

AMENDED IN SENATE JUNE 22, 2010

AMENDED IN SENATE MAY 28, 2010

SENATE BILL

No. 1485

Introduced by Senator Wright

March 8, 2010

An act to add and repeal Chapter 5.2 (commencing with Section 19990.01) of to Division 8 of the Business and Professions Code, relating to Internet gambling, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 1485, as amended, Wright. Internet gambling.

The Gambling Control Act provides for the licensure of certain individuals and establishments that conduct controlled games, as defined, and for the regulation of these gambling activities by the California Gambling Control Commission. Existing law provides for the enforcement of those regulations by the Department of Justice. Any violation of these provisions is punishable as a misdemeanor, as specified.

This bill would establish a framework to authorize intrastate Internet gambling, as specified. The bill would require the department to issue a request for proposals to enter into contracts with up to 3 hub operators, as defined, to provide lawful Internet gambling games to registered players in California for a period of 20 years, as specified.

The bill would provide that it would be unlawful for any person to make it a misdemeanor for any person to offer or play any gambling game provided over the Internet that is not authorized by the state pursuant to this bill. By creating a new crime, this bill would impose a state-mandated local program.

The bill would require a hub operator to ~~disperse at least 20% remit an agreed-upon percentage but no less than 10%~~, of its gross revenues to the Treasurer on a monthly basis.

The bill would also create the Internet Gambling Fund which would be administered by the Controller subject to annual appropriation by the Legislature, and which would not be subject to the formulas established by statute directing expenditures from the General Fund, for appropriation by the Legislature to state agencies ~~for purposes related to the bill, as specified.~~

Existing law provides that a statute that imposes a requirement that a state agency submit a periodic report to the Legislature is inoperative on a date 4 years after the date the first report is due.

This bill would require the commission, notwithstanding that requirement, in consultation with the department, Treasurer, and Franchise Tax Board, to issue a report to the Legislature describing the state's efforts to meet the policy goals articulated in this bill within one year of the effective date of this bill and, annually, thereafter.

The bill would also require the Bureau of State Audits, ~~at least 2 years before the expiration~~ *3 years after the commencement date* of any hub operations contract with the state, *but no later than 4 years after that date*, to issue a report to the Legislature detailing the bureau's implementation of this bill, as specified.

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.

~~The bill would make these provisions inoperative on January 1, 2017, and repeal them on that date unless a later enacted statute, that is enacted before January 1, 2017, deletes or extends that date.~~

This bill would declare that it is to take effect immediately as an urgency statute.

Vote: $\frac{2}{3}$. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes.

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

- 1 SECTION 1. Chapter 5.2 (commencing with Section 19990.01)
- 2 is added to Division 8 of the Business and Professions Code, to
- 3 read:

1 CHAPTER 5.2. THE INTERNET GAMBLING CONSUMER
2 PROTECTION AND PUBLIC-PRIVATE PARTNERSHIP ACT OF 2010
3

4 Article 1. Title, Legislative Declarations, and Statement of
5 Legislative Intent
6

7 19990.01. This act shall be known and may be cited as the
8 Internet Gambling Consumer Protection and Public-Private
9 Partnership Act of 2010.

10 19990.02. The Legislature hereby finds and declares all of the
11 following:

12 (a) Over 1.5 million Californians participate in illegal online
13 gambling on more than 600 unregulated gambling Internet Web
14 sites every week. These gambling Web sites are operated by
15 offshore operators that are not regulated by United States
16 authorities. As such, neither federal nor California laws provide
17 any consumer protections for California players. California players
18 assume all risks, any negative social or financial impacts are borne
19 by the citizens of California, and the revenues generated from
20 online ~~poker gambling~~ are being realized by offshore operators
21 and not providing any benefits to the citizens of California.

22 (b) The presence, operation, and expansion of offshore,
23 unlicensed, and unregulated gambling Web sites available to
24 Californians endangers Californians because the current gambling
25 Web sites operate illegally and without regulation as demonstrated
26 by criminal prosecutions of some Internet gambling purveyors,
27 and questions often arise about the honesty and the fairness of the
28 games played on these gambling Web sites as well as about the
29 true purpose for, and use of, proceeds generated by these
30 unregulated gambling Web sites.

31 (c) In October 2006, Congress passed the SAFE Port Act, to
32 increase the security of United States ports. Embedded within the
33 language of that bill was a section called the Unlawful Internet
34 Gambling Enforcement Act of 2006 (UIGEA), which prohibits
35 the use of banking instruments, including credit cards, checks, or
36 fund transfers, for interstate Internet gambling, essentially
37 ~~prohibiting the play of online real-money poker online gambling~~
38 ~~by United States citizens. UIGEA permits does include exceptions~~
39 ~~that permit individual states to create a regulatory framework to~~
40 ~~enable intrastate Internet play of games of real-money poker.~~

1 *gambling, provided the bets or wagers are made exclusively within*
2 *a single state, and whose state laws or regulations comply with*
3 *all of the following:*

4 *(1) Contain certain safeguards regarding those transactions,*
5 *including both of the following:*

6 *(A) Age and location verification requirements.*

7 *(B) Data security standards designed to prevent access to minors*
8 *and persons located outside of that state.*

9 *(2) Expressly authorize the bet or wager and the method by*
10 *which the bet or wager is made.*

11 *(3) Do not violate any federal gaming statutes, including all of*
12 *the following:*

13 *(A) The Interstate Horseracing Act of 1978.*

14 *(B) The Professional and Amateur Sports Protection Act.*

15 *(C) The Gambling Devices Transportation Act.*

16 *(D) The Indian Gaming Regulatory Act (IGRA).*

17 *(d) State ~~regulation~~ provision of Internet gambling consistent*
18 *with federal law provides California with the means to protect its*
19 *citizens and consumers under certain conditions by providing a*
20 *framework to ensure that, among other things, minors are prevented*
21 *from gambling, citizens participating in gambling activities are*
22 *protected, and the state is not deprived of income tax revenues to*
23 *which it would otherwise be entitled.*

24 *(e) The state currently maintains and implements substantial*
25 *regulatory and law enforcement efforts to protect thousands of*
26 *Californians who ~~play gamble and play~~, among other things,*
27 *real-money poker in licensed California cardrooms and tribal*
28 *government casinos, yet the state provides no licensing*
29 *requirements, regulatory structure, or law enforcement tools to*
30 *protect millions of Californians who play the same games daily*
31 *for money on the Internet.*

32 *(f) In order to protect the millions of Californians who gamble*
33 *online, allow state law enforcement to ensure consumer protection,*
34 *and to keep the revenues generated from Internet poker in*
35 *California, it is in the best interest of the state and its citizens to*
36 *authorize, implement, and create a legal system for intrastate*
37 *Internet gambling.*

38 *(g) The state's interests are best met by a ~~private-public~~*
39 *public-private partnership between the state and up to three hub*
40 *operators, the terms of which would facilitate meeting the important*

1 consumer protection interests of the state while ensuring, through
2 the success of the hub operators, that the state receives the benefits
3 of the contract as well as tax revenues that it would otherwise not
4 receive.

5 (h) The state's interests are best met by encouraging competition
6 among qualified hub operators with the technical expertise and
7 systems that comply with federal law, protect registered players,
8 and ensure that the state collects consideration under its contract
9 with the hub operators, personal income taxes owed by registered
10 players, ~~and corporate taxes from the earnings of hub operators,~~
11 ~~and property, employment, and sales and use taxes created from~~
12 ~~new businesses, jobs, and other economic inducements from the~~
13 ~~authorization, regulation, and control of Internet gambling.~~

14 (i) The Department of Justice, in conjunction with other state
15 agencies and private partners, has the expertise to evaluate the
16 qualifications of applicants and responses to a request for proposal
17 for intrastate Internet gambling ~~services, including those services~~
18 ~~that a hub operator will provide, and to enter into a contract with~~
19 ~~the best qualified and most responsive applicants to meet the needs~~
20 ~~of the state and its citizens.~~

21 (j) The authorization of intrastate Internet gambling pursuant
22 to these provisions does not violate the California Constitution or
23 interfere with any right under any compact between the state and
24 any federally recognized Indian tribe. Moreover, the authorization
25 and regulation of intrastate Internet gambling pursuant to these
26 provisions do not violate the exclusivity provisions of any compact
27 between the state and any federally recognized Indian tribe. Internet
28 gambling will take place throughout California on both tribal and
29 nontribal lands. Moreover, the facilities used in the provision of
30 Internet gambling are not slot machines or gaming devices as
31 defined in any of those compacts. While the Indian Gaming
32 Regulatory Act balanced the interests of three sovereigns, the state,
33 the tribes, and the federal government, UIGEA was designed to
34 balance the federal interest in secure financial transactions with
35 the state power to determine how online gambling should take
36 place within the states. Finally, application of UIGEA in California
37 does not violate federal Indian law by impinging upon protected
38 tribal sovereignty.

39 (k) Nothing in this chapter prohibits federally recognized Indian
40 tribes within California from participating in intrastate Internet

1 gambling pursuant to these provisions subject to the jurisdiction
2 of the state.

3 *(l) It is the intent of the Legislature to encourage the Governor,*
4 *immediately following enactment of this act, to enter into meet and*
5 *confer negotiations with interested tribal governments with*
6 *tribal-state gaming compacts with the state, to resolve the questions*
7 *related to tribal-gaming exclusivity, to ensure that the signatory*
8 *parties of compacts may exercise their rights under the compacts*
9 *in a timely manner and that the state may commence the*
10 *authorization of Internet gambling as provided by this act.*

11 19990.03. It is the intent of the Legislature to create a
12 contractual framework to:

13 (a) Ensure that authorized games are only offered for play in a
14 manner that is consistent with federal and state law.

15 (b) Authorize the Department of Justice, pursuant to a request
16 for proposal (RFP) seeking hub applicants issued consistent with
17 the terms and conditions in this chapter, to enter into a ~~five-year~~
18 *20-year* contract with up to three hub operators that meet the
19 background requirements and demonstrate the technical expertise
20 to ensure that wagering authorized by this chapter is only offered
21 to registered players who are physically present within the borders
22 of California at the time of play and who are 21 years of age or
23 older.

24 (c) Authorize the Department of Justice, ~~at the conclusion of~~
25 ~~the five-year term and subject to any amendments to this chapter,~~
26 *after any hub operator has been providing authorized games for*
27 *five years, and at any time thereafter, to do the following:*

28 ~~(1) Offer an extension of five years or more to any hub operator~~
29 ~~offering authorized games to registered players pursuant to this~~
30 ~~chapter.~~

31 *(1) Renegotiate the terms and conditions of the contracts with*
32 *the hub operators, based in large part on the report and*
33 *recommendations of the Bureau of State Audits to the Legislature*
34 *pursuant to Section 19990.96 with respect to all aspects of the hub*
35 *operator's operations, obligations, and economics, and offer*
36 *existing hub operators the opportunity to agree to these*
37 *modifications and continue in partnership with the state, subject*
38 *to the statutory approval of those terms and conditions by the*
39 *Legislature.*

(2) *If the Legislature statutorily approves the new contract terms and conditions related to the rights and obligations of the hub operators, the existing hub operators may continue in partnership with the state. If the existing hub operators decline to accept the new terms and conditions, the department may commence a new RFP process to award contracts to new hub operators.*

(3) *If the department recommends no changes to the terms and conditions of the contract, or if the Legislature does not approve any changes to the terms or conditions of the contract, the hub operators shall continue to operate under the existing terms and conditions of the contract, and the contract shall remain in force for the remainder of the term of the contract, or until those terms and conditions are subsequently renegotiated and are approved by the Legislature*

(2)

(4) Issue an RFP consistent with this chapter seeking additional hub applicants should the Legislature determine to increase the number of hub operators.

(d) Include all of the provisions in this chapter as terms of the contract between the state and ~~a~~ *each* hub operator subject to the enforcement provisions delineated in this chapter.

(e) Ensure that ~~a~~ *each* hub operator complies with federal and state laws and regulations.

(f) Grant power to the state agencies authorized in this chapter to oversee the operations of ~~any~~ *each* hub operator and to enforce the terms of the contract to ensure that the interests of the state and registered players are protected.

(g) Establish a process that includes a background check and requires that every employee of ~~any~~ *each* hub operator or subcontractor receives an Internet hub employee work permit from the state prior to gaining access to hub facilities.

(h) Ensure that the state is able to collect income tax revenues from registered players.

(i) Set contractual consideration to be paid by ~~a~~ *each* hub operator to the state without creating a tax or fee.

(j) Distribute contractual consideration collected by the state from ~~all hub operators~~ *each hub operator* to the Internet Gambling Fund, which shall be administered by the Controller subject to annual appropriation by the Legislature, and which shall not be

1 subject to the formulas established by law directing expenditures
2 from the General Fund, for the following:

3 (1) The actual costs of contractual oversight, consumer
4 protection, state regulation, and problem gaming programs.

5 (2) Other purposes related to this chapter as the Legislature may
6 decide.

