

AMENDED IN SENATE AUGUST 19, 1999

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**

**Introduced by Assembly Member Firebaugh**

February 24, 1999

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An act to amend Sections 19805, 19818, 19834, 19834A, ~~and 19848.5~~ *19848.5, 19851.5, and 19950.1* of, to amend and renumber ~~Section 19815.5A~~ *Sections 19815.5A and 19872A* of, and to add Sections 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 from the definition of “gambling enterprise employee,” thereby allowing these persons to be employed at a gambling establishment without a work permit.

(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 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 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 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) *that* 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 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, *including provisions that would otherwise apply as general business regulations*, 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.

(7) *Existing law generally provides that all licensed gambling establishments must remain open to the general public, but provides for the licensing of private club gambling establishments in a local jurisdiction until July 1, 2000, or as otherwise specified. Operation of private club gambling establishments after July 1, 2000, is only permitted if the local jurisdiction approves an ordinance that is approved by the voters that authorizes the operation of gambling establishments that are open to the public.*

*This bill would allow a private club gambling establishment to continue to operate and be licensed after July 1, 2000, if the gambling ordinance of a county provides for the operation of gambling establishments as private clubs and that ordinance was approved in a countywide election. In that case, the private club would be authorized to operate as long as the current license holder owns and operates the club.*

(8) *Existing law provides that if a gambling license is denied by the commission to the individual owner of a security issued by a corporation, then the individual shall immediately offer the security to the issuing corporation for purchase, as specified.*

*This bill would provide that the commission may allow the corporation a period of 90 days to purchase the security if the book value or fair market value of the security exceeds \$1,000,000.*

(9) *Existing law requires voter approval of an amendment to a local ordinance that would result in the expansion of gambling, as defined, subject to certain exceptions. However,*



*this requirement does not apply to a licensed gambling establishment with 5 or fewer tables.*

*This bill would instead provide that the voting approval requirement does not apply to a licensed gambling establishment that claimed the operation of 5 or fewer tables in its initial application, provided that no more than 10 tables are added to the number set forth in that application.*

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.



- 1 (h) “Division” means the Division of Gambling  
2 Control in the Department of Justice.
- 3 (i) “Finding of suitability” means a finding that a  
4 person meets the qualification criteria described in  
5 subdivisions (a) and (b) of Section 19848, and that the  
6 person would not be disqualified from holding a state  
7 gambling license on any of the grounds specified in  
8 subdivision (a) of Section 19850.
- 9 (j) “Game” and “gambling game” means any  
10 controlled game.
- 11 (k) “Gambling” means to deal, operate, carry on,  
12 conduct, maintain, or expose for play any controlled  
13 game.
- 14 (l) “Gambling enterprise employee” means any  
15 natural person employed in the operation of a gambling  
16 enterprise, including, without limitation, dealers,  
17 floormen, security employees, countroom personnel,  
18 cage personnel, collection personnel, surveillance  
19 personnel, data-processing personnel, waiters and  
20 waitresses, and secretaries, or any other natural person  
21 whose employment duties require or authorize access to  
22 restricted gambling establishment areas.
- 23 (m) “Gambling establishment” or “establishment”  
24 means one or more rooms where any controlled gambling  
25 occurs.
- 26 (n) “Gambling license” means any license issued by  
27 the state that authorizes the person named therein to  
28 conduct a gambling operation.
- 29 (o) “Gambling operation” means one or more  
30 controlled games that are dealt, operated, carried on,  
31 conducted, maintained, or exposed for play for  
32 commercial gain.
- 33 (p) Except as provided by regulation, “gross revenue”  
34 means the total of all compensation received for  
35 conducting any controlled game, and includes interest  
36 received in payment for credit extended by an owner  
37 licensee to a patron for purposes of gambling.
- 38 (q) Except as determined by regulation,  
39 “independent agent” means any person who does either  
40 of the following:



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

4 (2) Contracts with an owner licensee, or an affiliate  
5 thereof, to provide services consisting of arranging  
6 transportation or lodging for guests at a gambling  
7 establishment.

