

AMENDED IN SENATE JUNE 4, 2012

SENATE BILL

No. 1463

Introduced by Senators Wright and Steinberg

February 24, 2012

An act to add Chapter 5.2 (commencing with Section 19990.01) to Division 8 of, and to repeal Sections 19990.235 and 19990.96 of, the Business and Professions Code, relating to Internet gambling, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 1463, 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. The Department of Justice has related investigatory and enforcement duties under the act. 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 authorize eligible entities to apply to the ~~department~~ *commission* for a ~~10-year~~ *5-year* license to operate an intrastate Internet gambling Web site offering the play of authorized gambling games to registered players within California. The bill would prohibit the offer or play of any gambling game provided over the Internet that is not authorized by the state pursuant to this bill. The bill would provide that any violation of its provisions is punishable as a misdemeanor. By creating a new crime, this bill would impose a state-mandated local program.

The bill would require a license applicant to pay an application fee ~~deposit to the department~~ *commission*, for deposit into the Internet Gambling Licensing Fund, as created by the bill, to be continuously appropriated to the department *and the commission* for the reasonably anticipated costs of investigating the applicant *and evaluating the suitability of the applicant*. The bill would also create the Internet Gambling Fund, for the deposit of an unspecified regulatory fee, which would be administered by the Controller subject to annual appropriation by the Legislature for the actual costs of license oversight, consumer protection, state regulation, problem gambling programs, and other purposes related to this bill, and which would not be subject to the formulas established by statute directing expenditures from the General Fund. The bill would require each licensee to pay a ~~nonrefundable~~ *one-time* license fee in the amount of \$30,000,000 for deposit in the General Fund. The license fee would be credited against monthly fees imposed on the licensee's gross gaming revenue proceeds, 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 department, notwithstanding that requirement, in consultation with the commission, the Treasurer, and the 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 operative date of this bill and, annually, thereafter.

The bill would also require the Bureau of State Audits, ~~2~~ *at least 4* years after the issue date of any license by the state, but no later than ~~3~~ *5* years after that date, to issue a report to the Legislature detailing the 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.

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

Vote: $\frac{2}{3}$. Appropriation: yes. 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:

4
5 CHAPTER 5.2. THE INTERNET GAMBLING CONSUMER
6 PROTECTION AND PUBLIC-PRIVATE PARTNERSHIP ACT OF 2012

7
8 Article 1. Title, Legislative Declarations, and Statement of
9 Legislative Intent

10
11 19990.01. This chapter shall be known and may be cited as the
12 Internet Gambling Consumer Protection and Public-Private
13 Partnership Act of 2012.

14 19990.02. The Legislature hereby finds and declares all of the
15 following:

16 (a) Californians participate in illegal online gambling on
17 unregulated Internet gambling Web sites every week. These
18 Internet gambling Web sites are operated by offshore operators
19 that are not regulated by United States authorities. As such, neither
20 federal nor California laws provide any consumer protections for
21 California players. California players assume all risks, any negative
22 social or financial impacts are borne by the citizens of California,
23 and the revenues generated from online gambling are being realized
24 by offshore operators and do not provide any benefits to the citizens
25 of California.

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

35 (c) In October 2006, Congress passed the SAFE Port Act (*Public*
36 *Law 109-347*), to increase the security of United States ports.
37 Embedded within the language of that act was a section entitled
38 the Unlawful Internet Gambling Enforcement Act of 2006

1 (UIGEA), which prohibits the use of banking instruments,
2 including credit cards, checks, or fund transfers, for interstate
3 Internet gambling, essentially prohibiting online gambling by
4 United States citizens. UIGEA does include exceptions that permit
5 individual states to create a regulatory framework to enable
6 intrastate Internet gambling, provided the bets or wagers are made
7 exclusively within a single state, whose state laws or regulations
8 comply with all of the following:

9 (1) Contain certain safeguards regarding those transactions,
10 including both of the following:

11 (A) Age and location verification requirements.

12 (B) Data security standards designed to prevent access to minors
13 and persons located outside of that state.

14 (2) Expressly authorize the bet or wager and the method by
15 which the bet or wager is made.

16 (3) Do not violate any federal gaming statutes, including all of
17 the following:

18 (A) The Interstate Horseracing Act of 1978.

19 (B) The Professional and Amateur Sports Protection Act.

20 (C) The Gambling Devices Transportation Act.

21 (D) The Indian Gaming Regulatory Act of 1988 (IGRA).

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

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

37 (f) *California has a legitimate state interest in protecting the*
38 *integrity of state-authorized intrastate Internet gaming by licensing*
39 *only entities already engaged in legal gambling operations subject*

1 *to the scrutiny and discipline of California regulatory agencies*
2 *and that are in good standing with those state agencies.*

3 ~~(f)~~

4 (g) In order to protect Californians who gamble online, allow
5 state law enforcement to ensure consumer protection, and keep
6 the revenues generated from Internet gambling in California, it is
7 in the best interest of the state and its citizens to authorize,
8 implement, and create a legal system for intrastate Internet
9 gambling.

10 ~~(g)~~

11 (h) It is also the interest of the state to provide hundreds of
12 millions of dollars annually for the public services that have been
13 cut repeatedly during the state's budget crisis. It is the intent of
14 the Legislature in enacting this act to ensure that the state realizes
15 a minimum of two hundred million dollars (\$200,000,000) of
16 General Fund revenue from licensing fees during the 2012–13
17 fiscal year.