7 (k) Create systems to protect each registered player's private
8 information and prevent fraud and identity theft.

9 (l) Ensure that registered players are able to have their financial
10 transactions processed in a secure and transparent fashion.

11 (m) Ensure that all applicable state agencies will have unfettered
12 access to the premises and records of ~~any~~ *each* hub operator to
13 ensure strict compliance with state ~~regulations~~ *law* concerning
14 credit authorization, account access, and other security provisions.

15 (n) Require that each hub operator provide registered players
16 with accessible customer service.

17 (o) Require that each hub operator's Internet Web site contain
18 information relating to problem gambling, including a telephone
19 number that an individual may call to seek information and
20 assistance for a potential gambling addiction.

21 (p) Require that ~~any~~ *each* hub operator and *all of* its
22 subcontractors be organized in California ~~and locate the hub and~~
23 ~~its facilities entirely within the state~~, without precluding foreign
24 entities from creating California subsidiaries for the purposes of
25 applying to become a California hub operator. *The hub, its*
26 *facilities, its bank accounts related to its intrastate online gaming*
27 *operations, and its registered players' bank accounts shall be*
28 *located entirely within the state.*

29 (q) Ensure that all Internet hub employees are physically present
30 in the state when working on or in hub facilities or when in contact
31 with registered players. *However, the hub operator shall have*
32 *discretion to use the expertise of personnel not physically present*
33 *in the state when necessary to protect registered players and state*
34 *interests, including, but not limited to, for the purposes of*
35 *diagnosing and addressing technological problems, investigating*
36 *fraud and collusion, and supervising software and configuration*
37 *changes.*

38 (r) Create an express exemption from disclosure, pursuant to
39 the Public Records Act under subdivision (b) of Section 6253 of
40 the Government Code, that exempts from public disclosure

1 proprietary information of a hub applicant or a hub operator ~~that~~
2 ~~will in order to~~ permit disclosure of confidential information to
3 state agencies while achieving the public policy goals of deploying
4 secure systems that protect the interests of the state and registered
5 players.

6 (s) Preserve the authority of the Legislature to opt out of, or opt
7 into, any federal framework for Internet gambling, or to enter into
8 any compact with other states to provide Internet gambling.

9 (t) As a matter of statewide concern, preempt any city, county,
10 or city and county from passing any law or ordinance regulating
11 or taxing any matter covered in this chapter.

12
13 Article 2. Definitions

14
15 19990.05. For the purpose of this chapter the following words
16 have the following meanings:

17 (a) “Accepted proposal” means a response by the state to an
18 RFP submitted by a hub applicant selecting that hub applicant to
19 become a hub operator.

20 ~~(b) “Affiliate” means any person or entity with more than a 5~~
21 ~~percent ownership interest in a hub operator, a hub applicant, or~~
22 ~~a subcontractor, or in which a hub operator, a hub applicant, or a~~
23 ~~subcontractor owns more than a 5 percent interest.~~

24 (c) “Authorized game” means a game played using a hub
25 pursuant to the explicit authority of the state or offered by a hub
26 operator ~~without objection as authorized~~ by the state.

27 ~~(d)~~
28 (c) “Background check” means a criminal history record check
29 and the electronic submission of fingerprints to the Department of
30 Justice and to the Federal Bureau of Investigation for national
31 processing.

32 (e)
33 (d) “Bet” means the placement of a wager in a game.

34 (f)
35 (e) “Commission” means the California Gambling Control
36 Commission.

37
38 (g)

1 (f) “Contract” means the agreement entered into between a hub
2 operator and the State of California pursuant to which a hub
3 operator provides authorized games for consideration to the state.

4 ~~(h)~~

5 (g) “Department” means the Department of Justice.

6 ~~(i) “Division” means the Division of Gambling Control of the~~
7 ~~Department of Justice.~~

8 ~~(j)~~

9 (h) “Finding of suitability” means a finding by the commission
10 that a person meets the qualification criteria described in Section
11 19990.23, and that the person would not be disqualified from being
12 a hub operator on any of the grounds specified in Section 19990.23.

13 ~~(k)~~

14 (i) “Gambling” means to deal, operate, carry on, conduct,
15 maintain, or expose for play any game *for money*.

16 ~~(l)~~

17 (j) “Game” means any gambling game.

18 ~~(m)~~

19 (k) “Gaming system” means the technology, including hardware
20 and software, used by a hub operator to facilitate the offering of
21 authorized games to registered ~~plays~~ *players*.

22 ~~(n)~~

23 (l) “Gross revenues” means the total amount of money ~~received~~
24 ~~by a hub operator from registered players for participation in~~
25 ~~authorized games. paid to a hub operator pursuant to activities~~
26 ~~authorized under this chapter. Gross revenues shall not include~~
27 ~~player deposits and wagers.~~

28 ~~(o)~~

29 (m) “Hub” means all facilities and software used to facilitate
30 activities delineated in this chapter.

31 ~~(p)~~

32 (n) “Hub applicant” means any person ~~or entity which~~ *that* has
33 submitted a proposal to enter into a contract with the state to
34 become a hub operator.

35 ~~(q)~~

36 (o) “Hub facility” means any physical area used by a hub
37 operator.

38 ~~(r)~~

1 (p) “Hub operator” means ~~an entity~~ *a person* that has a contract
2 with the state pursuant to which that ~~entity~~ *person* offers authorized
3 games to registered players on the Internet.

4 ~~(s)~~

5 (q) “Internet Gambling Fund” means the fund established
6 pursuant to this chapter for annual allocation by the Legislature.

7 ~~(t)~~

8 (r) “Internet hub employee” means any natural person employed
9 in, *or serving as a consultant or independent contractor with*
10 *respect to*, the operation of a hub by a hub operator or a
11 subcontractor.

12 ~~(u)~~

13 (s) “Internet hub employee work permit” means a permit issued
14 to an Internet hub employee by the commission after a background
15 ~~check by the division.~~ *investigation by the department.*

16 ~~(v) “Intrastate authorized games” means the playing of~~
17 ~~authorized games over the Internet by registered players who must~~
18 ~~be physically present within the borders of California at the time~~
19 ~~of play.~~

20 (t) “Intrastate” means *within the borders of California.*

21 ~~(w)~~

22 (u) “Land-based gaming entity” means a card club operated
23 pursuant to Chapter 5 (commencing with Section 19800) or a
24 casino operated by a federally recognized Indian tribe on Indian
25 land in California which provides any game for players on its
26 premises that is offered on a hub.

27 ~~(x)~~

28 (v) “Online self-exclusion form” means a form on which an
29 individual notifies a hub operator that she or he must be excluded
30 from participation in authorized games for a stated period of time.

31 (w) “Owner” means *any person who has a financial interest in*
32 *or control of a hub operator, subcontractor, or other entity*
33 *required to be found suitable under this chapter.*

34 ~~(y)~~

35 (x) “Per hand charge” means the amount charged by the hub
36 operator for registered players to play in a per hand game.

37 ~~(z)~~

38 (y) “Per hand game” means an authorized game for which the
39 hub operator charges the player for each hand.

1 (z) “Person” means an individual, corporation, business trust,
2 estate, trust, partnership, limited liability company, association,
3 joint venture, government, governmental subdivision, agency, or
4 instrumentality, public corporation, or any other legal or
5 commercial entity.

6 (aa) “Play settings” means the options and default parameters
7 made available by a hub operator to a registered player in the play
8 of authorized games.

9 (ab) “Proposal” means any and all submissions by a hub
10 applicant to the state prior to entering into a contract with the state.

11 (ac) “Proprietary information” means and includes all
12 information that, whether or not patentable or registerable under
13 patent, copyright, trademark, or similar statutes, (1) can be
14 protected as a trade secret under California law or any other
15 applicable state law, federal law, or foreign law, or (2) derives
16 independent economic value, actual or potential, from not being
17 generally known to the public or to other persons who can obtain
18 economic value from its disclosure or use. “Proprietary
19 information” includes, but is not limited to, computer programs,
20 databases, data, algorithms, formulae, expertise, improvements,
21 discoveries, concepts, inventions, developments, methods, designs,
22 analyses, drawings, techniques, strategies, new products, reports,
23 unpublished financial statements, budgets, projections, billing
24 practices, pricing data, contacts, client and supplier lists, and
25 business and marketing records, working papers, files, systems,
26 plans and data, and all registrations and applications related thereto.

27 (ad) “Registered player” means a player who has registered with
28 a hub operator to play authorized games.

29 (ae) “Registration information” means the information provided
30 by a person to a hub operator in order to become a registered
31 player.

32 (af) “RFP” means a request for proposal issued by the state.

33 (ag) “Robotic play” means the use of a machine by a registered
34 player to take the next action at any point in a game.

35 (ah) “State” means the State of California.

36 (ai) “Subcontractor” means any person or entity providing goods
37 or services to a hub operator in connection with the operation of
38 authorized games.

39 ~~(aj) “Table” means a physical table at which games are legally~~
40 ~~played at land-based gaming entities licensed in the state.~~

(ak) “Terms of Use Registered Player’s Agreement” means the agreement offered by a hub operator and accepted by a registered player delineating, among other things, permissible and impermissible activities on a hub and the consequences of engaging in impermissible activities.

(al) “Tournament” means a competition in which registered players play a series of authorized games to decide the winner.

(am) “Tournament charge” means the amount charged by the hub operator for registered players to play in a tournament.

(an) “Tournament winnings” means the amount of any prize awarded to a registered player in a tournament.

(ao) “Tribe” means a federally recognized Indian tribe, including, but not limited to, the governing body of that tribe or any entity that is an affiliate of that tribe.

Article 3. Legal Authorized Games Offered Over the Internet in California

19990.10. Under the Unlawful Internet Gambling Enforcement Act of 2006, California is permitted to authorize games as long as all players and the online wagering activities are located within the state and the games are not played by minors.

19990.11. Notwithstanding any other law, a person in California over 21 years of age is hereby permitted to participate as a registered player in an authorized game provided over the Internet by a hub operator as described in this chapter.

19990.12. (a) A person shall not offer any game on the Internet in this state unless that person holds a valid contract entered into with the state to offer authorized games as a hub operator pursuant to this chapter.

(b) It is unlawful for any person to *offer or* play any game provided on the Internet that is not authorized by the state pursuant to this chapter. *Any violation of this subdivision is punishable as a misdemeanor.*

~~(c)~~
19990.13. Chapter 5 (commencing with Section 19800) of Division 8 shall not apply to this chapter.

Article 4. Selection of a Hub Operator

1 19990.20. Consistent with this chapter ~~within _____ days of the~~
2 ~~operative date of this chapter~~, the department shall do the
3 following:

4 (a) Issue an RFP to enter into contracts with up to three hub
5 operators to provide lawful Internet games in California for a period
6 of ~~five~~ 20 years.

7 (b) Issue all rules governing the submission of proposals and
8 awarding of hub contracts consistent with this chapter.

9 (c) *Require that an authorized officer of a hub applicant execute*
10 *an undertaking that the proposal and any additional documents*
11 *submitted in response to a request by a state agency are truthful*
12 *and accurate subject to penalty of perjury.*

13 (d) *Adopt emergency regulations to implement this chapter.*

14 19990.21. A person shall not have an ownership interest in
15 more than one hub.

16 19990.22. (a) In issuing the RFP, the department shall clearly
17 and precisely describe how any hub applicant's proposal shall be
18 scored and the basis it will use to determine which proposal or
19 proposals it will accept.

20 (1) The department shall establish a minimum score that any
21 hub applicant must achieve in order to be qualified to receive an
22 offer for a state contract to become a hub operator.

23 (2) Factors to be considered in evaluating hub applicants shall
24 include, but are not limited to, quality, competence, experience,
25 past performance, efficiency, reliability, financial viability,
26 durability, adaptability, timely performance, integrity, security,
27 and the consideration promised to the state, *including a lump-sum*
28 *cash offer, and increasing the percentage of revenue sharing with*
29 *the state, up to, and including, 20 percent of the hub operator's*
30 *gross revenues.*

31 (3) In establishing scoring parameters for evaluation of all the
32 proposals and what weight should be given to the specific elements
33 within each hub applicant's proposal, the department's selection
34 criteria shall give preference to proposals that meet the following
35 criteria:

36 (A) Are most responsive.

37 (B) Are most qualified.

38 (C) *Provide the most revenue to the state.*

39 ~~(E)~~

(D) Have as a managing general partner or chief executive officer for the proposed hub operator either of the following:

(i) A holder of an owner license issued by the commission pursuant to subdivision (a) of Section 19851 of the Business and Professions Code who is in good standing at the time the hub applicant submits its proposal.

(ii) An official representative of the government of a federally recognized Indian tribe with a tribal-state gaming compact with the state.

