations governing the extension of credit and the deposit and redemption of checks.*

*This bill would also declare that the public policy of California does not favor the resolution of civil claims through the courts that arise out of gambling losses. This bill would prohibit gambling establishments from making loans to patrons. However, this bill would provide that checks accepted by gambling establishments for which cash, tokens, or chips are provided shall be enforced by the courts.*

*(6) This bill would also provide that the Gambling Control Act shall provide the exclusive means for penalizing and bringing disciplinary action against persons duly licensed or otherwise regulated by the act, notwithstanding any other provision of the Business and Professions Code, and that the administration and enforcement of the act shall be governed solely by provisions in the act and regulations and orders adopted pursuant thereto.*

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 19805 of the Business and  
2 Professions Code is amended to read:

3 19805. As used in this chapter, the following  
4 definitions shall apply:

5 (a) “Affiliate” means a person who, directly or  
6 indirectly through one or more intermediaries, controls,  
7 is controlled by, or is under common control with, a  
8 specified person.

9 (b) “Applicant” means any person who has applied  
10 for, or is about to apply for, a state gambling license,  
11 manufacturer’s or distributor’s license, or approval of any  
12 act or transaction for which division approval is required  
13 or permitted under this chapter.

14 (c) “Board” means the California Gambling Control  
15 Board.

16 (d) “Commission” means the California Gambling  
17 Control Commission.

18 (e) “Controlled gambling” means to deal, operate,  
19 carry on, conduct, maintain, or expose for play any  
20 controlled game.

21 (f) “Controlled game” means any controlled game, as  
22 defined by subdivision (e) of Section 337j of the Penal  
23 Code.

24 (g) “Director,” when used in connection with a  
25 corporation, means any director of a corporation or any  
26 person performing similar functions with respect to any  
27 organization. In any other case, “director” means the  
28 Director of the Division of Gambling Control.

29 (h) “Division” means the Division of Gambling  
30 Control in the Department of Justice.

31 (i) “Finding of suitability” means a finding that a  
32 person meets the qualification criteria described in  
33 subdivisions (a) and (b) of Section 19848, and that the  
34 person would not be disqualified from holding a state  
35 gambling license on any of the grounds specified in  
36 subdivision (a) of Section 19850.

37 (j) “Game” and “gambling game” means any  
38 controlled game.



1 (k) “Gambling” means to deal, operate, carry on,  
2 conduct, maintain, or expose for play any controlled  
3 game.

4 (l) “Gambling enterprise employee” means any  
5 natural person employed in the operation of a gambling  
6 enterprise, including, without limitation, dealers,  
7 floormen, security employees, countroom personnel,  
8 cage personnel, collection personnel, surveillance  
9 personnel, data-processing personnel, *waiters and*  
10 *waitresses*, and secretaries, or any other natural person  
11 whose employment duties require or authorize access to  
12 restricted gambling establishment areas.

13 (m) “Gambling establishment” or “establishment”  
14 means one or more rooms where any controlled gambling  
15 occurs.

16 (n) “Gambling license” means any license issued by  
17 the state that authorizes the person named therein to  
18 conduct a gambling operation.

19 (o) “Gambling operation” means one or more  
20 controlled games that are dealt, operated, carried on,  
21 conducted, maintained, or exposed for play for  
22 commercial gain.

23 (p) Except as provided by regulation, “gross revenue”  
24 means the total of all compensation received for  
25 conducting any controlled game, and includes interest  
26 received in payment for credit extended by an owner  
27 licensee to a patron for purposes of gambling.

28 (q) Except as determined by regulation,  
29 “independent agent” means any person who does either  
30 of the following:

31 (1) Approves or grants the extension of gambling  
32 credit on behalf of a gambling licensee or collects debt  
33 evidenced by a credit instrument.

34 (2) Contracts with an owner licensee, or an affiliate  
35 thereof, to provide services consisting of arranging  
36 transportation or lodging for guests at a gambling  
37 establishment.