18 ~~(h)~~

19 (i) The state's interests are best met by a public-private
20 partnership between the state and private entities, the terms of
21 which would facilitate meeting the important consumer protection
22 interests of the state while ensuring, through the success of the
23 private entities, that the state receives the benefits of the licensing
24 scheme as well as tax revenues that it would otherwise not receive.

25 ~~(i)~~

26 (j) The state's interests are best met by encouraging competition
27 among qualified entities with the technical expertise and systems
28 that comply with federal law, protect registered players, and ensure
29 that the state collects consideration under the licensing scheme
30 with those qualified entities, personal income taxes owed by
31 registered players, corporate taxes from the earnings of licensed
32 entities, and property, employment, and sales and use taxes created
33 from new businesses, jobs, and other economic inducements from
34 the authorization, regulation, and control of Internet gambling.

35 ~~(j)~~

36 (k) *The California Gambling Control Commission and the*
37 *Department of Justice, in conjunction with other state agencies*
38 *and private partners, has the expertise to evaluate the qualifications*
39 *of applicants for a license to conduct intrastate Internet gambling*

1 services, and to license the best qualified and most responsive
2 applicants to meet the needs of the state and its citizens.

3 ~~(k)~~

4 (l) The authorization of intrastate Internet gambling pursuant
5 ~~to these provisions this chapter~~ does not violate the California
6 Constitution or interfere with any right under any compact between
7 the state and any federally recognized Indian tribe. Moreover, the
8 authorization and regulation of intrastate Internet gambling
9 ~~pursuant to these provisions this chapter~~ do not violate the
10 exclusivity provisions of any compact between the state and any
11 federally recognized Indian tribe. Internet gambling will take place
12 throughout California ~~on both tribal and nontribal lands~~. Moreover,
13 the facilities used in the provision of Internet gambling are not slot
14 machines or gaming devices as defined in any of those compacts,
15 *and it was not the intent of any party to a tribal-state gaming*
16 *compact to prohibit the use of a gaming system, or an Internet*
17 *access device not located in a place of public accommodation, to*
18 *play nonbanked games that are not subject to the compacts,*
19 *including the Internet poker authorized by this act.* While the
20 federal Indian Gaming Regulatory Act of ~~1998~~ 1988 balanced the
21 interests of three sovereigns, the state, the tribes, and the federal
22 government, UIGEA was designed to balance the federal interest
23 in secure financial transactions with the state's power to determine
24 how online gambling should take place within that state. Finally,
25 application of UIGEA in California does not violate federal Indian
26 law by impinging upon protected tribal sovereignty.

27 ~~(t)~~

28 (m) Nothing in this chapter prohibits any federally recognized
29 Indian tribe within California with a tribal-state gaming compact
30 with the state pursuant to IGRA from participating in intrastate
31 Internet gambling pursuant to these provisions subject to the
32 jurisdiction of the state.

33 ~~(m) It is the intent of the Legislature to encourage the Governor,~~
34 ~~immediately following enactment of this chapter, to enter into~~
35 ~~meet and confer negotiations with interested tribal governments~~
36 ~~that have tribal-state gaming compacts with the state to resolve~~
37 ~~the questions related to exclusivity of tribal gaming, and to ensure~~
38 ~~that the signatory parties to compacts may exercise their rights~~
39 ~~under the compacts in a timely manner and that the state may~~

1 ~~commence the authorization of Internet gambling as provided by~~
2 ~~this chapter.~~

3 19990.03. It is the intent of the Legislature to create a licensing
4 and regulatory framework to:

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

7 (b) Authorize the ~~Department of Justice~~ *California Gambling*
8 *Control Commission* to issue licenses, with the ~~consent~~
9 ~~recommendation~~ of the ~~commission~~ *Department of Justice*, to
10 applicants that meet the background requirements and demonstrate
11 the technical expertise to ensure that ~~wagering game play~~
12 authorized by this chapter is offered only to registered players who
13 are physically present within the borders of California at the time
14 of play and who are 21 years of age or older.

15 (c) Authorize the ~~Department of Justice~~ *commission*, after any
16 licensee has been providing authorized games for ~~three~~ *five* years,
17 ~~and, at any time thereafter, to renegotiate the terms and conditions~~
18 ~~of the licenses with fees paid by the licensees, as provided in this~~
19 ~~chapter, based in large part on the report and recommendations of~~
20 ~~the Bureau of State Audits to the Legislature pursuant to Section~~
21 ~~19990.96. The state reserves the right to make reasonable~~
22 ~~modifications to the terms and conditions of the license after a~~
23 ~~three-year review, and, at any time thereafter, to balance the~~
24 ~~relationship between the licensee and the state, and offer existing~~
25 ~~licensees the opportunity to agree to these modifications and~~
26 ~~continue in partnership with the state, and subject to the statutory~~
27 ~~approval of those terms and conditions by the Legislature. Each~~
28 ~~existing licensee shall have the opportunity to agree to any changes~~
29 ~~in fees and continue in partnership with the state, or to relinquish~~
30 ~~its license.~~

31 (d) Include all of the provisions in this chapter as terms of the
32 license between the state and each licensee, subject to the
33 enforcement provisions delineated in this chapter.

34 (e) Ensure that each licensee complies with federal and state
35 laws and regulations.

36 (f) Grant power to the state agencies authorized in this chapter
37 to oversee the operations of each licensee and to enforce the
38 provisions of this chapter to ensure that the interests of the state
39 and registered players are protected.