(iii) *A thoroughbred, quarter horse, or harness association licensed by the California Horse Racing Board to conduct live horse racing meetings in California.*

~~(D)~~

(E) Have as a hub applicant or as a subcontractor or subcontractors a small business or microbusiness eligible to participate in the Small Business Procurement and Contract Act (Chapter 6.5 (commencing with Section 14835) of Part 5.5 of Division 3 of Title 2 of the Government Code).

~~(E)~~

(F) Have as a hub applicant or a subcontractor or subcontractors a disabled veteran business enterprise contractor, subcontractor, or supplier eligible to participate in the California Disabled Veteran Business Enterprise Program (Article 6 (commencing with Section 999) of Division 4 of the Military and Veterans Code).

~~(F)~~

(G) Propose to locate hub facilities in a distressed area designated by the Office of Planning and Research under the Target Area Contract Preference Act (Chapter 10.5 (commencing with Section 4530) of Division 5 of Title 1 of the Government Code), or the regulations promulgated under that act.

~~(G)~~

(H) Propose to locate hub facilities in a enterprise zone designated by the ~~State Trade and Commerce Agency~~ *Department of Housing and Community Development* pursuant to the Enterprise Zone Act (Chapter 12.8 (commencing with Section 7070) of Division 7 of Title 1 of the Government Code), or the regulations promulgated under that act.

~~(H)~~

(I) Propose to locate hub facilities in a military base area designated by the State Trade and Commerce Agency pursuant to

1 the Local Agency Military Base Recovery Area Act (Chapter 12.97
2 (commencing with Section 7105) of Division 7 of Title 1 of the
3 Government Code), or the regulations promulgated under that act.

4 (4) The department shall not have to comply with the provisions
5 of Section 12103.5 of the Public Contracts Code prior to issuing
6 the RFP.

7 (b) The department shall accept up to three proposals within
8 one year of the operative date of this chapter pursuant to its
9 determination of rules governing the awarding of a hub contract,
10 as described in Section 19990.20.

11 (c) A person ~~or entity~~, *and all subcontractors of that person*,
12 submitting a proposal to become a hub operator shall be a resident
13 of California or an entity organized in California and have all of
14 its hub facilities *and bank accounts related to intrastate online*
15 *gambling* in California.

16 (1) At all times, a hub applicant or hub operator shall be
17 domiciled in California and in good standing with the Secretary
18 of State and the Franchise Tax Board.

19 (2) All subcontractors of a hub applicant or a hub operator, or
20 otherwise providing goods or performing services in connection
21 with the operation of authorized games for the hub applicant, hub
22 operator, or any of its subcontractors, shall be subject to the
23 provisions of this subdivision. If a hub operator desires to enter
24 into an agreement with a person ~~or entity~~ to provide goods or
25 services in connection with the operation of authorized games,
26 that person ~~or entity~~ shall be subject to the provisions of this
27 subdivision and investigation and a finding of suitability as set
28 forth in Section 19990.23.

29 (d) In addition to any other confidentiality protections afforded
30 to applicants for state contracts, the state and its agencies shall
31 treat the proprietary information contained in any proposal of any
32 hub applicant as confidential to protect the hub applicant and to
33 protect the security of any prospective hub. Nothing in this chapter
34 prohibits the exchange of confidential information between or
35 among state agencies considering a proposal by a hub applicant
36 to become a hub operator. The confidentiality provisions in this
37 chapter shall exempt proprietary information supplied by a hub
38 applicant to a state agency from public disclosure consistent with
39 subdivision (b) of Section 6253 of the Government Code.

(e) At the time of its submission of a proposal and response to the RFP, a hub applicant shall pay a nonrefundable filing charge of ____ dollars (\$____) to be paid to the state and received by the department for the reasonably anticipated costs to be incurred by the state agencies to evaluate the proposal separate from costs associated with evaluating the suitability of a hub applicant.

(f) At the time of its submission of a proposal response to the RFP, any hub applicant shall post a bond payable to the state in the amount of ____ dollars (\$____).

(1) The bond shall be returned to the hub applicant if the commission finds that the hub applicant is not suitable to be a hub operator or if its proposal is not accepted by the department.

(2) Upon acceptance of a hub applicant's proposal and the granting of a contract to that applicant to operate a hub in the state, the bond shall become immediately due and owing to the state.

(3) Notwithstanding paragraph (1), if any documentation submitted by a hub applicant at the time the proposal is submitted or thereafter, including, but not limited to, the proposal or any additional documentation requested by a state agency in conjunction with evaluating the hub applicant's suitability to be a hub operator or other qualifications to be offered a contract with the state, contains materially false assertions, then the bond shall be forfeited, and the state shall retain all proceeds thereof.

(g) A federally recognized Indian tribe, including, but not limited to, the governing body of that tribe or any entity that is an affiliate of that tribe, that submits a proposal in response to the RFP issued by the department shall waive its sovereignty for the purpose of evaluation of its proposal. The proposal shall affirmatively declare that the hub applicant is subject to the state's jurisdiction as set forth in this chapter and in the rules adopted by state agencies. Any contract between the state and a federally recognized Indian tribe entered into to provide authorized games as a hub operator shall include that tribe's affirmative agreement, *in a form acceptable to the department*, to be subject to the jurisdiction of the state for all purposes under this chapter.

~~(h) A hub applicant may~~ *The department shall establish a process for a hub applicant to request to withdraw its proposal at any time prior to final action on the proposal submitted in response to the RFP by the filing of a written request to the department.*

19990.23. Prior to ~~In~~ considering any proposal submitted in response to the RFP, the department shall ~~send the proposal to the commission and the division to~~ review the hub applicant's suitability to be a hub operator.

~~(a) The commission and division shall conduct an investigation into the suitability of any hub applicant to be a hub operator and the commission shall issue findings of suitability to be a hub operator to the department within _____ days of the submission of the proposal. The investigation shall include the following entities and individuals:~~

(a) The department may establish a process to conduct a preliminary determination of suitability based on a partial investigation of hub applicants. The partial investigation is intended to screen out applicants who do not meet the suitability requirements of this chapter. The partial investigation shall include fingerprint-based state and federal criminal history checks, inquiries into various public databases regarding credit history and any civil litigation, and a review of the applicant's financial status, which shall include the required submission of income statements and balance sheets for the prior 12-month period. A full investigation shall be conducted of only those persons who pass partial investigation and who will undergo a full investigation pursuant to subdivision (c). Those applicants that do not pass the partial investigation may appeal the decision to the commission.

(b) The department shall conduct a full investigation into the suitability of any hub applicant to be a hub operator. The investigation shall include the following persons:

(1) The hub applicant and all of its subcontractors.

(2) All officers of a hub applicant and its subcontractors.

~~(3) Any employee, independent contractor, or other person with decisionmaking authority with respect to the hub applicant or any of its subcontractors.~~

~~(4)~~

(3) The owners of the following:

(A) A hub applicant.

(B) Any affiliate of the hub applicant.

(C) Any subcontractors of a hub applicant, or other persons ~~or entities~~ otherwise providing goods or performing services.

1 ~~(D) Any affiliate of a subcontractor of a hub applicant, or other~~
2 ~~persons or entities otherwise providing goods or performing~~
3 ~~services.~~

4 (c) (1) *A department-approved, independent forensic accounting*
5 *firm shall prepare a report on any applicant undergoing a full*
6 *investigation, in a form developed by the department, and at the*
7 *applicant's expense. The report shall include the financial*
8 *information necessary for the department to make a determination*
9 *of suitability, as specified in regulation adopted by the department*
10 *for this purpose.*

11 (2) *The department may, by regulation, specify additional*
12 *requirements regarding the contents of the report described in*
13 *paragraph (1) and any other financial information or*
14 *documentation required to be submitted with the application.*

15 ~~(b)~~

16 (d) *In addition to the filing charge and the bond paid at the time*
17 *of submitting a proposal response to the RFP pursuant to*
18 ~~subdivision (f) subdivisions (f) and (g), respectively, of Section~~
19 ~~19990.22, a hub applicant shall pay an additional nonrefundable~~
20 ~~charge of _____ dollars (\$____) charge, established by the~~
21 ~~commission, to be paid to the state and received by the division~~
22 ~~department to compensate the commission and the division~~
23 ~~department for the reasonably anticipated costs to be incurred by~~
24 ~~the commission and the division department to determine the~~
25 ~~suitability of the applicant to be a hub operator.~~

26 ~~(e)~~

27 (e) *The commission shall issue a finding of suitability for a hub*
28 *applicant to be a hub operator only if, based on all of the*
29 *information and documents submitted, and based upon the*
30 *recommendation of the division department, the commission is*
31 *satisfied that each of the individuals persons subject to*
32 *investigation pursuant to subdivision (a) this section is both of the*
33 *following:*

34 (1) *A person of good character, honesty, and integrity, or, if an*
35 *entity, in good standing in its jurisdiction of organization and in*
36 *all other jurisdictions in which it is qualified, or should be*
37 *qualified, to do business.*

38 (2) *A person whose prior activities, criminal record, if any,*
39 *reputation, habits, and associations do not pose a threat to the*
40 *public interest of this state, or to the effective regulation and control*

1 of controlled gambling, or create or enhance the dangers of
2 unsuitable, unfair, or illegal practices, methods, and activities in
3 the conduct of controlled gambling or in the carrying on of the
4 business and financial arrangements incidental thereto.

5 (f) *The commission shall find both of the following suitable to*
6 *become a hub operator:*

7 (1) *A holder of a current state gambling license to own or*
8 *operate a land-based gambling entity.*

9 (2) *A federally recognized Indian tribe operating a gambling*
10 *establishment pursuant to a tribal-state gaming compact.*

11 (d)

12 (g) The commission shall issue a finding that a hub applicant
13 is not suitable to be a hub operator if it finds that any ~~individual~~
14 ~~or entity~~ person subject to investigation pursuant to subdivision
15 (a):

16 (1) Fails to clearly establish eligibility and qualification in
17 accordance with this chapter.

18 (2) Fails to *timely* provide information, documentation, and
19 assurances required by this chapter or requested by the ~~commission~~
20 *department*, or, with respect to a hub applicant, fails to reveal any
21 fact material to qualification, or supplies information that is untrue
22 or misleading as to a material fact pertaining to the suitability
23 criteria.

24 (3) Has been convicted of a felony, including a conviction by
25 a federal court or a court in another state *or foreign jurisdiction*
26 for a crime that would constitute a felony if committed in
27 California.

28 (4) Has been convicted of any misdemeanor involving
29 dishonesty or moral turpitude within the 10-year period
30 immediately preceding the submission of the application, unless
31 the applicant has been granted relief pursuant to Section 1203.4,
32 1203.4a, or 1203.45 of the Penal Code. However, the granting of
33 relief pursuant to Section 1203.4, 1203.4a, or 1203.45 of the Penal
34 Code shall not constitute a limitation on the discretion of the
35 commission or affect the applicant's burden.

36 (5) Has associated with criminal profiteering activity or
37 organized crime, as defined in Section 186.2 of the Penal Code.

38 (6) Has contemptuously defied any legislative investigative
39 body, or other official investigative body of any state or of the
40 United States *or any foreign jurisdiction*, when that body is

engaged in the investigation of crimes relating to gambling, official corruption related to gambling activities, or criminal profiteering activity or organized crime, as defined in Section 186.2 of the Penal Code.

(7) Is less than 21 years of age.

~~(8) Offers games over the Internet in this state~~ *Has offered or allowed games to be played over the Internet for compensation in this state since the passage of the Unlawful Internet Gambling Enforcement Act of 2006* without a valid contract with the state to be a hub operator.

~~(e) The commission may find either a holder of a current state gambling license to own or operate a land-based gambling entity, or a federally recognized Indian tribe operating a gambling establishment pursuant to a tribal-state gaming compact, suitable to become a hub operator.~~

(h) The department shall request that the United States Department of Justice or any other federal agency or agency of a state other than California provide any information about any hub applicant or any of its subcontractors as part of its inquiry as to the suitability of a hub applicant to be a hub operator.

~~(f)~~

(i) The department shall reject the response to the RFP of any hub applicant which that the commission finds unsuitable to be a hub operator subject to the provisions of this section.

~~(1) If denial of the application is recommended, the commission~~ *department shall prepare and file written reasons upon which the recommendation is based with the department commission.*

~~(A) Prior to filing a recommendation with the department, the commission~~ *commission, the department shall meet with the applicant, or the applicant's duly authorized representative, and inform the applicant generally of the basis for any proposed recommendation that the application be denied, restricted, or conditioned.*

~~(B) This section neither requires the commission~~ *department to divulge to the applicant any confidential information received from any law enforcement agency or any information received from any person with assurances that the information would be maintained confidential, nor to divulge any information that might reveal the identity of any informer or jeopardize the safety of any person.*

1 (2) A recommendation of denial of an application shall be
2 without prejudice to a new and different application filed in
3 accordance with any rules adopted by the department with respect
4 to the submission of proposals.