38 (r) “Institutional investor” means any retirement  
39 fund administered by a public agency for the exclusive  
40 benefit of federal, state, or local public employees, any



1 investment company registered under the Investment  
2 Company Act of 1940 (15 U.S.C. Sec. 80a-1 et seq.), any  
3 collective investment trust organized by banks under  
4 Part Nine of the Rules of the Comptroller of the  
5 Currency, any closed-end investment trust, any  
6 chartered or licensed life insurance company or property  
7 and casualty insurance company, any banking and other  
8 chartered or licensed lending institution, any investment  
9 adviser registered under the Investment Advisors Act of  
10 1940 (15 U.S.C. Sec. 80b-1 et seq.) acting in that capacity,  
11 and such other persons as the board may determine for  
12 reasons consistent with the policies of this chapter.

13 (s) “Key employee” means any natural person  
14 employed in the operation of a gambling enterprise in a  
15 supervisory capacity or empowered to make  
16 discretionary decisions that regulate gambling  
17 operations, including, without limitation, pit bosses, shift  
18 bosses, credit executives, cashier operations supervisors,  
19 gambling operation managers and assistant managers,  
20 managers or supervisors of security employees, or any  
21 other natural person designated as a key employee by the  
22 division for reasons consistent with the policies of this  
23 chapter.

24 (t) “Key employee license” means a state license  
25 authorizing the holder to be associated with a gambling  
26 enterprise as a key employee.

27 (u) “Licensed gambling establishment” means the  
28 gambling premises encompassed by a state gambling  
29 license.

30 (v) “Limited partnership” means a partnership  
31 formed by two or more persons having as members one  
32 or more general partners and one or more limited  
33 partners.

34 (w) “Limited partnership interest” means the right of  
35 a general or limited partner to any of the following:

36 (1) To receive from a limited partnership any of the  
37 following:

38 (A) A share of the revenue.

39 (B) Any other compensation by way of income.



1 (C) A return of any or all of his or her contribution to  
2 capital of the limited partnership.

3 (2) To exercise any of the rights provided under state  
4 law.

5 (x) “Owner licensee” means an owner of a gambling  
6 enterprise who holds a state gambling license.

7 (y) Unless otherwise indicated, “person” includes a  
8 natural person, corporation, partnership, limited  
9 partnership, trust, joint venture, association, or any other  
10 business organization.

11 (z) “Publicly traded racing association” means a  
12 corporation licensed to conduct horseracing and  
13 simulcast wagering pursuant to Chapter 4 (commencing  
14 with Section 19400) whose stock is publicly traded.

15 (aa) “Qualified racing association” means a  
16 corporation licensed to conduct horseracing and  
17 simulcast wagering pursuant to Chapter 4 (commencing  
18 with Section 19400) that is a wholly owned subsidiary of  
19 a corporation whose stock is publicly traded.

20 (bb) “Work permit” means any card, certificate, or  
21 permit issued by the division or by a county, city, or city  
22 and county, whether denominated as a work permit,  
23 registration card, or otherwise, authorizing the holder to  
24 be employed as a gambling enterprise employee or to  
25 serve as an independent agent. A document issued by any  
26 governmental authority for any employment other than  
27 gambling is not a valid work permit for the purposes of  
28 this chapter.

29 ~~SEC. 2. Section 19815 of the Business and Professions~~  
30 ~~Code is amended to read:~~

31 ~~19815. (a) The commission shall have an executive~~  
32 ~~secretary appointed by the commission. A person is~~  
33 ~~ineligible for appointment as executive secretary or~~  
34 ~~deputy executive secretary if, within two years prior to~~  
35 ~~appointment, the person, or any partnership or~~  
36 ~~corporation in which the person is a principal, was~~  
37 ~~employed by, retained by, or derived substantial income~~  
38 ~~from, any gambling establishment, whether or not a~~  
39 ~~controlled gambling establishment.~~