- 1 (g) Establish a process that includes a background—check
2 *investigation* and requires that each employee of each licensee or
3 subcontractor receives all necessary licenses and work permits
4 from the state.
- 5 (h) Ensure that the state is able to collect income tax revenues
6 from registered players.
- 7 (i) Distribute regulatory fees collected by the state from each
8 licensee to the Internet Gambling Fund, as established in Section
9 19990.86, which shall be administered by the Controller, subject
10 to annual appropriation by the Legislature, and which shall not be
11 subject to the formulas established by law directing expenditures
12 from the General Fund, for the following:
- 13 (1) The actual costs of license oversight, consumer protection,
14 state regulation, and problem gambling programs.
- 15 (2) Other purposes related to this chapter as the Legislature may
16 decide.
- 17 (j) Create systems to protect each registered player’s private
18 information and prevent fraud and identity theft.
- 19 (k) Ensure that registered players are able to have their financial
20 transactions processed in a secure and transparent fashion.
- 21 (l) Ensure that all applicable state agencies will have unrestricted
22 access to the premises and records of each licensee to ensure strict
23 compliance with state law concerning credit authorization, account
24 access, and other security provisions.
- 25 (m) Require that each licensee provide registered players with
26 accessible customer service.
- 27 (n) Require that each licensee’s Internet Web—site *sites* contain
28 information relating to problem gambling, including a telephone
29 number that an individual may call to seek information and
30 assistance for a potential gambling addiction.
- 31 (o) Require that each licensee and all of its subcontractors be
32 organized in California. The licensee, its facilities, its bank
33 accounts *and accounting records* related to its intrastate online
34 gambling operations, and its registered players’—~~bank accounts~~
35 *deposits* shall be located entirely within the state.
- 36 (p) Ensure that there are no artificial business constraints on the
37 licensee, such as limits on the percentage of revenues that may be
38 paid to technology supply contractors *or limits on the number of*
39 *intrastate Internet gambling Web sites a licensee may operate.*

1 Licensees and suppliers are free to structure their own desired
2 relationships without interference from the state.

3 (q) Ensure that all employees of the licensee are physically
4 present in the state when working on the licensee’s Internet
5 gambling Web site or in its facilities connected to the play of
6 Internet gambling in this state, or when in contact with registered
7 players. However, the licensee shall have discretion to use the
8 expertise of personnel not physically present in the state when
9 necessary to protect registered players and state interests, including,
10 but not limited to, for the purposes of diagnosing and addressing
11 technological problems, investigating fraud and collusion, and
12 supervising software and configuration changes.

13 (r) Create an express exemption from disclosure, pursuant to
14 the California Public Records Act under subdivision (b) of Section
15 6253 of the Government Code, that exempts from public disclosure
16 proprietary information of a license applicant or a licensee in order
17 to permit disclosure of confidential information to state agencies
18 while achieving the public policy goals of deploying secure systems
19 that protect the interests of the state and players.

20 (s) Preserve the authority of the state to opt out of, or opt into,
21 any federal framework for Internet gambling, or to enter into any
22 agreement with other states to provide Internet gambling.

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

26

27

Article 2. Definitions

28

29 19990.05. For the purpose of this chapter the following words
30 have the following meanings:

31 (a) “Authorized game” means a game approved by the
32 department pursuant to Section 19990.14 and played using an
33 intrastate Internet Web site pursuant to the authority of the state
34 or offered by a licensee as authorized by the state *on an intrastate*
35 *Internet Web site operated by a licensee pursuant to this chapter.*

36 (b) ~~“Background check” means a criminal history record check~~
37 ~~and the electronic submission of fingerprints to the Department of~~
38 ~~Justice and to the Federal Bureau of Investigation for processing~~
39 *investigation” means a process of reviewing and compiling*
40 *personal and criminal history and financial information through*

1 *inquiries of various law enforcement and public sources to*
2 *establish a person's qualifications and suitability for a license.*

3 (c) "Bet" means the placement of a wager in a game.

4 (d) "Commission" means the California Gambling Control
5 Commission.

6 (e) "Core functions" and "core functioning" mean any of the
7 following:

8 (1) *The management, administration, or control of wagers on*
9 *authorized games provided over the Internet.*

10 (2) *The management, administration, or control of the games*
11 *with which those wagers are associated.*

12 (3) *The development, maintenance, provision, or operation of*
13 *a gaming system.*

14 ~~(e)~~

15 (f) "Department" means the Department of Justice.

16 ~~(f)~~

17 (g) "Employee" means any natural person employed in, or
18 serving as a consultant or independent contractor with respect to,
19 *the core functioning of the actual operation of an intrastate Internet*
20 *gambling Web site or a subcontractor.*

21 ~~(g)~~

22 (h) "Employee work permit" means a permit issued to an
23 employee of the licensee *or a subcontractor by the department*
24 *commission after a background investigation.*

25 ~~(h)~~

26 (i) "Finding of suitability" means a finding by the ~~department~~
27 *commission* that a person ~~or entity~~ meets the qualification criteria
28 described in Section 19990.23, and that the person would not be
29 disqualified from being a licensee on any of the grounds specified
30 in Section 19990.23.

31 ~~(i)~~

32 (j) "Gambling" means to deal, operate, carry on, conduct,
33 maintain, or expose for play any game for money.

34 ~~(j)~~

35 (k) "Game" means any gambling game.

36 ~~(k)~~

37 (l) "Gaming system" means the technology, including hardware
38 and software, used by a licensee to facilitate the offering of
39 authorized games to registered players.