5 19990.24. In addition to any other data that the RFP shall
6 request from hub applicants as a matter of law and to ensure that
7 any hub applicant is legally, technically, and financially qualified
8 to become a hub operator, the RFP shall request that any hub
9 applicant name, describe, or provide all of the following:

10 (a) The hub applicant's qualification and the qualifications of
11 its executives and Internet hub employees to receive an Internet
12 hub employee work permit as set forth in Section 19990.31.

13 (b) The hub applicant's experience and qualifications to provide
14 the services anticipated of a hub operator as set forth in ~~this article~~
15 *Article 5 (commencing with Section 19990.30)*.

16 (c) The names of all of the hub applicant's owners, executives,
17 and Internet hub employees as well as sufficient personally
18 identifiable information on each of those persons to conduct
19 background checks as required by the commission and the ~~division~~
20 *department*.

21 (d) The fingerprints of the owners, directors, managers,
22 executives, and Internet hub employees of the hub operator, its
23 affiliates, and subcontractors taken ~~in either a police station in the~~
24 ~~state or at a department office in the state.~~ *using live scan*
25 *technology*.

26 (e) Documentation and information relating to the hub applicant
27 and its direct and indirect owners, including, but not limited to, all
28 of the following:

29 (1) With respect to the hub applicant and any of its
30 subcontractors, proof of formation in California, including, as
31 applicable, articles of incorporation, articles of organization,
32 bylaws, operating agreement, partnership agreement, or other
33 ~~founding~~ *formation or charter* documents.

34 (2) Current and historical audited financial and accounting
35 records.

36 (3) Any and all documents relating to legal and regulatory
37 proceedings.

38 (4) Any and all documents relating to the hub applicant's
39 business history.

(5) Any and all documents relating to the nature and sources of the hub applicant's financing, including, but not limited to, operating agreements, partnership agreements, stock purchase agreements, pro forma cap tables, pro forma statements of profits and loss, investor rights agreements, voting agreements, and shareholder agreements, provided however, that these materials may be submitted subject to a request for confidentiality.

(6) Any and all documentation that demonstrates that the hub applicant is financially qualified to perform the obligations of a hub operator as described in this article.

(7) *An independent financial audit report by a certified public accountant.*

(f) Documentation and information relating to all proposed subcontractors of the hub applicant, including, but not limited to, all of the following:

(1) A description of the services to be provided by each subcontractor.

(2) Information for each subcontractor as set forth in subdivisions (b), (c), and (d).

(3) For subcontractors that are not formed in California, a commitment in writing by the subcontractor to create a California subsidiary prior to the commencement of authorized games provided by the hub operator. *The commitment required pursuant to this paragraph shall be subject to the cure provisions of Section 19990.61.*

(g) A description of the games and services the hub applicant proposes to offer to registered players.

(h) A description of how the hub facilities will accomplish the goals of this chapter, including, but not limited to:

(1) The hub's location within the state.

(2) The hub's security systems.

(i) The hub applicant's proposal for how it will facilitate compliance with all of the standards set forth in this chapter and federal law, including, but not limited to, Section 5362(10)(B) of Title 31 of the United States Code, including, but not limited to, all of the following:

(1) Age and location verification requirements reasonably designed to block access to minors and persons located out of state.

(2) Appropriate data security standards to prevent unauthorized access by any persons whose age and current location have not

1 been verified in accordance with this chapter and applicable
2 regulations.

3 (3) The requirement that the hub is located in California and all
4 bets are initiated and received or otherwise made exclusively within
5 California.

6 (j) The system requirements that the hub applicant plans to
7 implement to achieve the state's goals under the state's contract
8 with a hub operator, including, but not limited to:

9 (1) Connectivity.

10 (2) Hardware.

11 (3) Software.

12 (4) Antifraud systems.

13 (5) Virus prevention.

14 (6) Data protection.

15 (7) Access controls.

16 (8) Firewalls.

17 (9) Disaster recovery.

18 (10) Redundancy.

19 (11) Gaming systems, including, but not limited to, hardware
20 and software that ensure all of the following:

21 (A) The games are legal.

22 (B) The games are independent and fair and played by live
23 persons.

24 (C) Game and betting rules are available to all registered players.

25 (D) All data used for the conduct of each game is randomly
26 generated and unpredictable.

27 (12) Accounting systems, including but not limited to, those for
28 any of the following:

29 (A) Registered player accounts.

30 (B) Per hand charges.

31 (C) Transparency and reporting to all state agencies.

32 (D) Distribution of funds, pursuant to the contract and this
33 chapter, to the state and registered players.

34 (E) Ongoing auditing.

35 (13) Hub facility security systems to protect the hub from either
36 internal or external threats.

37 (k) The hub applicant's proposal to facilitate the functions of
38 the state agencies with jurisdiction over aspects of the hub's
39 operations, including, but not limited to, all of the following:

40 (1) The ~~division~~ department.

1 (2) The commission.

2 (3) The Treasurer.

3 (4) The Franchise Tax Board.

4 (l) *An acknowledgment by the hub applicant that the contract*
5 *between the hub operator and the state may be modified by the*
6 *state after five years, and at any time thereafter, at which point*
7 *the hub operator may either agree to be subject to that modification*
8 *or terminate the contract.*

9 (t)

10 (m) In addition to demonstrating that the hub applicant is legally,
11 technically, and financially qualified to become a hub operator, a
12 hub applicant's proposal in response to the RFP shall describe how
13 it will comply with all contractual obligations as provided in this
14 chapter.

15 ~~19990.245.~~

16 19990.24.5. (a) A holder of an owner license issued by the
17 commission pursuant to subdivision (a) of Section 19851 who is
18 in good standing at the time the hub applicant submits its proposal
19 shall not be deemed unqualified to operate a land-based gambling
20 entity by reason of an investment in a hub applicant or a hub
21 operator.

22 (b) An official representative of the government of a federally
23 recognized Indian tribe with a tribal-state gaming compact with
24 the state shall not be deemed unqualified to operate a land-based
25 gambling entity by reason of an investment in a hub applicant or
26 a hub operator.

27 (c) ~~A person or entity who is a hub operator~~ *Notwithstanding*
28 *Chapter 5 (commencing with Section 19800), a person who is a*
29 *hub operator that is operating lawfully in another state is eligible*
30 *to become a hub operator in California.*

31 19990.25. The department, after considering the contents of
32 the proposal, the recommendation of the commission, and any
33 other written comments, shall apply the scoring standard released
34 in issuing the RFP pursuant to Section 19990.22 and shall either
35 deny a proposal or offer to enter into contract with a qualified hub
36 applicant.

37 (a) The department shall determine that a hub applicant is
38 qualified to receive an offer to become a hub operator if both of
39 the following conditions are met:

1 (1) The hub applicant's proposal exceeds the minimum scoring
2 standards established by Section 19990.22.

3 (2) The hub applicant's proposal is among the three highest
4 scoring proposals submitted by all hub applicants.

5 (b) When the department offers to enter into a contract with a
6 hub applicant, the department shall transmit the offer in writing
7 to the hub applicant. The offer may limit or place restrictions that
8 vary from the proposal as may be deemed necessary in the public
9 interest, consistent with the policies described in this chapter.

10 (c) In order for the hub applicant to accept an offer, it shall
11 respond in writing to the department within 10 days.

12 (d) Acceptance of the offer shall create a binding contract
13 between the state and the hub applicant.

14 (e) If the department does not offer a hub applicant a contract
15 with the state, the department shall prepare and issue a detailed
16 statement of the department's reasons.

17 (f) A hub applicant whose proposal has not led to an offer from
18 the department may bring an action to appeal that decision to the
19 ~~Office of Administrative Hearings~~ *to the Superior Court of the*
20 *County of Sacramento. The decision of the Superior Court of the*
21 *County of Sacramento is not appealable. No remedy other than*
22 *an injunction is available pursuant to this subdivision.*

23 (g) ~~The Superior Court of the County of Sacramento shall~~
24 ~~uphold the decision by the department shall be upheld by the Office~~
25 ~~of Administrative Hearings~~ if there is any substantial evidence to
26 support the department's decision to deny the hub applicant's
27 proposal.

28 ~~(h) In the event that the Office of Administrative Hearings finds~~

29 *(h) If the Superior Court of the County of Sacramento finds for*
30 *the hub applicant, it shall return the proposal to the department for*
31 *action consistent with the decision of the* ~~Office of Administrative~~
32 ~~Hearings~~ *court.*

33 19990.26. (a) ~~At least two years prior to the expiration three~~
34 ~~years after the commencement date of any hub operator's contract~~
35 ~~with the state, but no later than four years after that date, the~~
36 ~~Bureau of State Audits shall issue a report to the Legislature~~
37 ~~consistent with Section 19990.96. The department shall consider~~
38 ~~the recommendations in the report and any other information~~
39 ~~available to the department in negotiating new or modified contract~~
40 ~~terms and conditions with hub operators. The Legislature may~~

consider whether to amend the statutes that govern the terms and conditions of the hub operator's contract with the state contained in Article 5 (commencing with Section 19990.30) before the ~~expiration~~ *commencement of the sixth year* of the contracts with hub operators.

(b) In the event that the Legislature amends the provisions of Article 5 (commencing with Section 19990.30) that govern a contract between the state and a hub operator, the department shall offer an existing hub operator a ~~new contract for five years or more~~ *modification of its existing contract* under the new terms and conditions in accordance with statutory changes approved by the Legislature pursuant to this section. A hub operator shall indicate whether it accepts the new contract within 30 days of receiving the offer from the department. A hub operator's acceptance of the department's offer shall ~~create a binding~~ *modify the* contract between the hub operator and the state *for the remaining term of the contract*.

(c) *If the Legislature does not amend the terms and conditions that govern the contract between the state and a hub operator set forth in Article 5 (commencing with Section 19990.30), all existing contracts shall remain in force for the remaining term of the contract, or until those terms and conditions are subsequently modified by the Legislature.*

19990.27. In the event that the Legislature authorizes the department to issue an RFP for an additional hub operator or hub operators, the department shall solicit proposals from new hub applicants to enter into a contract with the state for ____-year terms. In establishing scoring parameters for evaluation of all the proposals and what weight should be given to the specific elements within each hub applicant's proposal, the department's selection criteria shall be consistent with ~~the amendments adopted this chapter and any amendments~~ to this chapter.

19990.28. At least one year prior to the expiration of a hub operator's contract with the state issued pursuant to Section ~~19990.25~~ 19990.26, or as a result of the RFP process established pursuant to Section ~~19990.22~~ 19990.27, the department shall issue an RFP to solicit proposals from hub applicants to enter into a contract with the state for a ~~____-year~~ *15-year* term. In establishing scoring parameters for evaluation of all the proposals and what weight should be given to the specific elements within each hub

1 applicant's proposal, the department's selection criteria shall give
2 preference to proposals from an existing hub operator in
3 compliance with its contractual obligations.

4
5 Article 5. Rights and Obligations of a Hub Operator
6

7 19990.30. A hub operator shall comply with the terms of its
8 contract with the state.

9 (a) An accepted proposal agreed to by the department and any
10 hub applicant shall govern interpretation of the contract entered
11 into between the state and a hub operator.

12 (b) ~~Subject to state and federal law, a~~ A contract may be
13 amended by mutual agreement of the department and a hub
14 operator.

15 (c) In the event of an act by the Legislature that amends this
16 chapter and is adopted after the terms of a contract between the
17 state and any hub operator are established, a hub operator may
18 declare the contract void within 60 days of the effective date of
19 the amendment. If a hub operator does not make that declaration,
20 it agrees to be bound by those amendments to this chapter.

21 (d) In the event of commercial infeasibility created by a change
22 in federal law rendering the provision of intrastate Internet gaming
23 services illegal or some other event, a hub operator may abandon
24 its contract after providing the department with 90 days advance
25 notice of its intent to end the contract and a statement explaining
26 its interpretation that continuing to provide services under the
27 contract is commercially infeasible. In response to notice provided
28 by the hub operator under this subdivision, the state may file an
29 action in the Superior Court of the County of Sacramento as it
30 deems necessary to protect any state interests, including, but not
31 limited to, the interests of registered players.

32 (e) In the event that any dispute arises between the parties to
33 the contract, either the department or a hub operator may file an
34 action in the superior court of any county in which the ~~Attorney~~
35 ~~General~~ department has an office for an interpretation of the
36 contract and the rights and responsibilities of the *state and the hub*
37 *operator pursuant to the contract*.