1 ~~(b) The executive secretary shall receive the annual~~  
2 ~~salary established by the commission and approved by the~~  
3 ~~Department of Personnel Administration. The executive~~  
4 ~~secretary shall be the commission's executive officer and~~  
5 ~~shall carry out and execute the duties as specified by law~~  
6 ~~and by the commission and, for that purpose, the~~  
7 ~~executive secretary may appoint staff and clerical~~  
8 ~~personnel. It is the intent of the Legislature that the~~  
9 ~~employment of assistants and clerical personnel as~~  
10 ~~provided by this subdivision shall not be accomplished by~~  
11 ~~any reduction in the reasonably necessary staffing level~~  
12 ~~of the division.~~

13 ~~SEC. 3.~~

14 *SEC. 2.* Section 19815.5A of the Business and  
15 Professions Code is amended and renumbered to read:

16 19815.5. The commission shall establish and appoint a  
17 Gaming Policy Advisory Committee of 10 members. The  
18 committee shall be composed of four representatives of  
19 controlled gambling licensees, three representatives of  
20 local governments that have gambling establishments  
21 within their jurisdictions, and three members of the  
22 general public. The executive secretary shall, from time  
23 to time, convene the committee for the purpose of  
24 discussing matters of controlled gambling regulatory  
25 policy and any other relevant gambling-related issue. The  
26 recommendations concerning gambling policy made by  
27 the committee shall be presented to the commission, but  
28 shall be deemed advisory and not binding on the  
29 commission in the performance of its duties or functions.

30 ~~SEC. 4. Section 19816 is added to the Business and~~  
31 ~~Professions Code, to read:~~

32 ~~19816. The division shall furnish to the commission all~~  
33 ~~equipment, supplies, and office space that may be~~  
34 ~~necessary for the purpose of carrying out the~~  
35 ~~commission's functions.~~

36 ~~SEC. 5.~~

37 *SEC. 3.* Section 19818 of the Business and Professions  
38 Code is amended to read:

39 19818. The executive secretary of the commission  
40 may appoint no more than two attorneys as counsel to the



1 commission. However, in lieu of representation by the  
2 attorneys appointed pursuant to this section, the  
3 commission may request representation by the Attorney  
4 General in any proceeding before any court.

5 ~~SEC. 6.~~

6 *SEC. 4.* Section 19823.1 is added to the Business and  
7 Professions Code, to read:

8 19823.1. (a) In addition to the other powers and  
9 duties specified in this chapter, the commission may  
10 grant, deny, revoke, suspend, or impose conditions,  
11 restrictions, or limitations on any license, permit, or  
12 approval provided for in this chapter.

13 (b) The commission shall have the authority to  
14 reinstate a license to own a gambling establishment, a key  
15 employee license, or any other license provided for under  
16 this chapter that has been revoked, suspended, or  
17 terminated, provided that the license was not revoked,  
18 suspended, or terminated by the division or commission  
19 for cause. The commission shall adopt regulations to  
20 implement this section.

21 ~~SEC. 7.~~ Section 19844 of the Business and Professions  
22 Code is amended to read:

23 ~~19844. (a) Every key employee shall apply for and  
24 obtain a key employee license.~~

25 ~~(b) Licenses issued to key employees shall be for  
26 specified positions only, and those positions shall be  
27 enumerated in the endorsement described in subdivision  
28 (b) of Section 19840.5.~~

29 ~~(c) No person may be issued a key employee license  
30 unless the person would qualify for a state gambling  
31 license.~~

32 ~~(d) No person may be issued a key employee license  
33 unless the person is a resident of this state.~~

34 ~~(e) Any person licensed as a key employee pursuant to  
35 Section 19840 may transfer the key employee license to  
36 another gambling establishment upon his or her request  
37 and the request of that gambling establishment by  
38 providing the division with notice of the intent to transfer  
39 the license. If the division does not object to the transfer  
40 of the key employee license within 15 days, the key~~



1 ~~employee license shall become attached to the license of~~  
2 ~~the new employer.~~

3 *SEC. 5. Section 19834 of the Business and Professions*  
4 *Code is amended to read:*

5 19834. The regulations adopted by the division shall  
6 do all of the following:

7 (a) With respect to applications, registrations,  
8 investigations, and fees, the regulations shall include, but  
9 not be limited to, provisions that do all of the following:

10 (1) Prescribe the method and form of application and  
11 registration.