1 (m) “Good standing” means that a person has not had a
2 gambling or racing license suspended or revoked by a final
3 decision of the board or commission that issues that license or
4 been finally ordered by a court of competent jurisdiction to cease
5 conducting gaming activities. A suspension, revocation, or order
6 shall be deemed final for purposes of this definition when it is no
7 longer subject to challenge or appeal through administrative or
8 court processes.

9 ~~(t)~~

10 (n) “Gross revenues” means the total amount of money paid to
11 a licensee pursuant to activities authorized under this chapter.
12 Gross revenues shall not include player deposits and wagers.

13 ~~(m)~~

14 (o) “Internet Gambling Fund” means the fund established
15 pursuant to Section 19990.86 for annual ~~allocation~~ appropriation
16 by the Legislature.

17 ~~(n)~~

18 (p) “Intrastate” means within the borders of California.

19 (q) “Key employee” means any natural person employed by a
20 licensee, subcontractor, or player recruiter, or by a holding or
21 intermediary company of a licensee, subcontractor, or player
22 recruiter, who is an officer or director of the licensee or certificate
23 holder, or who, in the judgment of the commission, has the
24 authority to exercise significant influence over decisions
25 concerning the operation of the licensee or certificate holder as
26 that operation relates to the Internet gambling authorized by this
27 chapter.

28 ~~(o)~~

29 (r) “Land-based gaming entity” means a card club operated
30 pursuant to Chapter 5 (commencing with Section 19800) or a
31 casino operated by a federally recognized Indian tribe on Indian
32 land in California that provides any game for players on its
33 premises that is offered on an intrastate Internet gambling Web
34 site.

35 ~~(p)~~

36 (s) “Licensee” means an entity licensed pursuant to this chapter
37 to offer the play of authorized games to registered players on an
38 intrastate Internet Web site.

39 ~~(q)~~

- 1 (t) “Online self-exclusion form” means a form on which an
2 individual notifies a licensee that he or she must be excluded from
3 participation in authorized games for a stated period of time.
4 ~~(r)~~
- 5 (u) “Owner” means any person that has a financial interest in
6 or control of a licensee, subcontractor, or other entity required to
7 be found suitable under this chapter.
8 ~~(s)~~
- 9 (v) “Per hand charge” means the amount charged by the licensee
10 for registered players to play in a per hand game.
11 ~~(t)~~
- 12 (w) “Per hand game” means an authorized game for which the
13 licensee charges the player for each hand played.
14 ~~(u)~~
- 15 (x) “Person” means an individual, corporation, business trust,
16 estate, trust, partnership, limited liability company, association,
17 joint venture, government, governmental subdivision, agency, or
18 instrumentality, public corporation, or any other legal or
19 commercial entity.
20 ~~(v)~~
- 21 (y) “Play settings” means the options and default parameters
22 made available by a licensee to a registered player in the play of
23 authorized games.
- 24 (z) (1) *“Poker” means any of several card games that meet all*
25 *of the following criteria:*
- 26 (A) *Not banked by either the house or by a player.*
27 (B) *Commonly referred to as “poker.”*
28 (C) *Played by two or more individuals who wager against each*
29 *other on the cards dealt to them out of a common deck of cards,*
30 *including games using electronic devices that simulate a deck of*
31 *cards.*
32 (D) *Players compete against each other and not against the*
33 *person or entity operating the game.*
34 (E) *Success over time is influenced by the skill of the player.*
35 (F) *Wagers of one player are often designed to affect the*
36 *decisions of another player in the game.*
37 (G) *The operator of the game may assess a fee.*
- 38 (2) *“Poker” includes poker tournaments in which players pay*
39 *a fee to the operator of the tournament under the authority of the*
40 *state pursuant to this chapter.*

1 (w)

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

18 (x)

19 (ab) “Registered player” means a player who has registered
20 with a licensee to play authorized games.

21 (y)

22 (ac) “Registration information” means the information provided
23 by a person to a licensee in order to become a registered player.

24 (z)

25 (ad) “Robotic play” means the use of a machine *or software* by
26 a registered player *or licensee* to ~~take~~ *automate* the next *player*
27 action at any point in a game.

28 (aa)

29 (ae) “State” means the State of California.

30 ~~(ab) “Subcontractor” means any person providing goods or~~
31 ~~services to a licensee in connection with the operation of authorized~~
32 ~~games.~~

33 (af) (1) “Subcontractor” means any person that does any of
34 the following:

35 (A) *On behalf of a licensee, knowingly manages, administers,*
36 *or controls wagers on authorized games provided over the Internet*
37 *by a licensee pursuant to this chapter.*

38 (B) *On behalf of a licensee, knowingly manages, administers,*
39 *or controls the games with which those wagers are associated.*

1 (C) *On behalf of a licensee, develops, maintains, provides, or*
2 *operates a gaming system.*

3 (D) *Sells, licenses, or otherwise receives compensation for*
4 *selling or licensing information on individuals in California who*
5 *made wagers on games over the Internet that were not licensed*
6 *under this chapter via a database or customer lists.*

7 (E) *Provides any product, service, or asset to a licensee and is*
8 *paid a percentage of gaming revenue by the licensee, not including*
9 *fees to financial institutions and payment providers for facilitating*
10 *a deposit by a customer.*

11 (F) *Provides intellectual property, including the trademarks,*
12 *tradenames, service marks, or similar intellectual property under*
13 *which a licensee identifies its games to its customers.*