38 19990.31. Prior to initiating operations and thereafter, a hub
39 operator shall ensure that every Internet hub employee has been
40 issued an Internet hub employee work permit by the commission

1 ~~prior to having access to the hub facilities., pursuant to standards~~
2 ~~adopted by the commission, prior to that person having access to~~
3 ~~the hub facilities. The permit shall be renewed every two years.~~

4 ~~(a) A hub operator shall ensure that every person, who, as an~~
5 ~~employee of the hub operator, whether for hire or not, either solely~~
6 ~~or in conjunction with others, deals, operates, carries on, conducts,~~
7 ~~maintains, or exposes for play any authorized game in this state,~~
8 ~~shall apply for and obtain from the commission, and shall thereafter~~
9 ~~maintain, a valid Internet hub employee work permit, in the case~~
10 ~~of Internet hub employees, or work permit, otherwise.~~

11 ~~(b)~~
12 (a) No Internet hub employee work permit shall be issued to
13 any person unless, based on all of the information and documents
14 submitted, the commission is satisfied that the applicant is, *at a*
15 *minimum*, all of the following:

16 (1) A person of good character, honesty, and integrity.
17 (2) A person whose prior activities, criminal record, if any,
18 reputation, habits, and associations do not pose a threat to the
19 public interest of this state, or to the effective regulation and control
20 of controlled gambling, or create or enhance the dangers of
21 unsuitable, unfair, or illegal practices, methods, and activities in
22 the conduct of controlled gambling or in the carrying on of the
23 incidental business and financial arrangements.

24 (3) A person who is in all other respects qualified to hold an
25 Internet hub employee work permit as provided in this chapter.

26 ~~(c)~~
27 (b) The commission shall disqualify an applicant for ~~a~~ *an*
28 Internet hub employee work permit for any of the following
29 reasons:

30 (1) Failure of the applicant to clearly establish eligibility and
31 qualification in accordance with this chapter.

32 (2) Failure of the applicant to provide *timely* information,
33 documentation, and assurances required by this chapter or requested
34 by any state official, or failure of the applicant to reveal any fact
35 material to the qualification, or the supplying of information that
36 is untrue or misleading as to a material fact pertaining to the
37 qualification criteria.

38 (3) Conviction of a felony, including a conviction by a federal
39 court or a court in another state for a crime that would constitute
40 a felony if committed in California.

(4) Conviction of the applicant for any misdemeanor involving dishonesty or moral turpitude within the 10-year period immediately preceding the submission of the application, unless the applicant has been granted relief pursuant to Section 1203.4, 1203.4a, or 1203.45 of the Penal Code. However, the granting of relief pursuant to Section 1203.4, 1203.4a, or 1203.45 of the Penal Code shall not constitute a limitation on the discretion of the commission or affect the applicant's burden under subdivision (b).

(5) Association of the applicant with criminal profiteering activity or organized crime, as defined by Section 186.2 of the Penal Code.

(6) Contemptuous defiance by the applicant of any legislative investigative body, or other official investigative body of any state or of the United States, when that body is engaged in the investigation of crimes relating to gambling, official corruption related to gambling activities, or criminal profiteering activity or organized crime, as defined by Section 186.2 of the Penal Code.

(7) The applicant is less than 21 years of age.

~~(d)~~

(c) A hub operator shall apply for an Internet hub employee work permit on behalf of each Internet hub employee.

~~(e)~~

(d) A person shall not be issued an Internet hub employee work permit unless the person ~~would qualify to be the owner of a hub operator, as specified in Section 19990.23.~~ *meets the qualification standards adopted by the commission.*

~~(f)~~

(e) The commission shall establish a fee to be paid by a hub operator in submitting applications for Internet hub employee work permits on behalf of those hub operators' employees. *The commission shall establish processes for the revocation or suspension of a gambling license or Internet hub employee work permit, and to withdraw an application for a gambling license or Internet hub employee work permit.*

~~(g)~~

(f) A hub operator, ~~affiliate,~~ or subcontractor of a hub operator shall not enter into, without prior approval of the department, any contract or agreement with a person who is denied a gambling license pursuant to Chapter 5 (commencing with Section 19850) or Internet hub employee work permit, or whose gambling license

or Internet hub employee work permit is suspended or revoked by the commission or department, or with any business enterprise under the control of that person, after the date of receipt of notice of the commission's or department's action.

(h)

(g) A hub operator, ~~affiliate~~, or subcontractor of a hub operator shall not employ, without prior approval of the commission, any person in any capacity for which he or she is required to have an Internet hub employee work permit, if the person has been denied an Internet hub employee work permit or a gambling license pursuant to Chapter 5 (commencing with Section 19850) or if his or her Internet hub employee work permit or gambling license has been suspended or revoked after the date of receipt of notice of the action by the commission. A hub operator or subcontractor of a hub operator shall not enter into a contract or agreement with a person whose application for an Internet hub employee work permit or gambling license has been withdrawn with prejudice, or with any business enterprise under the control of that person, for the period of time during which the person is prohibited from filing a new application for an Internet hub employee work permit or gambling license.

(i)

(h) If an employee who is required to hold an Internet hub employee work permit pursuant to this chapter is denied an Internet hub employee work permit, or has his or her Internet hub employee work permit revoked by the commission or department, the employee shall be terminated in any ~~capacity in which the employee is required to hold an Internet hub employee work permit and the capacity~~. The employee shall not be permitted to exercise a significant influence over the gambling operation, or any part thereof, upon ~~being notified~~ *notification to the hub operator* of that action.

(1) If an employee who is required to hold an Internet hub employee work permit pursuant to this chapter has his or her Internet hub employee work permit suspended, the employee shall be suspended in any ~~capacity in which he or she is required to hold an Internet hub employee work permit and shall not be capacity~~. *The employee shall not be* permitted to exercise a significant influence over the gambling operation, or any part thereof, during

1 the period of suspension, upon ~~being notified~~ *notification to the*
2 *hub operator* of that action.

3 (2) If a hub operator, ~~affiliate~~, or subcontractor of a hub operator
4 designates another employee to replace the employee whose
5 employment was terminated *or suspended*, the hub operator or
6 subcontractor shall promptly notify the department and shall apply
7 for an Internet hub employee work permit on behalf of the newly
8 designated employee.

9 (j)

10 (i) A hub operator, ~~affiliate~~, or subcontractor of a hub operator
11 shall not pay to a person whose employment has been terminated
12 pursuant to subdivision (i) any remuneration for any service
13 performed in any capacity in which the person is required to hold
14 an Internet hub employee work permit, except for amounts due
15 for services rendered before the date of receipt of notice of the
16 commission's or department's action of suspension or termination.
17 A hub operator, ~~affiliate~~, or subcontractor of a hub operator *shall*
18 *not*, during the period of suspension, ~~shall not~~ pay to a person
19 whose employment has been suspended pursuant to subdivision
20 (i), any remuneration for any service performed in any capacity
21 in which the person is required to hold an Internet hub employee
22 work permit, except for amounts due for services rendered before
23 the date of receipt of notice of the commission's or department's
24 action.

25 (k)

26 (j) Except as provided in subdivision (i), a contract or agreement
27 for the provision of services or property to a hub operator, ~~affiliate~~,
28 ~~or subcontractor of an affiliate or subcontractor~~ or for the conduct
29 of any activity pertaining to the operation of a hub, which is to be
30 performed by a person required by this chapter or by regulations
31 adopted pursuant to this chapter, to hold an Internet hub employee
32 work permit, shall be terminated upon a suspension or revocation
33 of the person's Internet hub employee work permit.

34 (l)

35 (k) In any case in which a contract or agreement for the provision
36 of services or property to a hub operator or an affiliate thereof, or
37 for the conduct of any activity at a hub, is to be performed by a
38 person required by this chapter or by regulations adopted by the
39 commission to hold an Internet hub employee work permit, the
40 contract shall be deemed to include a provision for its termination

without liability on the part of the hub operator, affiliate, or subcontractor ~~or its duly registered holding company~~ upon a suspension or revocation of the person's Internet hub employee work permit. In any action brought by the ~~division~~ department or commission to terminate a contract pursuant to subdivision (k) or this subdivision, it shall not be a defense that the agreement does not expressly include the provision described in this subdivision, and the lack of express inclusion of the provision in the agreement shall not be a basis for enforcement of the contract by a party thereto.

(m)

(l) If a hub operator does not comply with the contractual obligations of this section, the department may impose liquidated damages of not more than ____ dollars (\$____) per occurrence. In the event that a hub operator negligently, willfully, or wantonly fails to comply with this contractual obligation, the department may initiate an enforcement action and subject a hub operator to ____ dollars (\$____) in liquidated damages and may begin proceedings to suspend or revoke a hub operator's contract.

19990.32. The hub operator shall be responsible for providing current and accurate documentation on a timely basis to all state agencies as provided in this chapter.

(a) In addition to any other confidentiality protections provided to ~~entities~~ persons that are in contract with the state, the state and its agencies shall treat the proprietary information provided by a hub operator as confidential to protect the hub operator and to protect the security of the hub.

(b) The confidentiality provisions of this chapter exempt proprietary information supplied by a hub operator to a state agency from public disclosure consistent with subdivision (b) of Section 6253 of the Government Code.

19990.33. (a) ~~Changes in ownership or interest of an affiliate of 5 percent or more of the stock or other equity in the hub operator or any affiliate shall be approved by the department and the~~ *in the hub operator shall be approved by the* commission prior to the closing of any proposed transaction.

(b) ~~The department and the commission~~ shall investigate to ensure that any ~~entity~~ person acquiring interest in a hub operator is suitable and otherwise financially, technically, and legally qualified to be a hub operator consistent with the provisions of

1 this chapter. ~~This investigation shall be concluded within 90 days~~
2 ~~of the receipt of notice by the department and the commission. In~~
3 ~~the event that~~ If an acquiring entity person is found to be unsuitable
4 to be a hub operator or otherwise not financially, technically, and
5 legally qualified to be a hub operator, the hub operator or the
6 acquiring entity person may challenge that determination consistent
7 with subdivision (f) of Section 19990.25.

8 (c) ~~A change in ownership or interest of a hub operator of less~~
9 ~~than 5 percent shall be reported to the department and the~~
10 ~~commission within 20 days after the change, unless that change~~
11 ~~results in a cumulative total of 5 percent or more and requires~~
12 ~~compliance with subdivision (a). The department and commission~~
13 ~~may then conduct an investigation to ensure that the hub operator's~~
14 ~~contract with the state is properly updated to show the change in~~
15 ~~ownership or interest, or that the person is suitable pursuant to the~~
16 ~~requirements in this chapter.~~

17 19990.34. All facilities, software, *including downloadable*
18 *programs*, and any and all other property, both tangible and
19 intangible, used by the hub operator in offering authorized games
20 shall be the property of a hub operator or its subcontractors, *and*
21 *shall be approved by the department.*

22 19990.35. A hub operator shall ensure that registered players
23 are eligible to play authorized games and implement appropriate
24 data security standards to prevent access by a person whose age
25 and location has not been verified in accordance with this chapter.

26 (a) All registered players must be physically located within the
27 State of California at the time of gambling.

28 (b) No registered player may be less than 21 years of age.

29 (1) *Online games shall not be provided, directly or indirectly,*
30 *to any person under 21 years of age.*

31 (2) *Each hub operator shall do all of the following:*

32 (A) *Prior to registering a person as a registered player or*
33 *permitting a person to play an authorized game, the hub operator*
34 *shall verify that the person is 21 years of age or older. The hub*
35 *operator or seller shall attempt to match the name, address, and*
36 *date of birth provided by the person to information contained in*
37 *records in a database of individuals who have been verified to be*
38 *21 years of age or older by reference to an appropriate database*
39 *of government records. The hub operator also shall verify that the*

1 *billing address on the check or credit card offered for payment by*
2 *the person matches the address listed in the database.*

3 *(B) If the hub operator is unable to verify that the person is 21*
4 *years of age or older pursuant to subparagraph (A), the hub*
5 *operator shall require the person to submit an age-verification kit*
6 *consisting of an attestation signed by the person that he or she is*
7 *21 years of age or older and a copy of a valid form of government*
8 *identification. For the purposes of this section, a valid form of*
9 *government identification includes a driver's license, state*
10 *identification card, passport, official naturalization or immigration*
11 *document, such as an alien registration receipt card or an*
12 *immigrant visa, or military identification. The hub operator also*
13 *shall verify that the billing address on the check or credit card*
14 *provided by the person matches the address listed in the*
15 *government identification.*

16 *(C) The hub operator shall not permit registered players to*
17 *make payments by money order or cash. The hub operator shall*
18 *submit to each credit card company with which it has credit card*
19 *sales, information in an appropriate form and format so that the*
20 *words "Internet gambling" may be printed on the purchaser's*
21 *credit card statement when a payment to a hub operator is made*
22 *by credit card payment.*

23 *(3) If a hub operator complies with the requirements of*
24 *paragraph (2), and a person under 21 years of age participates*
25 *in an authorized game provided by the hub operator, the hub*
26 *operator is not in violation of this section.*

27 *(4) The department may assess civil penalties against a person*
28 *that violates this section, according to the following schedule:*

29 *(A) Not less than one thousand dollars (\$1,000) and not more*
30 *than two thousand dollars (\$2,000) for the first violation.*

31 *(B) Not less than two thousand five hundred dollars (\$2,500)*
32 *and not more than three thousand five hundred dollars (\$3,500)*
33 *for the second violation.*

34 *(C) Not less than four thousand dollars (\$4,000) and not more*
35 *than five thousand dollars (\$5,000) for the third violation.*

36 *(D) Not less than five thousand five hundred dollars (\$5,500)*
37 *and not more than six thousand five hundred dollars (\$6,500) for*
38 *the fourth violation.*

39 *(E) Ten thousand dollars (\$10,000) for a fifth or subsequent*
40 *violation.*

1 (c) ~~A hub operator shall~~ *The commission shall, by regulation,*
2 *provide a process for a hub operator to* exclude from play any
3 person who has filled out an Online Self-Exclusion Form.