8 (r) “Institutional investor” means any retirement  
9 fund administered by a public agency for the exclusive  
10 benefit of federal, state, or local public employees, any  
11 investment company registered under the Investment  
12 Company Act of 1940 (15 U.S.C. Sec. 80a-1 et seq.), any  
13 collective investment trust organized by banks under  
14 Part Nine of the Rules of the Comptroller of the  
15 Currency, any closed-end investment trust, any  
16 chartered or licensed life insurance company or property  
17 and casualty insurance company, any banking and other  
18 chartered or licensed lending institution, any investment  
19 adviser registered under the Investment Advisors Act of  
20 1940 (15 U.S.C. Sec. 80b-1 et seq.) acting in that capacity,  
21 and such other persons as the board may determine for  
22 reasons consistent with the policies of this chapter.

23 (s) “Key employee” means any natural person  
24 employed in the operation of a gambling enterprise in a  
25 supervisory capacity or empowered to make  
26 discretionary decisions that regulate gambling  
27 operations, including, without limitation, pit bosses, shift  
28 bosses, credit executives, cashier operations supervisors,  
29 gambling operation managers and assistant managers,  
30 managers or supervisors of security employees, or any  
31 other natural person designated as a key employee by the  
32 division for reasons consistent with the policies of this  
33 chapter.

34 (t) “Key employee license” means a state license  
35 authorizing the holder to be associated with a gambling  
36 enterprise as a key employee.

37 (u) “Licensed gambling establishment” means the  
38 gambling premises encompassed by a state gambling  
39 license.

1 (v) “Limited partnership” means a partnership  
2 formed by two or more persons having as members one  
3 or more general partners and one or more limited  
4 partners.

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

7 (1) To receive from a limited partnership any of the  
8 following:

9 (A) A share of the revenue.

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

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

13 (2) To exercise any of the rights provided under state  
14 law.

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

17 (y) Unless otherwise indicated, “person” includes a  
18 natural person, corporation, partnership, limited  
19 partnership, trust, joint venture, association, or any other  
20 business organization.

21 (z) “Publicly traded racing association” means a  
22 corporation licensed to conduct horse racing and  
23 simulcast wagering pursuant to Chapter 4 (commencing  
24 with Section 19400) whose stock is publicly traded.

25 (aa) “Qualified racing association” means a  
26 corporation licensed to conduct horseracing and  
27 simulcast wagering pursuant to Chapter 4 (commencing  
28 with Section 19400) that is a wholly owned subsidiary of  
29 a corporation whose stock is publicly traded.

30 (bb) “Work permit” means any card, certificate, or  
31 permit issued by the division or by a county, city, or city  
32 and county, whether denominated as a work permit,  
33 registration card, or otherwise, authorizing the holder to  
34 be employed as a gambling enterprise employee or to  
35 serve as an independent agent. A document issued by any  
36 governmental authority for any employment other than  
37 gambling is not a valid work permit for the purposes of  
38 this chapter.

39 SEC. 2. Section 19815.5A of the Business and  
40 Professions Code is amended and renumbered to read:



1 19815.5. The commission shall establish and appoint a  
2 Gaming Policy Advisory Committee of 10 members. The  
3 committee shall be composed of four representatives of  
4 controlled gambling licensees, three representatives of  
5 local governments that have gambling establishments  
6 within their jurisdictions, and three members of the  
7 general public. The executive secretary shall, from time  
8 to time, convene the committee for the purpose of  
9 discussing matters of controlled gambling regulatory  
10 policy and any other relevant gambling-related issue. The  
11 recommendations concerning gambling policy made by  
12 the committee shall be presented to the commission, but  
13 shall be deemed advisory and not binding on the  
14 commission in the performance of its duties or functions.