12 (2) Prescribe the information to be furnished by any  
13 applicant, licensee, or registrant concerning, as  
14 appropriate, the person's personal history, habits,  
15 character, associates, criminal record, business activities,  
16 organizational structure, and financial affairs, past or  
17 present.

18 (3) Prescribe the information to be furnished by an  
19 owner licensee relating to the licensee's gambling  
20 employees.

21 (4) Require fingerprinting or other methods of  
22 identification of an applicant, licensee, or employee of a  
23 licensee.

24 (5) Prescribe the manner and method of collection  
25 and payment of fees and issuance of licenses.

26 (b) Provide for the approval of game rules and  
27 equipment by the division to ensure fairness to the public  
28 and compliance with state laws.

29 (c) Implement the provisions of this chapter relating  
30 to licensing.

31 (d) Require owner licensees to report and keep  
32 records of transactions, as determined by the division,  
33 involving cash ~~or credit~~. The regulations may include,  
34 without limitation, regulations requiring owner licensees  
35 to file with the division reports similar to those required  
36 by Sections 5313 and 5314 of Title 31 of the United States  
37 Code, and by Sections 103.22 and 103.23 of Title 31 of the  
38 Code of Federal Regulations, and any successor  
39 provisions thereto, from financial institutions, as defined  
40 in Section 5312 of Title 31 of the United States Code and



1 Section 103.11 of Title 31 of the Code of Federal  
2 Regulations, and any successor provisions.

3 (e) Provide for the receipt of protests and written  
4 comments on an application by public agencies, public  
5 officials, local governing bodies, or residents of the  
6 location of the gambling establishment or future  
7 gambling establishment.

8 (f) Provide for the disapproval of advertising by  
9 licensed gambling establishments that is determined by  
10 the division to be deceptive to the public. Regulations  
11 adopted by the division for advertising by licensed  
12 gambling establishments shall be consistent with the  
13 advertising regulations adopted by the California Horse  
14 Racing Board and the Lottery Commission.  
15 Advertisement that appeals to children or adolescents, or  
16 offers gambling as a means of becoming wealthy is  
17 presumptively deceptive.

18 (g) Govern ~~all~~ *both* of the following:

19 (1) ~~The extension of credit.~~

20 (2) ~~The cashing, deposit, and redemption~~ of checks or  
21 other negotiable instruments.

22 (3)

23 (2) The verification of identification in monetary  
24 transactions.

25 (h) Prescribe minimum procedures for adoption by  
26 owner licensees to exercise effective control over their  
27 internal fiscal and gambling affairs, which shall include,  
28 but not be limited to, provisions for all of the following:

29 (1) The safeguarding of assets and revenues, including  
30 the recording of cash and evidences of indebtedness.

31 (2) Prescribing the manner in which compensation  
32 from games and gross revenue shall be computed and  
33 reported by an owner licensee.

34 (3) The provision of reliable records, accounts, and  
35 reports of transactions, operations, and events, including  
36 reports to the division.

37 (i) Provide for the adoption and use of internal audits,  
38 whether by qualified internal auditors or by certified  
39 public accountants. As used in this subdivision, “internal  
40 audit” means a type of control that operates through the



1 testing and evaluation of other controls and that is also  
2 directed toward observing proper compliance with the  
3 minimum standards of control prescribed in subdivision  
4 (h).

5 (j) Require periodic financial reports from each owner  
6 licensee.

7 (k) Specify standard forms for reporting financial  
8 conditions, results of operations, and other relevant  
9 financial information.

10 (l) Formulate a uniform code of accounts and  
11 accounting classifications to ensure consistency,  
12 comparability, and effective disclosure of financial  
13 information.

14 (m) Prescribe intervals at which the information in  
15 subdivisions (j) and (k) shall be furnished to the division.