4 (1) The commission shall develop an Online Self-Exclusion
5 Form and deliver it to the ~~Department of Justice~~ *department* within
6 six months of the effective date of this chapter.

7 (2) The ~~Department of Justice~~ *department* shall deliver the form
8 to each hub operator.

9 (3) A hub operator shall prominently display a link to the
10 commission's Responsible Gaming site and the Online
11 Self-Exclusion Form on the Web page that is displayed when either
12 of the following apply:

13 (A) A person registers as a registered player.

14 (B) ~~A registered player first~~ *Each time a registered player*
15 accesses the Web site of the hub prior to playing.

16 (4) A hub operator shall retain the Online Self-Exclusion Form
17 to identify persons who want to be excluded from play.

18 (5) No hub operator that has ~~complied~~ *made commercially*
19 *reasonable efforts to comply* with this subdivision shall be held
20 liable in any way if a person who has filled out an Online
21 Self-Exclusion Form plays despite that person's request to be
22 excluded.

23 19990.36. A hub operator shall only offer games and process
24 bets in accordance with the specified game and betting rules
25 established by the hub operator and approved by the ~~division with~~
26 ~~input from the commission~~ *department* consistent with Section
27 19990.37.

28 19990.37. A hub operator shall only provide authorized games
29 approved by the ~~division~~ *department*.

30 (a) In order to propose a game for play, a hub operator shall
31 provide the ~~division and the commission with all~~ *department with*
32 *both* of the following:

33 (1) ~~A description of the game and the~~ *Game rules and* betting
34 rules it proposes to offer to registered players.

35 (2) ~~A legal opinion explaining how the game complies with~~
36 ~~federal and state laws and how the game is not a violation of~~
37 ~~tribal-state gaming compacts.~~

38 (3)

39 (2) Documentation relating to development and testing of the
40 game's software.

~~(b) The division shall consult with the commission on whether a proposed game is authorized under this section.~~

~~(c) If the division does not object to the proposal within _____ days, a hub operator may offer the game to registered players.~~

~~(d) Only the division may object to the offering of a game to registered players or file an action to prevent that offering.~~

(b) The department shall approve the game rules and betting rules before a hub operator may offer the game to registered players.

19990.38. A hub operator shall ensure that games are fair.

(a) The gaming system shall display for each game the following information:

(1) The name of the game.

(2) Any restrictions on play.

(3) The rules of the game.

(4) All instructions on how to play.

(5) The unit and total bets permitted.

(6) The registered player's current account balance which shall be updated in real time.

(7) Any other information that a hub operator determines is necessary for the registered player to have in real time to compete fairly in the game.

~~(b) Game results shall be unpredictable.~~

~~(1)~~

(b) Data used to create game results shall be unpredictable so that it is infeasible to predict the next occurrence in a game, given complete knowledge of the algorithm or hardware generating the sequence and all previously generated numbers.

~~(2) The game or any game event outcome shall not be affected by the effective bandwidth, link utilization, bit error rate, or other characteristic of the communications channel between the gaming system and the playing device used by the player.~~

(c) A hub operator shall deploy controls and technology to minimize fraud or cheating through collusion, including external exchange of information between different players, robotic play, or any other means.

(1) If a hub operator becomes aware that fraud or cheating is taking place or has taken place, it shall take steps to stop those activities immediately and inform the ~~State Chief Information Officer and the division~~ department of all relevant facts.

1 (2) The department may not ~~bring an action for~~ *impose*
2 *liquidated* damages against a hub operator to prevent fraud or
3 cheating if a hub operator can demonstrate that it acted responsibly
4 to prevent those activities as soon as a hub operator became aware
5 of them.

6 (d) ~~In the event that a per-hand game, if~~ the gaming server or
7 software does not allow a game to be completed, the game shall
8 be void and all funds relating to the incomplete game shall be
9 returned to the registered player's account.

10 (e) *In a tournament, if the gaming server or software does not*
11 *allow the tournament to be completed, all prize money will be*
12 *distributed among players in accordance with the procedure*
13 *published by the hub operator prior to the commencement of the*
14 *tournament.*

15 19990.39. A hub operator shall register players and establish
16 player accounts prior to play.

17 (a) A person shall not participate in any game provided by a
18 hub operator unless the person is a registered player and holds an
19 account.

20 (b) Accounts shall be established in person, by mail, telephone,
21 or by any electronic means.

22 (c) To register and establish an account, a person shall provide
23 the following registration information:

24 (1) First name and surname.

25 (2) Principal residence address.

26 (3) Telephone number.

27 (4) Social security number.

28 (5) Identification or certification to prove that person is at least
29 21 years of age.

30 (6) Valid e-mail address.

31 (d) A hub operator shall provide registered players with the
32 means to update the registration information provided to the hub
33 operator.

34 (e) *Nothing in this section shall prevent a hub operator from*
35 *entering into a marketing agreement with any third party to recruit*
36 *people to become registered players if the registration process*
37 *described in this section is under the sole control of the hub*
38 *operator.*

1 19990.40. A hub operator shall provide a means for registered
2 players to put funds into a registered player account and transfer
3 funds out of that account.

4 (a) A registered player shall identify the source of funds to be
5 used to put money into the account established once the registration
6 process is complete, and a hub operator shall provide a means for
7 a registered player to transfer money into and out of the player's
8 hub account.

9 (b) At the time of establishing a hub account, a registered player
10 shall designate the bank account into which funds from the
11 registered player's hub account are to be transferred.

12 (c) A registered player shall establish only one account on any
13 hub.

14 (d) While playing an authorized game, *a hub operator shall not*
15 *permit* a registered player ~~shall not~~ to increase the amount of money
16 in that registered player's account after that ~~game~~ *hand* has started
17 and before its completion.

18 (e) A hub operator shall maintain records on the balance of each
19 registered player's account.

20 (f) A hub operator shall not permit a registered player to place
21 a wager unless the registered player's account has sufficient funds
22 to cover the amount of the wager.

23 (g) A hub operator shall not provide credit to a registered
24 player's account or act as agent for a credit provider to facilitate
25 the provision of funds.

26 (h) No interest shall be paid by a hub operator with respect to
27 registered player accounts.

28 19990.41. A hub operator shall segregate funds it holds in all
29 registered player accounts from all of its other assets.

30 (a) A hub operator shall not commingle funds in the segregated
31 account containing funds paid by registered players with any other
32 funds held by the hub operator. *Both the accounts of the hub*
33 *operator and its segregated registered player accounts shall be*
34 *held in financial institutions located in the state.*

35 (b) Funds held in a registered player's account shall only be
36 used for the following purposes:

37 (1) To pay per hand or tournament charges owed by a registered
38 player to the hub operator for play of authorized games.

1 (2) To transfer funds from one registered player's account to
2 the account of another registered player to reconcile the result of
3 a loss in the play of an authorized game.

4 (3) To transfer funds from a registered player's account to a
5 temporary account to be held by a hub operator pending the
6 outcome of an authorized game.

7 (4) To remit tax proceeds due and owing from a registered player
8 to the Franchise Tax Board, ~~at the option of the player.~~

9 (5) To transfer funds from a registered player's account with
10 the hub operator to an account specified by a registered player
11 upon that registered player's request.

12 19990.42. Prior to completing the registration process, a hub
13 operator shall explain to the person *who is registering* in a
14 conspicuous fashion the privacy policies of the hub, and a person
15 shall assent to the following policies:

16 (a) No personally identifiable information shall be shared with
17 any nongovernment third parties except as provided in subdivision
18 (j) of Section 19990.47.

19 (b) All personally identifiable information about registered
20 players shall be shared with state agencies, including, *but not*
21 *limited to*, the department, the commission, and the Franchise Tax
22 Board as necessary to assist them in fulfilling their obligations
23 under this chapter.

24 (c) Personally identifiable information may only be shared with
25 government agencies ~~in circumstances other than~~ as set forth in
26 subdivision (b) or subject to court order as provided in subdivision
27 (j) of Section 19990.47.

28 19990.43. A hub operator may also require that a person must
29 agree to a Terms of Use Registered Player's Agreement applying
30 to registered players.

31 19990.44. A hub operator may suspend or revoke the account
32 of a registered player for any of the following reasons:

33 (a) A person or registered player provided false information to
34 the hub operator, including, but not limited to, in the registration
35 process.

36 (b) The registered player has not updated registration
37 information to keep it current.

38 (c) The registered player has violated the hub's Terms of Use
39 Registered Player's Agreement.

40 (d) The person has already been registered.

1 (e) The hub operator suspects that the registered player has
2 participated in an illegal or unauthorized activity on the hub.

3 (f) The hub operator is directed by a state agency to suspend or
4 revoke the registered player's account.

5 19990.45. (a) Upon registration and at each time when a
6 registered player logs into a hub, the hub operator shall permit a
7 registered player to adjust his or her play settings to:

8 (1) Set a limit on the deposits that can be made per day.

9 (2) Set a limit on the ~~amount that can be wagered~~ *aggregate*
10 *losses in a registered player's account* within a specified period
11 of time.

12 ~~(3) Set a limit on the losses the player may incur within a~~
13 ~~specified period of time.~~

14 ~~(4) Set a limit on the amount of time that can be played after~~
15 ~~logging into the hub.~~

16 ~~(5) Prevent the hub from allowing the registered player to play~~
17 ~~for a definite or indefinite period of time.~~

18 (b) During play, in order to assist a registered player to decide
19 whether to suspend play, the registered player's screen shall do
20 all of the following:

21 (1) Indicate how long the player has been playing.

22 (2) Indicate the ~~player's winnings or losses~~ *net change in value*
23 *to a registered player's account* since the time of last logging in.

24 (3) At least once every six hours require the registered player
25 to confirm that the player has read the message or give an option
26 to the player to end the session or return to the game.

27 19990.46. A hub operator shall establish a toll-free telephone
28 customer service hotline that shall be available to registered players
29 24 hours a day and 365 days a year. All Internet hub-operator
30 employees shall be physically present in the state while in contact
31 with registered players. *However, the hub operator shall have*
32 *discretion to use the expertise of personnel not physically present*
33 *in the state when necessary to protect registered players and state*
34 *interests, including, but not limited to, for the purposes of*
35 *diagnosing and addressing technological problems, investigating*
36 *fraud and collusion, and supervising software and configuration*
37 *changes. The hub operator shall give notice to the department*
38 *when using personnel who are out of state.*

39 19990.47. A hub operator shall protect the privacy of registered
40 players and their data.

1 (a) A hub operator shall comply with all state and federal privacy
2 and data protection laws.

3 (b) At the time of registration with a hub operator as a registered
4 player, and at least once a year thereafter, a hub operator shall
5 provide notice in the form of a separate, written statement,
6 *delivered via postal service or electronic mail*, to the registered
7 player which clearly and conspicuously informs the registered
8 player of all of the following:

9 (1) The nature of personally identifiable information collected
10 or to be collected with respect to the registered player and the
11 nature of the use of that information.

12 (2) The nature, frequency, and purpose of any disclosure which
13 may be made of personally identifiable information, including an
14 identification of the types of persons to whom the disclosure may
15 be made.

16 (3) The period during which personally identifiable information
17 will be maintained by the hub operator.

18 (4) The times and place at which the registered player may have
19 access to personally identifiable information in accordance with
20 subdivision (g).

21 (5) The limitations provided by this section with respect to the
22 collection and disclosure of personally identifiable information by
23 a hub operator and the right of the registered player under
24 subdivision (i) or (j) to enforce those limitations.

25 (c) A hub operator shall not collect personally identifiable
26 information concerning any registered player without the prior
27 written or electronic consent of the registered player concerned.

28 (d) A hub operator may collect personally identifiable
29 information in order to do both of the following:

30 (1) Obtain information necessary to operate the hub and offer
31 authorized games to registered players pursuant to this chapter.

32 (2) Detect unauthorized play, activities contrary to a hub
33 operator's Terms of Use Registered Player's Agreement, or
34 activities contrary to state or federal law.

35 (e) Except as provided in subdivision (f), a hub operator shall
36 not disclose personally identifiable information concerning any
37 registered player without the prior written or electronic consent of
38 the registered player concerned and shall take actions necessary
39 to prevent unauthorized access to that information by a person
40 other than the registered player or hub operator.

(f) A hub operator may disclose personally identifiable information if the disclosure is any of the following:

(1) Necessary to render, or conduct a legitimate business activity related to, the provision of authorized games to the registered player by the hub operator.

(2) Subject to subdivision (j), made pursuant to a court order authorizing the disclosure, if the registered player is notified of the order by the person to whom the order is directed.