14 (2) *“Subcontractor” shall not include a provider of goods or*
15 *services that provides similar goods or services to the public for*
16 *purposes other than the operation of Internet gambling activities,*
17 *and is not otherwise directly or indirectly involved in the operation*
18 *of an Internet gambling Web site pursuant to a license issued under*
19 *this chapter.*

20 (~~ae~~)

21 (ag) *“Terms of Use Registered Player’s Agreement” means the*
22 *agreement offered by a licensee and accepted by a registered player*
23 *delineating, among other things, permissible and impermissible*
24 *activities on an intrastate Internet gambling Web site and the*
25 *consequences of engaging in impermissible activities.*

26 (~~ad~~)

27 (ah) *“Tournament” means a department-approved competition*
28 *in which registered players play a series of authorized games to*
29 *decide the winner.*

30 (~~ae~~)

31 (ai) *“Tournament charge” means the amount charged by the*
32 *licensee for registered players to play in a tournament.*

33 (~~af~~)

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

36 (~~ag~~)

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

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

4 19990.10. Under the federal Unlawful Internet Gambling
5 Enforcement Act of 2006, California is permitted to authorize
6 games as long as all players and the online wagering activities are
7 located within the state and the games are not played by minors.

8 19990.11. Notwithstanding any other law, a person in
9 California 21 years of age or older is hereby permitted to participate
10 as a registered player in an authorized game provided over the
11 Internet by a licensee as described in this chapter.

12 19990.12. (a) A person shall not offer any game on the Internet
13 in this state unless that person holds a valid license issued by the
14 state to offer the play of authorized games on an intrastate Internet
15 *gambling* Web site pursuant to this chapter.

16 (b) It is unlawful for any person to offer or play any gambling
17 game provided on the Internet that is not authorized by the state
18 pursuant to this chapter.

19 (c) It is unlawful for any person to aggregate computers or other
20 access devices in a public setting ~~principally~~ for the purpose of
21 playing gambling games on the Internet, whether or not otherwise
22 authorized pursuant to this chapter, or to promote or market ~~such~~
23 ~~a facility~~ *that activity*.

24 (d) Any violation of this chapter is punishable as a misdemeanor.

25 19990.13. Chapter 5 (commencing with Section 19800) ~~of~~
26 ~~Division 8~~ does not apply to this chapter.

27 ~~19990.14. (a) All games offered for play on an intrastate~~
28 ~~Internet Web site pursuant to this chapter shall be approved by the~~
29 ~~department.~~

30 ~~(b) For the first two years following the initial issue date of any~~
31 ~~license pursuant to this chapter, only games commonly referred~~
32 ~~to as poker, the play of which is permitted as a controlled game~~
33 ~~pursuant to Chapter 5 (commencing with Section 19800), shall be~~
34 ~~authorized. After that two-year period, the department may phase~~
35 ~~in other games allowed under the California Constitution and the~~
36 ~~Penal Code.~~

37 ~~(c) Within 90 days of the department's approval of any new~~
38 ~~game, the Legislature may reject, by resolution adopted by majority~~
39 ~~vote of either house, any new game approved by the department~~
40 ~~after the initial two-year period of poker only games.~~

1 19990.14. (a) Only poker shall be offered for play on an
2 intrastate Internet gambling Web site pursuant to this chapter.

3 (b) Only games approved by the department for play on an
4 intrastate Internet gambling Web site shall be offered for play on
5 an intrastate Internet gambling Web site pursuant to this chapter.

6
7 Article 4. Licensing of Intrastate Internet Gambling Web Sites
8

9 19990.20. (a) A license to operate an intrastate Internet
10 gambling Web site pursuant to this chapter shall be issued for a
11 term of ~~10~~ five years, ~~with a review of that license initiated during~~
12 ~~year three of the initial term.~~ Subject to the power of the
13 commission to deny, revoke, suspend, condition, or limit any
14 license, as provided in this chapter, a license shall be renewed
15 every five years. Failure of a licensee to file an application for
16 renewal may be deemed a surrender of the license. The commission
17 shall draft necessary regulations for the licensing renewal process.

18 (b) All initial licenses issued pursuant to this chapter shall take
19 effect on the same date, as determined by the department, but not
20 later than January 1, 2014.

21 19990.21. (a) Each entity described in subdivision (b) is
22 eligible for a single intrastate Internet gambling ~~Web site~~ license.
23 There is no limit on the total number of licenses the state may
24 issue. Any of the eligible entities may jointly apply for a license,
25 either as a consortium or by forming an entity comprised entirely
26 of eligible entities. Each eligible entity may have an interest in
27 only a single license.

28 (b) Entities eligible to apply for ~~a~~, receive, and maintain an
29 intrastate Internet gambling license pursuant to this chapter ~~for~~
30 ~~the operation of an intrastate Internet gambling Web site~~ include
31 all of the following:

32 (1) ~~A holder of~~ gambling enterprise, as defined in subdivision
33 (m) of Section 19805, that holds an owner license issued pursuant
34 to subdivision (a) of Section 19851 ~~who~~, and that has been subject
35 to oversight by, and in good standing with, the commission for the
36 three years immediately preceding its application for licensure.

37 (2) A federally recognized California Indian tribe operating a
38 casino pursuant to a tribal-state gaming compact under the federal
39 Indian Gaming Regulatory Act of 1988, that has been subject to
40 oversight by, and in good standing with, the commission and the

1 department for the three years immediately preceding its
2 application for licensure.