16 (n) Require audits to be conducted, in accordance  
17 with generally accepted auditing standards, of the  
18 financial statements of all owner licensees whose annual  
19 gross revenues equal or exceed a specified sum. However,  
20 nothing herein shall be construed to limit the division's  
21 authority to require audits of any owner licensee. Audits,  
22 compilations, and reviews provided for in this subdivision  
23 shall be made by independent certified public  
24 accountants licensed to practice in this state.

25 (o) Restrict, limit, or otherwise regulate any activity  
26 that is related to the conduct of controlled gambling,  
27 consistent with the purposes of this chapter.

28 (p) Define and limit the area, games, and equipment  
29 permitted, or the method of operation of games and  
30 equipment, when, at the request of a sheriff or district  
31 attorney, the division determines that local regulation of  
32 these subjects is insufficient to protect the health, safety,  
33 or welfare of residents in geographical areas proximate to  
34 a gambling establishment.

35 (q) Prohibit gambling establishments from cashing  
36 checks drawn against any federal, state, or county fund,  
37 including, but not limited to, social security,  
38 unemployment insurance, disability payments, or public  
39 assistance payments.



1 However, a gambling establishment shall not be  
2 prohibited from cashing any payroll checks or checks for  
3 the delivery of goods or services that are drawn against  
4 a federal, state, or county fund.

5 Gambling establishments shall send the division copies  
6 of all dishonored or uncollectible checks at the end of  
7 each quarter. In order to ensure that those who patronize  
8 gambling establishments are responsible for their debts,  
9 the division shall disseminate information relating to  
10 dishonored or uncollectible checks to other gambling  
11 establishments in that geographical area.

12 *SEC. 6. Section 19834A of the Business and*  
13 *Professions Code is amended to read:*

14 19834A. The regulations adopted by the commission  
15 shall do all of the following:

16 (a) With respect to applications, registrations,  
17 investigations, and fees, the regulations shall include, but  
18 not be limited to, provisions that do all of the following:

19 (1) Prescribe the method and form of application and  
20 registration.

21 (2) Prescribe the information to be furnished by any  
22 applicant, licensee, or registrant concerning, as  
23 appropriate, the person's personal history, habits,  
24 character, associates, criminal record, business activities,  
25 organizational structure, and financial affairs, past or  
26 present.

27 (3) Prescribe the information to be furnished by an  
28 owner licensee relating to the licensee's gambling  
29 employees.

30 (4) Require fingerprinting or other methods of  
31 identification of an applicant, licensee, or employee of a  
32 licensee.

33 (5) Prescribe the manner and method of collection  
34 and payment of fees and issuance of licenses.

35 (b) Provide for the approval of game rules and  
36 equipment by the division to ensure fairness to the public  
37 and compliance with state laws.

38 (c) Implement the provisions of this chapter relating  
39 to licensing.



1 (d) Require owner licensees to report and keep  
2 records of transactions, as determined by the division,  
3 involving cash ~~or credit~~. The regulations may include,  
4 without limitation, regulations requiring owner licensees  
5 to file with the division reports similar to those required  
6 by Sections 5313 and 5314 of Title 31 of the United States  
7 Code, and by Sections 103.22 and 103.23 of Title 31 of the  
8 Code of Federal Regulations, and any successor  
9 provisions thereto, from financial institutions, as defined  
10 in Section 5312 of Title 31 of the United States Code and  
11 Section 103.11 of Title 31 of the Code of Federal  
12 Regulations, and any successor provisions.

13 (e) Provide for the receipt of protests and written  
14 comments on an application by public agencies, public  
15 officials, local governing bodies, or residents of the  
16 location of the gambling establishment or future  
17 gambling establishment.

18 (f) Provide for the disapproval of advertising by  
19 licensed gambling establishments that is determined by  
20 the division to be deceptive to the public. Regulations  
21 adopted by the ~~division~~ *commission* for advertising by  
22 licensed gambling establishments shall be consistent with  
23 the advertising regulations adopted by the California  
24 Horse Racing Board and the Lottery Commission.  
25 Advertisement that appeals to children or adolescents or  
26 that offers gambling as a means of becoming wealthy is  
27 presumptively deceptive.