(3) A disclosure of the names and addresses of registered players to any tournament-sponsor ~~third party~~, if both of the following apply:

(A) The hub operator has provided the registered player the opportunity to prohibit or limit the disclosure.

(B) The disclosure does not reveal, directly or indirectly, the nature of any transaction made by the registered player over the hub.

(4) *To the department to fulfill its obligations under this chapter or a state agency as authorized in this chapter.*

(g) A registered player shall be provided access to all personally identifiable information regarding that registered player which is collected and maintained by a hub operator. The information shall be made available to the registered player at reasonable times and at a place designated by the hub operator. A registered player shall be provided reasonable opportunity to correct any error in the information.

(h) A hub operator shall destroy personally identifiable information if the information is no longer necessary for the purpose for which it was collected, and there are no pending requests or orders for access to the information under subdivision (j).

(i) Any person aggrieved by any act of a hub operator in violation of this section may bring a civil action in any superior court. The court may award:

(1) Actual damages but not less than liquidated damages computed at the rate of ____ a day for each day of violation or ____, whichever is higher.

(2) Punitive damages.

(3) Reasonable attorney's fees and other litigation costs reasonably incurred.

(j) Except as provided in subdivision (f), a governmental or nongovernmental third party may obtain personally identifiable information concerning a registered player pursuant to a court order only if, in the court proceeding relevant to the court order, both of the following apply:

(1) The third party offers clear and convincing evidence that the subject of the information is reasonably suspected of engaging in criminal activity or otherwise relevant to a pending civil action and that the information sought would be material evidence in the case.

(2) The registered player about whom the information is requested is afforded the opportunity to appear and contest the third-party's claim.

19990.48. A hub operator shall establish a book of accounts and regularly audit all of its financial records and reports which ~~must~~ *shall, at a minimum*, include all of the following:

(a) Monthly auditable and aggregate financial statements of gaming transactions.

~~(b) Calculation~~ *Monthly calculation* of all amounts payable to the state.

(c) The identity of players.

(d) The balance on each player's account at the start of a session of play, *the amount won or lost by each player during a game, and the balance on the player's account.*

(e) The wagers placed on each game, time stamped by the games server.

(f) The result of each game, time stamped by the games server.

~~(g) The amount won or lost by each player.~~

~~(h)~~

(g) The amount, if any, as determined by the player, withheld from winnings for federal or state income tax purposes.

~~(i) The balance on the player's account at the end of the game.~~

19990.49. A hub operator shall make all financial records established and maintained pursuant to Section 19990.48 ~~available~~, *including, but not limited to, all books, records, documents, financial information, and financial reports, on both an electronic basis and in hard copy, as required by the commission*, as required by the state agencies to the division, the commission, the department, the Treasurer, and the Franchise Tax Board so that

1 those state agencies can fulfill their responsibilities under this
2 chapter.

3 (a) *The hub operator's data shall be retained in a manner by*
4 *which it may be accessed by the state agencies online.*

5 (b) *Notwithstanding subdivision (a), data covered by*
6 *subdivisions (d), (e), and (f) of Section 19990.48 shall be accessible*
7 *to the state agencies online for 120 days, and, thereafter, archived*
8 *and retained for one year.*

9 19990.50. A hub operator shall implement technical systems
10 that materially aid the department and commission in the protection
11 of registered players.

12 (a) A hub operator shall define and document its methodology
13 for developing software and applications and ~~address how~~ *describe*
14 *the manner in which* software protects registered players from
15 fraud and other risks in the play of authorized games and in the
16 management of registered player accounts.

17 (b) A hub operator shall meet minimum game server
18 connectivity requirements to ensure that players are protected from
19 losses due to connectivity problems.

20 (c) A hub operator shall ensure that all transactions involving
21 player funds shall be recoverable by the system in the event of a
22 failure or malfunction.

23 (d) All information required for ~~viewing~~ *reviewing* a game
24 interrupted due to loss of connectivity shall be recoverable by the
25 hub operator.

26 (e) Preventative and detective controls addressing money
27 laundering and fraud risks shall be documented and implemented
28 by the hub operator.

29 19990.51. A hub operator shall be permitted to charge
30 registered players to play in authorized games, ~~subject to the~~
31 ~~approval of the division.~~

32 (a) Per hand charges are permitted.

33 (1) A per hand charge shall be designated and conspicuously
34 posted on the screen prior to the start of each authorized game.

35 (2) A hub operator shall be permitted to vary the per hand
36 charges ~~on~~ to registered players based on betting limits or other
37 factors.

38 (b) Tournament charges shall be permitted.

1 (1) A tournament charge shall be designated and conspicuously
2 posted on the screen prior to the start of the first authorized game
3 of any tournament.

4 (2) A hub operator shall be permitted to vary tournament charges
5 based on tournament prizes or other factors.

6 *(c) A hub operator shall provide notice to the department of the*
7 *charges to registered players prior to initiating play.*

8 19990.52. A hub operator shall be permitted to enter into an
9 agreement with any third party to sponsor or underwrite prizes for
10 a tournament, subject to the approval of the ~~division~~ department.

11 19990.53. A hub operator shall be permitted to enter into an
12 agreement to sell advertisement space on any Web site it controls,
13 subject to the approval of the ~~division~~ department.

14 19990.53.5. *A hub operator shall be permitted to enter into an*
15 *agreement with a third party for marketing, or any other purpose*
16 *consistent with this chapter, including, but not limited to, displaying*
17 *the name of a marketing partner on a screen viewed by a registered*
18 *player.*

19 19990.54. A hub operator shall be permitted to enable a chat
20 function between registered players as long as it has in place
21 effective controls against collusion, subject to the approval of the
22 ~~division~~ department.

23 19990.55. A hub operator shall be permitted to post Web links
24 on the Web site it controls to permit registered players to access
25 remote Web sites, subject to the approval of the ~~division~~
26 department.

27 19990.56. A hub operator may enter into contractual
28 agreements with one or more hub operators for the purpose of
29 ensuring adequate player liquidity, subject to the approval of the
30 ~~division~~ department.

31 19990.57. A hub operator may allow a registered player to
32 participate simultaneously in multiple games or tournaments, as
33 long as the hub operator has *demonstrated to the department that*
34 *it has* technical controls that prohibit a registered player from
35 playing multiple hands simultaneously in the same game, subject
36 to the approval of the ~~division~~ department.

37 19990.58. In consideration for its contract with the state, and
38 in recognition of ~~the fact that~~ the initial investments and efforts
39 required to start up this business venture, and to ensure the state
40 hub operators are in the best position to compete with offshore

1 operators and be successful, a hub operator shall ~~disperse at least~~
2 ~~20 percent of its gross revenues to the Treasurer on a monthly basis~~
3 ~~as determined by the proposal; remit to the Treasurer on a monthly~~
4 ~~basis that percentage of its gross revenues as is agreed in the~~
5 ~~contract between the state and the hub operator, but no less than~~
6 ~~10 percent of its gross revenues.~~

7 (a) Each monthly payment shall be due on the 10th of the
8 following month.

9 (b) A hub operator shall make all electronic and written financial
10 records available to the Treasurer, the commission, and the
11 department *on an electronic basis*.

12 (c) For the purposes of determining gross revenues, the hub
13 operator and the Treasurer shall use generally accepted accounting
14 principles.

15 (d) With respect to the dispensation of the bond posted by a hub
16 applicant pursuant to subdivision (f) of Section 19990.22, both of
17 the following apply:

18 (1) In the event that the aggregate amount due to the state in
19 consideration for a hub operator's contract is an amount greater
20 ~~than one hundred million dollars (\$100,000,000)~~ _____ dollars
21 (\$_____) in the first year of operation of the hub, the bond referred
22 to in subdivision (f) of Section 19990.22 shall be released in the
23 final calendar quarter of the hub operator's first year of operation,
24 determined on a rolling basis.

25 (2) In the event that the aggregate amount due to the state in
26 consideration for a hub operator's contract is an amount less than
27 ~~one hundred million dollars (\$100,000,000)~~ _____ dollars (\$_____) in
28 the first year of operation of the hub, under the hub operator's
29 contract with the state, the bond referred to in subdivision (f) of
30 Section 19990.22 shall not be released and *an amount equal to the*
31 *difference between the dollar amount of the bond and the amount*
32 *due to the state* shall be collected by the state in the final calendar
33 quarter of the hub operator's first year of operation, determined
34 on a rolling basis.

35 19990.59. The hub operator shall facilitate the collection of
36 personal income taxes from registered players by the Franchise
37 Tax Board.

38 (a) The hub operator shall withhold 5 percent of tournament
39 winnings for state income tax if the winnings minus the tournament

1 charge are more than six hundred dollars (\$600) and are at least
2 300 times the tournament charge.

3 (1) The hub operator shall transfer that withheld income to the
4 Franchise Tax Board.

5 (2) Winnings and losses of the registered player from other
6 tournaments sponsored by the hub operator during the year are not
7 taken into account in arriving at the six-hundred-dollar (\$600)
8 amount. Required withholding is determined on a
9 tournament-by-tournament basis.

10 (b) Within six months of the effective date of this chapter, the
11 Franchise Tax Board shall publish a form to be used annually by
12 a hub operator to ensure that the state is able to collect income tax
13 revenues from registered players. *The Franchise Tax Board shall*
14 *provide a date by which the form is required to be filed.* The form
15 shall include, but shall not be limited to, the following information:

16 (1) The registered player's first name and surname.

17 (2) Social security number.

18 (3) The total amount the registered player deposited in their
19 account during the year.

20 (4) The registered player's total winnings, if any, during the
21 year.

22 (5) The registered player's total losses, if any, during the year.

23 (6) The total amount withheld by the hub operator, if any, during
24 the year for purposes of federal or state income taxes.

25 (7) Whether the registered player opened or closed his or her
26 account during the year.

27 (c) The hub operator shall electronically file a copy of the form
28 with the Franchise Tax Board for each registered player who held
29 an account with the hub operator for all, or any portion of, the
30 taxable year. The hub operator shall electronically provide each
31 registered player with a copy of the form.

32 19990.60. A hub operator shall not engage in ~~certain business~~
33 ~~dealings or business~~ transactions without prior approval of the
34 ~~division department~~. The ~~division department~~ shall adopt contract
35 provisions establishing the procedures for these transactions.

36 (a) A security interest in a hub operator shall not be enforced
37 without the prior approval of the ~~division department~~.

38 (b) It is unlawful for any person to sell, purchase, lease,
39 hypothecate, borrow, or loan money, or create a voting trust
40 agreement or any other agreement of any sort with a hub operator

1 with a contract with the state pursuant to this chapter or with
2 respect to any portion of the provision of authorized games, except
3 in accordance with the ~~division~~ department.

4 (c) Every hub operator that is involved in a transaction for the
5 extension or redemption of credit by the hub operator, or for the
6 payment, receipt, or transfer of coin, currency, or other monetary
7 instruments, as specified by the ~~division~~ department, in an amount,
8 denomination, or amount and denomination, or under
9 circumstances prescribed by regulations, and any other participant
10 in the transaction, as specified by the ~~commission~~ department,
11 shall, if required by regulation, make and retain a record of, or file
12 with the ~~division~~ department a report on, the transaction, at the
13 time and in the manner prescribed in a the hub operator's contract.

14 19990.61. A hub operator shall act expeditiously to cure any
15 failure in performance under its contract in the offering or
16 administering of legal games that interferes with its obligations
17 to the state or registered players under this chapter.

18 (a) If a hub operator becomes aware of any failure of
19 performance, it ~~will~~ shall notify the ~~division~~ department
20 immediately and work with the ~~division~~ department to develop a
21 plan to rectify the failure.

22 (b) If the ~~division~~ department becomes aware of any failure of,
23 or suspected failure of, performance under the contract between
24 the state and a hub operator, or if it becomes aware of any activities
25 that might lead to a failure to perform, the ~~division~~ department
26 shall provide notice of that failure to the hub operator and a
27 reasonable opportunity to cure the failure. The ~~division~~ department
28 shall also provide the notice to the commission.

29 (c) All state agencies with responsibilities under this chapter
30 shall report any actual or suspected failure of performance of the
31 hub operator's duty under the contract, or activities ~~which might~~
32 ~~lead to the~~ that may lead to that failure, to the ~~division~~ department
33 and commission immediately so that the ~~division~~ department can
34 assess whether it needs to commence an investigation or
35 enforcement action.

36 (d) A hub operator shall be afforded a reasonable time period
37 to cure any reported failure of performance. *The department may*
38 *assess damages for failure of performance.*

39 (e) Prior to the issuance of the RFP, the ~~division~~ department
40 shall issue a schedule of liquidated damages that will be part of

1 the contract with a hub operator ~~for delineating~~ *and shall delineate*
2 damages that will be owed to the state for failure of the hub
3 operator to perform specific duties under this chapter.