15 SEC. 3. Section 19818 of the Business and Professions  
16 Code is amended to read:

17 19818. The executive secretary of the commission  
18 may appoint no more than two attorneys as counsel to the  
19 commission. However, in lieu of representation by the  
20 attorneys appointed pursuant to this section, the  
21 commission may request representation by the Attorney  
22 General in any proceeding before any court.

23 SEC. 4. Section 19823.1 is added to the Business and  
24 Professions Code, to read:

25 19823.1. (a) In addition to the other powers and  
26 duties specified in this chapter, the commission may  
27 grant, deny, revoke, suspend, or impose conditions,  
28 restrictions, or limitations on any license, permit, or  
29 approval provided for in this chapter.

30 (b) The commission shall have the authority to  
31 reinstate a license to own a gambling establishment, a key  
32 employee license, or any other license provided for under  
33 this chapter that has been revoked, suspended, or  
34 terminated, provided that the license was not revoked,  
35 suspended, or terminated by the division or commission  
36 for cause. The commission shall adopt regulations to  
37 implement this section.

38 SEC. 5. Section 19834 of the Business and Professions  
39 Code is amended to read:

1 19834. The regulations adopted by the division shall  
2 do all of the following:

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

6 (1) Prescribe the method and form of application and  
7 registration.

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

14 (3) Prescribe the information to be furnished by an  
15 owner licensee relating to the licensee's gambling  
16 employees.

17 (4) Require fingerprinting or other methods of  
18 identification of an applicant, licensee, or employee of a  
19 licensee.

20 (5) Prescribe the manner and method of collection  
21 and payment of fees and issuance of licenses.

22 (b) Provide for the approval of game rules and  
23 equipment by the division to ensure fairness to the public  
24 and compliance with state laws.

25 (c) Implement the provisions of this chapter relating  
26 to licensing.

27 (d) Require owner licensees to report and keep  
28 records of transactions, as determined by the division,  
29 involving cash. The regulations may include, without  
30 limitation, regulations requiring owner licensees to file  
31 with the division reports similar to those required by  
32 Sections 5313 and 5314 of Title 31 of the United States  
33 Code, and by Sections 103.22 and 103.23 of Title 31 of the  
34 Code of Federal Regulations, and any successor  
35 provisions thereto, from financial institutions, as defined  
36 in Section 5312 of Title 31 of the United States Code and  
37 Section 103.11 of Title 31 of the Code of Federal  
38 Regulations, and any successor provisions.

39 (e) Provide for the receipt of protests and written  
40 comments on an application by public agencies, public



1 officials, local governing bodies, or residents of the  
2 location of the gambling establishment or future  
3 gambling establishment.

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

14 (g) Govern both of the following:

15 (1) The cashing of checks or other negotiable  
16 instruments.

17 (2) The verification of identification in monetary  
18 transactions.

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

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

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

28 (3) The provision of reliable records, accounts, and  
29 reports of transactions, operations, and events, including  
30 reports to the division.

31 (i) Provide for the adoption and use of internal audits,  
32 whether by qualified internal auditors or by certified  
33 public accountants. As used in this subdivision, “internal  
34 audit” means a type of control that operates through the  
35 testing and evaluation of other controls and that is also  
36 directed toward observing proper compliance with the  
37 minimum standards of control prescribed in subdivision  
38 (h).

39 (j) Require periodic financial reports from each owner  
40 licensee.



1 (k) Specify standard forms for reporting financial  
2 conditions, results of operations, and other relevant  
3 financial information.

4 (l) Formulate a uniform code of accounts and  
5 accounting classifications to ensure consistency,  
6 comparability, and effective disclosure of financial  
7 information.

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

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

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

22 (p) Define and limit the area, games, and equipment  
23 permitted, or the method of operation of games and  
24 equipment, when, at the request of a sheriff or district  
25 attorney, the division determines that local regulation of  
26 these subjects is insufficient to protect the health, safety,  
27 or welfare of residents in geographical areas proximate to  
28 a gambling establishment.

29 (q) Prohibit gambling establishments from cashing  
30 checks drawn against any federal, state, or county fund,  
31 including, but not limited to, social security,  
32 unemployment insurance, disability payments, or public  
33 assistance payments.