3 (3) A thoroughbred, quarter horse, or harness association
4 licensed by the California Horse Racing Board that has been subject
5 to oversight by, and in good standing with, the board for the three
6 years immediately preceding its application for licensure.

7 (4) An operator of an online advanced deposit wagering site
8 regulated by the California Horse Racing Board that has been
9 subject to oversight by, and in good standing with, the board for
10 the three years immediately preceding its application for licensure.

11 (5) *A wholly owned subsidiary of any of the entities described*
12 *in paragraphs (1) to (4), inclusive, created for the purpose of*
13 *engaging in the activities permitted by this chapter.*

14 (c) *For the purpose of this section, incorporation or other*
15 *change in legal form of ownership during the three years*
16 *immediately preceding application for licensure shall not disqualify*
17 *an entity otherwise eligible for licensure pursuant to subdivision*
18 *(b). Additionally, for the purpose of this section, a group of eligible*
19 *entities jointly applying for a license, either as a consortium or by*
20 *forming an entity comprised entirely of eligible entities, need not*
21 *have been in existence for three years to be eligible for a license*
22 *pursuant to this section, provided that its members meet all other*
23 *eligibility requirements of this section.*

24 19990.22. (a) Factors to be considered in evaluating a license
25 applicant shall include, but are not limited to, quality, competence,
26 experience, past performance, efficiency, reliability, financial
27 viability, durability, adaptability, timely performance, integrity,
28 ~~and~~ security, *and the applicant's subcontractors for core functions.*

29 (b) (1) A license applicant, and all subcontractors of the
30 applicant, shall be a resident of California, or an entity organized
31 in California, and subject to state taxation, auditing, and
32 enforcement. All facilities ~~and~~, bank accounts, *and accounting*
33 *records* of the license applicant related to intrastate Internet
34 gambling shall be located in California.

35 (2) At all times, a license applicant or licensee shall be domiciled
36 in California and in good standing with the Secretary of State and
37 the Franchise Tax Board.

38 (3) All subcontractors of a license applicant or licensee, or
39 persons otherwise providing goods or performing services in
40 connection with the operation of authorized games for the license

1 applicant or licensee, or any of its subcontractors, *and any persons*
2 *that have the authority to exercise significant influence over a*
3 *subcontractor* shall be subject to this subdivision. If a licensee
4 desires to enter into an agreement with a person to provide goods
5 or services in connection with the operation of authorized games,
6 that person shall be subject to this subdivision and investigation
7 and a finding of suitability as set forth in Section 19990.23. *The*
8 *commission may establish a registration process and application*
9 *for subcontractors not performing core functions.*

10 (c) In addition to any other confidentiality protections afforded
11 to license applicants, the state and its agencies shall treat the
12 proprietary information of any license applicant as confidential to
13 protect the license applicant and to protect the security of any
14 prospective intrastate Internet gambling Web site. This chapter
15 shall not prohibit the exchange of confidential information among
16 state agencies considering a license application. The confidentiality
17 provisions in this chapter exempt proprietary information supplied
18 by a license applicant to a state agency from public disclosure
19 consistent with subdivision (b) of Section 6253 of the Government
20 Code.

21 (d) A license applicant that has been deemed ~~suitable~~ and
22 eligible shall submit to the ~~department~~ *commission*, together with
23 its application, an application ~~fee~~ *deposit* of no less than one million
24 dollars (\$1,000,000), and no greater than five million dollars
25 (\$5,000,000), as determined by the department, *in consultation*
26 *with the commission*, for the reasonably anticipated costs to
27 complete necessary background ~~checks~~ *investigation* and evaluate
28 the suitability of the applicant. All ~~fees~~ *moneys collected pursuant*
29 *to this subdivision* shall be deposited into the Internet Gambling
30 Licensing Fund, as hereby created, ~~and~~ to be administered by the
31 department. Notwithstanding Section 13340 of the Government
32 Code, all moneys in the fund are continuously appropriated to the
33 department *and the commission*, without regard to fiscal years, in
34 the amounts necessary for the department *and the commission* to
35 perform ~~its~~ *their* duties under this section and Section 19990.23.
36 Any funds associated with the license applicant that remain after
37 completion of background ~~checks~~ *investigation* and the finding of
38 suitability shall be refunded to the applicant. If additional moneys
39 are needed to complete the investigation of the license applicant,

1 the applicant shall pay the funds necessary to complete the
2 investigation.

3 ~~(e) A federally recognized California Indian tribe, including,~~
4 ~~but not limited to, the governing body of that tribe or any entity~~
5 ~~that is an affiliate of that tribe, that applies for a license pursuant~~
6 ~~to this chapter shall waive its sovereignty for the purpose of~~
7 ~~evaluation of its application. The application shall affirmatively~~
8 ~~declare that the license applicant is subject to the state's jurisdiction~~
9 ~~as set forth in this chapter and in the regulations adopted by state~~
10 ~~agencies. Any license issued pursuant to this chapter to a federally~~
11 ~~recognized California Indian tribe shall include that tribe's~~
12 ~~affirmative agreement, in a form acceptable to the department, to~~
13 ~~be subject to the jurisdiction of the state for all purposes under this~~
14 ~~chapter.~~

15 *(e) An applicant for an intrastate Internet gambling license*
16 *pursuant to this chapter that is a federally recognized Indian tribe*
17 *or an entity that is either wholly owned by a tribe or that consists*
18 *of one or more tribes shall include with its license application an*
19 *express waiver of the applicant's sovereign immunity solely for*
20 *the purposes of investigating the suitability of the applicant, and*
21 *enforcing this chapter and any regulations promulgated*
22 *thereunder, and with regard to any claim, sanction, or penalty*
23 *arising therefrom, against the applicant as a prospective or actual*
24 *licensee, and for no other purpose.*

25 19990.23. (a) The department shall review the suitability of
26 a license applicant to operate an intrastate Internet gambling Web
27 site.