28 (g) Govern ~~all~~ *both* of the following:

29 (1) ~~The extension of credit.~~

30 ~~(2) The cashing, deposit, and redemption of checks or~~  
31 ~~other negotiable instruments.~~

32 ~~(3)~~

33 (2) The verification of identification in monetary  
34 transactions.

35 (h) Prescribe minimum procedures for adoption by  
36 owner licensees to exercise effective control over their  
37 internal fiscal and gambling affairs, which shall include,  
38 but not be limited to, provisions for all of the following:

39 (1) The safeguarding of assets and revenues, including  
40 the recording of cash and evidences of indebtedness.



1 (2) Prescribing the manner in which compensation  
2 from games and gross revenue shall be computed and  
3 reported by an owner licensee.

4 (3) The provision of reliable records, accounts, and  
5 reports of transactions, operations, and events, including  
6 reports to the division.

7 (i) Provide for the adoption and use of internal audits,  
8 whether by qualified internal auditors or by certified  
9 public accountants. As used in this subdivision, “internal  
10 audit” means a type of control that operates through the  
11 testing and evaluation of other controls and that is also  
12 directed toward observing proper compliance with the  
13 minimum standards of control prescribed in subdivision  
14 (h).

15 (j) Require periodic financial reports from each owner  
16 licensee.

17 (k) Specify standard forms for reporting financial  
18 conditions, results of operations, and other relevant  
19 financial information.

20 (l) Formulate a uniform code of accounts and  
21 accounting classifications to ensure consistency,  
22 comparability, and effective disclosure of financial  
23 information.

24 (m) Prescribe intervals at which the information in  
25 subdivisions (j) and (k) shall be furnished to the division.

26 (n) Require audits to be conducted, in accordance  
27 with generally accepted auditing standards, of the  
28 financial statements of all owner licensees whose annual  
29 gross revenues equal or exceed a specified sum. However,  
30 nothing herein shall be construed to limit the division’s  
31 authority to require audits of any owner licensee. Audits,  
32 compilations, and reviews provided for in this subdivision  
33 shall be made by independent certified public  
34 accountants licensed to practice in this state.

35 (o) Restrict, limit, or otherwise regulate any activity  
36 that is related to the conduct of controlled gambling,  
37 consistent with the purposes of this chapter.

38 (p) Define and limit the area, games, hours of  
39 operation, number of tables, wagering limits, and  
40 equipment permitted, or the method of operation of



1 games and equipment, if the division determines that  
2 local regulation of these subjects is insufficient to protect  
3 the health, safety, or welfare of residents in geographical  
4 areas proximate to a gambling establishment.

5 (q) Prohibit gambling establishments from cashing  
6 checks drawn against any federal, state, or county fund,  
7 including, but not limited to, social security,  
8 unemployment insurance, disability payments, or public  
9 assistance payments. However, a gambling establishment  
10 shall not be prohibited from cashing any payroll checks  
11 or checks for the delivery of goods or services that are  
12 drawn against a federal, state, or county fund.

13 Gambling establishments shall send the commission  
14 copies of all dishonored or uncollectible checks at the end  
15 of each quarter.

16 (r) Provide for standards, specifications, and  
17 procedures governing the manufacture, distribution,  
18 including the sale and leasing, inspection, testing,  
19 location, operation, repair, and storage of gambling  
20 equipment, and for the licensing of persons engaged in  
21 the business of manufacturing, distributing, including the  
22 sale and leasing, inspection, testing, repair, and storage of  
23 gambling equipment.