34 However, a gambling establishment shall not be  
35 prohibited from cashing any payroll checks or checks for  
36 the delivery of goods or services that are drawn against  
37 a federal, state, or county fund.

38 Gambling establishments shall send the division copies  
39 of all dishonored or uncollectible checks at the end of  
40 each quarter. In order to ensure that those who patronize



1 gambling establishments are responsible for their debts,  
2 the division shall disseminate information relating to  
3 dishonored or uncollectible checks to other gambling  
4 establishments in that geographical area.

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

7 19834A. The regulations adopted by the commission  
8 shall do all of the following:

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

12 (1) Prescribe the method and form of application and  
13 registration.

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

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

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

26 (5) Prescribe the manner and method of collection  
27 and payment of fees and issuance of licenses.

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

31 (c) Implement the provisions of this chapter relating  
32 to licensing.

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



1 provisions thereto, from financial institutions, as defined  
2 in Section 5312 of Title 31 of the United States Code and  
3 Section 103.11 of Title 31 of the Code of Federal  
4 Regulations, and any successor provisions.

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

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

20 (g) Govern both of the following:

21 (1) The cashing of checks or other negotiable  
22 instruments.

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, hours of  
29 operation, number of tables, wagering limits, and  
30 equipment permitted, or the method of operation of  
31 games and equipment, if the division determines that  
32 local regulation of these subjects is insufficient to protect  
33 the health, safety, or welfare of residents in geographical  
34 areas proximate to 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. However, a gambling establishment  
40 shall not be prohibited from cashing any payroll checks



1 or checks for the delivery of goods or services that are  
2 drawn against a federal, state, or county fund.

3 Gambling establishments shall send the commission  
4 copies of all dishonored or uncollectible checks at the end  
5 of each quarter.

6 (r) Provide for standards, specifications, and  
7 procedures governing the manufacture, distribution,  
8 including the sale and leasing, inspection, testing,  
9 location, operation, repair, and storage of gambling  
10 equipment, and for the licensing of persons engaged in  
11 the business of manufacturing, distributing, including the  
12 sale and leasing, inspection, testing, repair, and storage of  
13 gambling equipment.

14 SEC. 7. Section 19834.4 is added to the Business and  
15 Professions Code, to read:

16 19834.4. (a) The public policy of California does not  
17 favor the resolution of civil claims through the courts that  
18 arise out of gambling losses. The public policy of  
19 California does not favor actions to enforce gambling  
20 debts. Accordingly, gambling establishments shall not  
21 make loans to patrons.

22 (b) However, the public policy of this state does not  
23 preclude the courts from enforcing the collectability of  
24 checks that are cashed in gambling establishments.

25 Accordingly, checks that are accepted by gambling  
26 establishments for which cash, tokens, or chips are  
27 provided shall be enforced by the courts of this state.

28 SEC. 8. Section 19848.5 of the Business and  
29 Professions Code is amended to read:

30 19848.5. (a) Except as provided in subdivision (b), a  
31 person shall be deemed to be unsuitable to hold a state  
32 gambling license to own a gambling establishment if the  
33 person, or any partner, member, officer, director, or  
34 shareholder of the person, has any financial interest in any  
35 business or organization that is engaged in any form of  
36 gambling prohibited by Section 330 of the Penal Code,  
37 whether within or without this state.

38 (b) Notwithstanding subdivision (a), a person shall  
39 not be deemed unsuitable to hold a state gambling license  
40 to own a gambling establishment merely because the



1 person, or any partner, member, officer, director, or  
2 shareholder of the person, holds a financial interest in a  
3 publicly traded business or organization that is engaged  
4 in any form of gambling prohibited by Section 330 of the  
5 Penal Code, whether within or without this state,  
6 provided that the total financial interest thereby owned,  
7 directly or indirectly, by the person and all the partners,  
8 members, officers, directors, and shareholders thereof,  
9 taken together, amounts to less than one percent of all the  
10 outstanding financial interests of the publicly traded  
11 business or organization.