28 (b) The department may establish a process to conduct a
29 preliminary determination of suitability based on a partial
30 investigation of license applicants *seeking licensure along with a*
31 *determination of which license applicants may be subject to a*
32 *partial investigation.—~~The~~ A partial investigation is intended to
33 screen out applicants that do not meet the suitability requirements
34 of this chapter.—~~The~~ A partial investigation shall include
35 fingerprint-based state and federal criminal history checks *and*
36 *clearances, and* inquiries into various public databases regarding
37 credit history and any civil litigation,~~and~~ *A partial investigation*
38 *shall also include* a review of the applicant's financial status, which
39 shall include the required submission of ~~income statements and~~
40 ~~balance sheets for the prior 12-month period~~ *a report prepared on**

1 *behalf of the applicant by a department-approved forensic*
2 *accounting, audit, or investigative firm, in a format developed by*
3 *the department, and at the applicant's expense. The report shall*
4 *include the financial information necessary for the department to*
5 *make a preliminary determination of suitability. The department*
6 *may specify additional requirements regarding the contents of the*
7 *report and any other financial information or documentation*
8 *required to be submitted with the application. A full investigation*
9 *shall be conducted of only those persons that pass partial*
10 *investigation and that will undergo a full investigation pursuant*
11 *to subdivision (c). Those applicants that do not pass the partial*
12 *investigation may appeal the decision to the commission.*

13 (c) The department shall conduct a full investigation into the
14 suitability of any license applicant to operate an intrastate Internet
15 gambling Web site. The investigation shall include all of the
16 following persons:

17 (1) The license applicant and all of its subcontractors *that*
18 *provide services related to core functions.*

19 (2) All officers of the license applicant.

20 (3) The owner or owners of the following:

21 (A) The license applicant.

22 (B) Any affiliate of the license applicant.

23 (C) Any subcontractors of a license applicant, or other persons
24 otherwise providing goods to, or performing services for, the
25 license applicant *related to core functions.*

26 (D) *Any person deemed by the department to have significant*
27 *influence over the license applicant or its subcontractors or their*
28 *respective operations.*

29 ~~(d) (1) A department-approved, independent forensic accounting~~
30 ~~firm shall prepare a report on each applicant undergoing a full~~
31 ~~investigation, on a form developed by the department, and at the~~
32 ~~applicant's expense. The report shall include the financial~~
33 ~~information necessary for the department to make a determination~~
34 ~~of suitability, as specified in regulation adopted by the department~~
35 ~~for this purpose.~~

36 ~~(2) The department may, by regulation, specify additional~~
37 ~~requirements regarding the contents of the report described in~~
38 ~~paragraph (1) and any other financial information or documentation~~
39 ~~required to be submitted with the application.~~

1 (d) A full investigation shall include a review and evaluation
2 of the license applicant's qualifications and experience to provide
3 the services anticipated of a licensee, which shall include the
4 required submission of a report prepared on each applicant by an
5 outside firm contracted and supervised by the department, in a
6 format developed by the department, and at the applicant's
7 expense. The report shall include information necessary for the
8 department to make a determination of suitability, as specified in
9 regulation, consisting of, but not limited to, personal history, prior
10 activities and associations, credit history, civil litigation, past and
11 present financial affairs and standing, and business activities. The
12 department may specify additional requirements regarding the
13 contents of the report and other information or documentation
14 required to be submitted with the application. The license applicant
15 shall also provide compliance certification of its gaming software
16 by a department-approved gaming laboratory.

17 (e) (1) Both of the following persons are subject to paragraph
18 (3) of subdivision (c):

19 (A) A person that directly or indirectly holds a beneficial interest
20 or ownership interest of 10 percent or more of a subcontractor or
21 player recruiter of the licensee. The commission may require any
22 person with a smaller interest to be found suitable in the exercise
23 of its discretion where it deems appropriate. If the person is not
24 a natural person, the department may determine which officers,
25 directors, and owners of the person are significantly involved in
26 the management or control of the person as it relates to core
27 functions so as to require an investigation into suitability.

28 (B) If the owner is a publicly traded or qualified racing
29 association, then each officer, director, and owner, other than an
30 institutional investor, of 5 percent or more of the outstanding
31 shares of the publicly traded corporation.

32 (2) An institutional investor holding more than 10 percent and
33 less than 25 percent of the equity securities of a subcontractor's
34 holding or intermediary companies shall be granted a waiver of
35 any investigation of suitability or other requirement if all of the
36 following apply:

37 (A) The securities are those of a corporation, whether publicly
38 traded or privately held.

39 (B) Holdings of those securities were purchased for investment
40 purposes only.

1 (C) The institutional investor annually files a certified statement
2 with the department to the effect that it has no intention of
3 influencing or affecting the affairs of the issuer, the licensee, or
4 subcontractor, as applicable, or its holding or intermediary
5 companies.

6 (3) Notwithstanding paragraph (2), the institutional investor
7 may vote on matters put to the vote of the outstanding security
8 holders.