4 (1) Liquidated damages shall not exceed ____ (\$____) for each
5 failure of a hub operator to perform under its contract or for a
6 violation of this chapter.

7 (2) All liquidated damages payments imposed and remitted to
8 the state shall be deposited in the Internet Gambling Fund, as
9 created by Section 19990.86.

10 (3) The imposition of liquidated damages shall not make
11 performance by the hub operator commercially infeasible.

12 (f) Prior to the issuance of the RFP, the commission and the
13 ~~division~~ *department* shall issue rules relating to enforcement
14 proceedings under the contract consistent with this chapter.

15 (1) The rules shall describe the procedures for the development
16 of a record and give the hub operator the opportunity to comment
17 in advance of any final action.

18 (2) The rules shall describe enforcement provisions, including
19 intermediate procedures it shall take prior to the imposition of
20 liquidated damages on the hub operator.

21 (3) The ~~division~~ *department* shall have the subpoena power in
22 any investigation.

23 (4) ~~The commission, division, and a hub operator shall be parties~~
24 ~~to any investigation or enforcement action.~~

25 (5)

26 (4) The rules shall give a hub operator the opportunity to respond
27 to any allegation of failure of performance prior to the issuance of
28 a specific order from the commission or ~~division~~ *department* to
29 cure any failure of performance or any order to pay liquidated
30 damages ~~is issued~~.

31 (6)

32 (5) The commission or ~~division~~ *department* may revoke or
33 suspend a hub operator's contractual rights under this chapter upon
34 reaching a finding that the hub operator is in ~~negligent, willful,~~
35 *willful* or wanton violation of any provision of this chapter.

36 (g) A hub operator may appeal any decision of the commission
37 to the superior court. The superior court shall hear any appeal de
38 novo.

39 19990.62. The commission shall protect the rights and assets
40 of registered players on a hub should that hub operator's contract

with the state be revoked or should the hub operator become bankrupt.

19990.63. A hub operator shall at all times indemnify, defend, and hold harmless the state and its agencies from and against any and all claims, damages, liabilities, costs, and expenses, including reasonable-attorneys' attorney's fees and expenses arising out of any third-party claim made against the state or any of its agencies relating to actions of the hub operator and the provisions of this chapter. *However, the state shall not enter into a settlement agreement related to any of those claims, damages, liabilities, costs, or expenses without the prior written approval of the hub operator.*

(a) The state and its agencies shall promptly notify a hub operator of any claim or litigation to which the indemnity set forth in Section 19990.62 applies.

(b) At the option of a hub operator, it may assume the defense of any claim or litigation. If a hub operator assumes the defense of any claim or litigation, the hub operator's obligation with respect thereto shall be limited to the payment of any settlement approved by the hub operator, or any judgment in connection with that claim or litigation.

Article 6. Authority of State Agencies

19990.70. State agencies ~~shall~~ *may adopt rules to perform the* duties described in this chapter and in all ways facilitate the operation of the hub in compliance with this chapter.

(a) Any rule adopted by a state agency shall be consistent with this chapter.

(1) Any rule of a state agency that this chapter intends to be part of a hub operator's contract shall be adopted in advance of issuance of the RFP by the department.

(2) Any rule adopted after the issuance of the RFP by the department shall facilitate a hub operator's responsibilities to registered players, and state revenue raising functions and other responsibilities under its contract with the state.

(b) Each state agency with responsibility under the contract between a hub operator and the state shall identify an employee or employees of the agency to act as the point of contact with the hub operator and describe the responsibility or responsibilities of

1 the employee or employees with respect to the state agency's
2 function.

3 (c) Any notice provided by a hub operator to a state agency with
4 responsibility under the contract between a hub operator and the
5 state shall be addressed to the point of contact identified by the
6 state agency pursuant to subdivision (b).

7 (d) Unless otherwise provided by this chapter, notice by a hub
8 operator to the state shall be deemed effectively given upon
9 personal delivery, three days after deposit in the United States mail
10 by certified or registered mail, return receipt requested, one
11 business day after its deposit with any return receipt express
12 courier, prepaid, or one business day after electronically confirmed
13 transmission by facsimile.

14 15 Article 7. Protection of Registered Players

16
17 19990.75. A hub operator shall use its best efforts to protect
18 registered players. *Subject to the approval of the department, and*
19 *consistent with uniform standards established by the department*
20 *by regulation, each hub operator shall establish administrative*
21 *procedures to resolve registered player complaints.*

22 19990.76. In the event a registered player has a complaint
23 against a hub operator, the exclusive remedy shall be to register
24 the complaint with the commission, unless an action is brought
25 pursuant to the remedies described in subdivision (i) of Section
26 19990.47.

27 19990.77. ~~The commission~~ *department*, in consultation with
28 ~~the division~~ *commission*, shall establish rules with respect to
29 registered player complaints.

30 (a) Under the rules, ~~the division~~ *department* shall do all of the
31 following:

32 (1) Investigate registered player complaints to determine if a
33 hub operator has failed to meet its obligation under its contract to
34 a registered player.

35 (2) Attempt to resolve complaints by registered players if a hub
36 operator fails to meet an obligation under its contract to a registered
37 player.

38 (3) Initiate enforcement actions to require specific performance
39 of any obligation that a hub operator has under a contract with the

state and to impose mitigated damages on a hub operator consistent with the rules adopted pursuant to this chapter.

(4) Recommend to the commission, the imposition of liquidated damages upon a hub operator based upon clear and convincing evidence that the hub operator is required to pay liquidated damages under its contract with the state.

(b) ~~Under the rules, the commission shall~~ *The commission shall adopt rules to do both of the following:*

(1) Impose liquidated damages upon a hub operator based upon clear and convincing evidence that the hub operator is required to pay liquidated damages under its contract with the state.

(2) Order payment by the hub operator of restitution to a registered player for actual losses and interest thereon.

19990.78. A hub operator may appeal the imposition of liquidated damages by the commission to the superior court which shall review the appeal de novo.

Article 8. Disposition of State Proceeds

~~19990.85. In consideration for the contract entered into between the state and a hub operator, a hub operator shall remit at least 20 percent of its gross revenues to the Treasurer on a monthly basis as determined by the proposal.~~

19990.86. The Treasurer shall transfer all amounts received from a hub operator *pursuant to Section 19990.58* to the Controller for deposit in the Internet Gambling Fund which is created in the State Treasury and which shall be administered by the Controller subject to annual appropriation by the Legislature, and which shall not be subject to the formulas established by statute directing expenditures from the General Fund.

(a) The state agencies shall submit revenue needs to fulfill their obligations under this chapter for the upcoming fiscal year to the Senate Committee on Budget and Fiscal Review and the Assembly Committee on Budget, as well as the Senate and Assembly Committees on Governmental Organization and the Department of Finance by March 31 of the preceding fiscal year. A justification of those costs shall be provided with each submission of revenue needs.

(b) The State Department of Alcohol and Drug Programs, Office of Problem Gambling shall submit revenue needs for programs to

1 alleviate problem gaming that results from the offering of
2 authorized games for the upcoming fiscal year to the Senate
3 Committee on Budget and Fiscal Review and the Assembly
4 Committee on Budget, as well as the Senate and Assembly
5 Committees on Governmental Organization, the Senate and
6 Assembly Committees on Human Services, and the Department
7 of Finance by March 31 of the preceding fiscal year. A justification
8 of those costs shall be provided with each submission of revenue
9 needs.

10 (c) All remaining proceeds not allocated to subdivisions (a) and
11 (b) shall remain in the Internet Gaming Fund subject to
12 appropriation by the Legislature for purposes related to this chapter.
13

14 Article 9. Preemption of Local Regulation

15
16 19990.90. A city, county, or city and county shall not regulate,
17 tax, or enter into a contract with respect to any matter related to
18 this chapter.
19

20 ~~Article 10. Judicial Review~~

21
22 ~~19990.93. Any action to assert that this chapter interferes with~~
23 ~~a right contained within a compact entered into between the state~~
24 ~~and a federally recognized Indian tribe on Indian lands in California~~
25 ~~or to clarify that this chapter does not interfere with a right~~
26 ~~contained within a tribal-state gaming compact entered into~~
27 ~~between the state and a federally recognized Indian tribe on Indian~~
28 ~~lands in California, shall be brought by extraordinary writ of~~
29 ~~mandate to the superior court, and within 60 days of the existence~~
30 ~~of any matter giving rise to an action under this section. Petitions~~
31 ~~brought pursuant to this section shall be given preference over all~~
32 ~~other civil actions before the court in the matter of setting the same~~
33 ~~for hearing, and in hearing the same, to the end that these petitions~~
34 ~~shall be speedily heard and determined, and in any case in which~~
35 ~~a petition has been filed within the time allowed, the superior court~~
36 ~~shall issue its decision within 90 days of the filing of any such~~
37 ~~petition.~~

38 ~~(a) Notwithstanding any other law, the exclusive means to obtain~~
39 ~~review of a superior court judgment entered in an action brought~~
40 ~~pursuant to this section shall be by petition to the Court of Appeal~~

for writ of review. Any petition shall be filed within 15 days following the notice of entry of the superior court judgment, and no extension of that period shall be allowed. Within 10 days after the petition is filed, the respondent or any real party in interest, separately or jointly, may serve and file a preliminary opposition. Within 10 days after a preliminary opposition is filed, the petitioner may serve and file a reply.

(1) If no petition is filed within the time allowed for this purpose, the decision of the superior court shall be final and enforceable, notwithstanding any other provision of law, including, without limitation, Sections 473 and 473.5 of the Code of Civil Procedure, and thereupon become and thereafter be forever binding and conclusive, as to all matters therein adjudicated or which at that time could have been adjudicated, against any agency and any other persons, and the judgment shall permanently enjoin the institution by any person of any action or proceeding raising any issue as to which the judgment is binding and conclusive.

(2) In any case in which a petition has been filed within the time allowed, the Court of Appeal shall issue its opinion within 90 days of the filing of any the petition.

(b) Notwithstanding any other law, the exclusive means to obtain review of the decision of the Court of Appeal entered pursuant to this section shall be by petition to the California Supreme Court for extraordinary writ of review. The petition shall be filed within 10 days following the notice of decision of the Court of Appeal, and no extension of that period shall be allowed.

(c) In the event that a court of competent jurisdiction finds this section to be illegal or unenforceable in a final, nonappealable order, this section shall be removed from this chapter without impact on the other provisions of this chapter.

Article 11. Reports to the Legislature

19990.95. Notwithstanding Section 10231.5 of the Government Code, within one year of the effective date of this chapter and, annually thereafter, the commission, in consultation with the department, Treasurer, and Franchise Tax Board, shall issue a report to the Legislature describing the state's efforts to meet the policy goals articulated in this chapter. The report shall be

submitted in compliance with Section 9795 of the Government Code.

~~19990.96. At least two years before the expiration~~ *three years after the commencement date* of any hub operator's contract with the state, *but no later than four years after that date*, the Bureau of State Audits shall issue a report to the Legislature detailing its implementation of this chapter. The State Auditor may advise the Legislature on whether the state should solicit additional hub applicants beyond the number of existing hub operators as of that date, as well as, any other recommendations regarding the terms of the contract, including the consideration paid to the state, *the economic and operational impacts upon the hub operator and the state, and any other issues that may be relevant to the state's decision whether to impose modifications on existing hub operators*. The report may also advise the Legislature as to any proposed changes to Article 5 (commencing with Section 19990.30) of this chapter. The State Auditor shall advise the Legislature whether continuation of the moratorium on state gaming contained in Section 19962 is justified, given statewide competition with legalized Internet gaming.

~~19990.97. This chapter shall remain in effect only until January 1, 2017, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2017, deletes or extends that date.~~

SEC. 2. The Legislature finds and declares that Section 1 of this act, which adds Chapter 5.2 to the Business and Professions Code, imposes a limitation on the public's right of access to the meetings of public bodies or the writings of public officials and agencies within the meaning of Section 3 of Article I of the California Constitution. Pursuant to that constitutional provision, the Legislature makes the following findings to demonstrate the interest protected by this limitation and the need for protecting that interest:

The limitations of the people's rights of access set forth in this chapter are necessary to protect the privacy and integrity of information submitted by the registered players as well as the proprietary information of the hub applicants and hub operators.

SEC. 3. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school

1 district will be incurred because this act creates a new crime or
2 infraction, eliminates a crime or infraction, or changes the penalty
3 for a crime or infraction, within the meaning of Section 17556 of
4 the Government Code, or changes the definition of a crime within
5 the meaning of Section 6 of Article XIII B of the California
6 Constitution.

7 SEC. 4. This act is an urgency statute necessary for the
8 immediate preservation of the public peace, health, or safety within
9 the meaning of Article IV of the Constitution and shall go into
10 immediate effect. The facts constituting the necessity are:

11 In order to protect the interests of Californians who play online
12 gambling games and to ensure that people play fair games, that
13 the state realizes the revenues, and that suitable persons operate
14 online gambling Web sites, it is necessary that this act take effect
15 immediately.