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

16 (d) For purposes of this section, an interest that is  
17 directly or indirectly owned by or for a corporation,  
18 partnership, limited liability company, or any other  
19 business entity, or any estate or trust, shall be deemed as  
20 being proportionately owned by or for the respective  
21 shareholders, partners, members, or beneficiaries.

22 (e) Subdivision (a) does not apply to a financial  
23 interest in a publicly traded racing association, a qualified  
24 racing association, or any person who is licensed pursuant  
25 to paragraph (2) or (3) of subdivision (a) of Section  
26 19841.

27 SEC. 9. *Section 19851.5 of the Business and*  
28 *Professions Code is amended to read:*

29 19851.5. (a) Notwithstanding subdivision (i) of  
30 Section 19801, the division or commission shall not deny  
31 a license to a gambling establishment solely because it is  
32 not open to the public, provided that all of the following  
33 are true: ~~(a) the~~

34 (1) *The* gambling establishment is situated in a local  
35 jurisdiction that has an ordinance allowing only private  
36 clubs, and the gambling establishment was in operation  
37 as a private club under that ordinance on December 31,  
38 1997, and met all applicable state and local gaming  
39 registration requirements; ~~(b) the~~.



1 (2) *The* gambling establishment consists of no more  
2 than five gaming tables; ~~(e) videotaped.~~

3 (3) *Videotaped* recordings of the entrance to the  
4 gambling room or rooms and all tables situated therein  
5 are made during all hours of operation by means of closed  
6 circuit television cameras, and these tapes are retained  
7 for a period of 30 days and are made available for review  
8 by the division or commission upon request; ~~and (d) the.~~

9 (4) *The* gambling establishment is open to members of  
10 the private club and their spouses in accordance with  
11 membership criteria in effect as of December 31, 1997.

12 A gambling establishment meeting these criteria, in  
13 addition to the other requirements of this chapter, may  
14 be licensed to operate as a private club gambling  
15 establishment until July 1, 2000, or until the ownership or  
16 operation of the gambling establishment changes from  
17 the ownership or operation as of January 1, 1998,  
18 whichever occurs first. Operation of the gambling  
19 establishments after this date shall only be permitted if  
20 the local jurisdiction approves an ordinance, pursuant to  
21 Sections 19950.1 and 19950.2, authorizing the operation of  
22 gambling establishments that are open to the public. The  
23 commission shall adopt regulations implementing this  
24 section.

25 *(b) Notwithstanding subdivision (i) of Section 19801,*  
26 *if a gambling ordinance of a county provides for the*  
27 *operation of gambling establishments as private clubs,*  
28 *and the ordinance was adopted by the electors of the*  
29 *county in a countywide election, then the election*  
30 *requirement contained in subdivision (a) shall be*  
31 *deemed satisfied and a gambling establishment located in*  
32 *that county may be licensed to operate as a private club*  
33 *gambling establishment as long as the current license*  
34 *holder owns and operates the club and provided that it*  
35 *otherwise meets all the requirements of this chapter.*

36 *SEC. 10. Section 19872A of the Business and*  
37 *Professions Code is amended and renumbered to read:*

38 ~~19872A.~~

39 *19872. (a) If at any time the commission denies a*  
40 *license to an individual owner of any security issued by a*



1 corporation that applies for or holds an owner license, the  
2 owner of the security shall immediately offer the security  
3 to the issuing corporation for purchase. The corporation  
4 shall purchase the security so offered; *within 30 calendar*  
5 *days after the date of the offer for book value in cash—in*  
6 *as provided for in the articles of incorporation or the*  
7 *bylaws, but in no event for an amount—not greater than*  
8 *fair market value, within 30 calendar days after the date*  
9 *of the offer. If the book value or the fair market value of*  
10 *the security exceeds one million dollars (\$1,000,000), the*  
11 *commission may allow the issuing corporation a period of*  
12 *not to exceed 90 calendar days within which to purchase*  
13 *the security.*

14 (b) Beginning upon the date when the division serves  
15 notice of the denial upon the corporation, it is unlawful  
16 for the denied security owner to do any of the following:

17 (1) Receive any dividend or interest upon any security  
18 described in subdivision (a).