24 *SEC. 7. Section 19834.4 is added to the Business and*  
25 *Professions Code, to read:*

26 *19834.4. (a) The public policy of California does not*  
27 *favor the resolution of civil claims through the courts that*  
28 *arise out of gambling losses. The public policy of*  
29 *California does not favor actions to enforce gambling*  
30 *debts. Accordingly, gambling establishments shall not*  
31 *make loans to patrons.*

32 *(b) However, the public policy of this state does not*  
33 *preclude the courts from enforcing the collectability of*  
34 *checks that are cashed in gambling establishments.*

35 *Accordingly, checks that are accepted by gambling*  
36 *establishments for which cash, tokens, or chips are*  
37 *provided shall be enforced by the courts of this state.*

38 *SEC. 8. Section 19848.5 of the Business and*  
39 *Professions Code is amended to read:*



1 19848.5. (a) Except as provided in subdivision (b), a  
2 person shall be deemed to be unsuitable to hold a state  
3 gambling license to own a gambling establishment if the  
4 person, or any partner, member, officer, director, or  
5 shareholder of the person, has any financial interest in any  
6 business or organization that is engaged in any form of  
7 gambling prohibited by Section 330 of the Penal Code,  
8 whether within or without this state.

9 (b) Notwithstanding subdivision (a), a person shall  
10 not be deemed unsuitable to hold a state gambling license  
11 to own a gambling establishment merely because the  
12 person, or any partner, member, officer, director, or  
13 shareholder of the person, holds a financial interest in a  
14 publicly traded business or organization that is engaged  
15 in any form of gambling prohibited by Section 330 of the  
16 Penal Code, whether within or without this state,  
17 provided that the total financial interest thereby owned,  
18 directly or indirectly, by the person and all the partners,  
19 members, officers, directors, and shareholders thereof,  
20 taken together, amounts to less than one percent of all the  
21 outstanding financial interests of the publicly traded  
22 business or organization.

23 (c) For purposes of this section, an individual shall be  
24 deemed to own any financial interest that is owned,  
25 directly or indirectly, by that individual's spouse, siblings,  
26 ancestors, or lineal descendants.

27 (d) For purposes of this section, an interest that is  
28 directly or indirectly owned by or for a corporation,  
29 partnership, limited liability company, or any other  
30 business entity, or any estate or trust, shall be deemed as  
31 being proportionately owned by or for the respective  
32 shareholders, partners, members, or beneficiaries.

33 (e) Subdivision (a) does not apply to a financial  
34 interest in a publicly traded racing association, a qualified  
35 racing association, or any person who is licensed pursuant  
36 to paragraph (2) or (3) of subdivision (a) of Section  
37 19841.

38 ~~SEC. 9. Section 19861 is added to the Business and~~  
39 ~~Professions Code, to read:~~



1 ~~19861. (a) The commission may issue a temporary~~  
2 ~~license to own a gambling establishment to any applicant~~  
3 ~~listed in subdivision (b) after determining that the~~  
4 ~~applicant is not disqualified pursuant to Section 19850A.~~  
5 ~~The commission may attach limits and conditions on~~  
6 ~~temporary licenses as it deems necessary. A temporary~~  
7 ~~gambling license issued pursuant to this section may be~~  
8 ~~summarily revoked by the commission if subsequent~~  
9 ~~information indicates that the temporary licensee is~~  
10 ~~unsuitable to be licensed, if the licensee violates any~~  
11 ~~provision of this chapter, or if the licensee fails to comply~~  
12 ~~with any limitation or condition attached to the license.~~

13 ~~(b) A temporary license may be issued only for the~~  
14 ~~purpose of operating the gambling establishment owned~~  
15 ~~by the previous licensee, and may be issued only to an heir~~  
16 ~~of a previous licensee, a beneficiary of a trust, a trustee,~~  
17 ~~or a purchaser of an existing gambling establishment.~~

18 *SEC. 9. Section 19935 is added to the Business and*  
19 *Professions Code, to read:*

20 *19935. (a) The administration and enforcement of*  
21 *this chapter shall be governed solely by the provisions of*  
22 *this chapter and regulations and orders adopted pursuant*  
23 *thereto.*

24 *(b) Notwithstanding any other provision of this code,*  
25 *Article 9.5 (commencing with Section 19920) shall*  
26 *provide the exclusive means for penalizing and bringing*  
27 *disciplinary action against persons and entities duly*  
28 *licensed or otherwise regulated under this chapter.*