19 (2) Exercise, directly or through any trustee or  
20 nominee, any voting right conferred by any security  
21 described in subdivision (a).

22 (3) Receive any remuneration in any form from the  
23 corporation for services rendered or for any other  
24 purpose.

25 (c) Every security issued by a corporate owner  
26 licensee shall bear a statement, on both sides of the  
27 certificate evidencing the security, of the restrictions  
28 imposed by this section.

29 ~~(d) This section shall become operative on the~~  
30 ~~occurrence of one of the events specified in Section 66 of~~  
31 ~~the act that added this section to the Business and~~  
32 ~~Professions Code.~~

33 *SEC. 11.* Section 19935 is added to the Business and  
34 Professions Code, to read:

35 19935. (a) The administration and enforcement of  
36 this chapter shall be governed solely by the provisions of  
37 this chapter and regulations and orders adopted pursuant  
38 thereto.

39 (b) Notwithstanding any other provision of this code,  
40 Article 9.5 (commencing with Section 19920) shall



1 provide the exclusive means for penalizing and bringing  
2 disciplinary action against persons and entities duly  
3 licensed or otherwise regulated under this chapter.

4 *SEC. 12. Section 19950.1 of the Business and*  
5 *Professions Code is amended to read:*

6 19950.1. (a) On or after the effective date of this  
7 chapter, any amendment to any ordinance that would  
8 result in an expansion of gambling in the city, county, or  
9 city and county, shall not be valid unless the amendment  
10 is submitted for approval to the voters of the city, county,  
11 or city and county, and is approved by a majority of the  
12 electors voting thereon. An ordinance may be amended  
13 without the approval of the electors one time on or after  
14 the effective date of this chapter to expand gambling by  
15 a change that results in an increase of less than 25 percent  
16 with respect to any of the matters set forth in paragraphs  
17 (1), (2), (3), (5), and (6) of subdivision (b). Thereafter,  
18 any additional expansion shall be approved by a majority  
19 of the electors voting thereon. This subdivision does not  
20 apply to a licensed gambling establishment—~~with that~~  
21 *claimed the operation of five or fewer tables in its initial*  
22 *application, provided that no more than 10 tables are*  
23 *added to the number that was set forth in the initial*  
24 *application.*

25 (b) For the purposes of this section, “expansion of  
26 gambling” means, when compared to that authorized on  
27 January 1, 1996, or under an ordinance adopted pursuant  
28 to subdivision (a) of Section 19851, whichever is the lesser  
29 number, a change that results in any of the following:

30 (1) An increase of 25 percent or more in the number  
31 of gambling tables in the city, county, or city and county.

32 (2) An increase of 25 percent or more in the number  
33 of licensed card rooms in the city, county, or city and  
34 county.

35 (3) An increase of 25 percent or more in the number  
36 of gambling tables that may be operated in a gambling  
37 establishment in the city, county, or city and county.

38 (4) The authorization of any additional form of  
39 gambling, other than card games, that may be legally



1 played in this state, to be played at a gambling  
2 establishment in the city, county, or city and county.

3 (5) An increase of 25 percent or more in the hours of  
4 operation of a gambling establishment in the city, county,  
5 or city and county.

6 (6) An increase of 25 percent or more in the maximum  
7 amount permitted to be wagered in a game.

8 (c) The measure to expand gambling shall appear on  
9 the ballot in substantially the following form:

10

11 “Shall gambling be expanded in \_\_\_\_\_ beyond that  
12 operated or authorized on January 1, 1996, by \_\_\_\_\_  
13 (describe expansion)? Yes \_\_\_\_\_ No \_\_\_\_\_.”

14