9 (4) The certification described in subparagraph (C) of
10 paragraph (2) shall include a statement that the institutional
11 investor beneficially owns the equity securities of the corporation
12 for investment purposes only, and in the ordinary course of
13 business as an institutional investor, and not for the purpose of
14 (A) causing, directly or indirectly, the election of members of the
15 board of directors, or (B) effecting any change in the corporate
16 charter, bylaws, management, policies, or operations of the
17 corporation or any of its affiliates. The certification also shall
18 indicate any changes to the structure or operations of the
19 institutional investor that could affect its classification as an
20 institutional investor, as listed in paragraph (7). Additionally, the
21 certification shall state that the institutional investor and
22 corporation shall maintain gaming compliance policies and
23 procedures to implement and ensure compliance with this chapter
24 and regulations promulgated thereunder.

25 (5) An institutional investor granted a waiver under paragraph
26 (2) that subsequently decides to influence or affect the affairs of
27 the issuer shall provide not less than 30 days' notice of that intent
28 and shall file with the department a request for determination of
29 suitability before taking any action that may influence or affect
30 the affairs of the issuer. However, the institutional investor may
31 vote on matters put to the vote of the outstanding security holders.
32 If an institutional investor changes its investment intent, or the
33 department finds reasonable cause to believe that the institutional
34 investor may be found unsuitable, the institutional investor shall
35 take no action other than divestiture with respect to its security
36 holdings until it has complied with any requirements established
37 by the department, which may include the execution of a trust
38 agreement. The subcontractor and its relevant holding,
39 intermediary, or subsidiary company shall immediately notify the
40 department of any information about, or actions of, an institutional

1 investor holding its equity securities where that information or
2 action may impact upon the eligibility of the institutional investor
3 for a waiver pursuant to paragraph (2).

4 (6) If at any time the department finds that an institutional
5 investor holding any security of a holding or intermediary company
6 of a subcontractor, or, where relevant, of another affiliate or
7 subsidiary company of a holding or intermediary company of a
8 subcontractor that is related in any way to the financing of the
9 subcontractor, fails to comply with the terms of paragraphs (2) to
10 (5), inclusive, or if at any time the department finds that, by reason
11 of the extent or nature of its holdings, whether of debt or equity
12 securities, an institutional investor is in a position to exercise such
13 a substantial impact upon the controlling interests of a
14 subcontractor that investigation and determination of suitability
15 of the institutional investor are necessary to protect the public
16 interest, the department may take any necessary action otherwise
17 authorized under this chapter to protect the public interest.

18 (7) For purposes of this subdivision, an “institutional investor”
19 includes all of the following:

20 (A) Any retirement fund administered by a public agency for
21 the exclusive benefit of federal, state, or local public employees.

22 (B) An investment company registered under the federal
23 Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 et seq.).

24 (C) A collective investment trust organized by banks under Part
25 Nine of the Rules of the Comptroller of the Currency.

26 (D) A closed-end investment trust.

27 (E) A chartered or licensed life insurance company or property
28 and casualty insurance company.

29 (F) A federally regulated or state-regulated bank, savings and
30 loan, or other federally or state-regulated lending institution.

31 (G) An investment advisor registered under the federal
32 Investment Advisors Act of 1940 (15 U.S.C. Sec. 80b-1 et seq.).

33 (H) Other persons as the department may determine for reasons
34 consistent with the public interest.

35 (f) Except as otherwise provided by statute or regulation, every
36 person, that, by statute or regulation, is required to hold a license
37 shall obtain a license prior to engaging in the activity, or occupying
38 the position, with respect to which the license is required. An
39 applicant for licensing, or for any approval or consent, shall make
40 a full and true disclosure of all information to the department and

1 *the commission as necessary to carry out the policies of the state*
2 *relating to the licensing and control of gambling. The burden of*
3 *proving a person's qualifications to receive a license is on the*
4 *applicant.*

5 (e)

6 (g) The ~~department~~ *commission* shall issue a finding of
7 suitability for a license applicant to operate an intrastate Internet
8 gambling Web site only if, based on all of the information and
9 documents submitted, the ~~department~~ *commission* is satisfied that
10 each of the persons subject to investigation pursuant to this section
11 is both of the following:

12 (1) A person of good character, honesty, and integrity, or, if an
13 entity, in good standing in its jurisdiction of organization and in
14 all other jurisdictions in which it is qualified, or should be qualified,
15 to do business.

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

23 (f)

24 (h) The ~~department~~ *commission* shall issue a finding that a
25 license applicant is not suitable to operate an intrastate Internet
26 gambling Web site if it finds that any person subject to
27 investigation pursuant to this section ~~has done~~ *is described by any*
28 of the following:

29 (1) Failed to clearly establish eligibility and qualifications in
30 accordance with this chapter.

31 (2) Failed to timely provide information, documentation, and
32 assurances required by this chapter or requested by the department,
33 or, with respect to a license applicant, failed to reveal any fact
34 material to qualification, or supplied information that is untrue or
35 misleading as to a material fact pertaining to the suitability criteria.

36 (3) Been convicted of a felony, including a conviction by a
37 federal court or a court in another state or foreign jurisdiction for
38 a crime that would constitute a felony if committed in California.

39 (4) Been convicted of any misdemeanor, *in any jurisdiction*,
40 involving dishonesty or moral turpitude within the 10-year period

1 immediately preceding the submission of the application, unless
2 the applicant has been granted relief pursuant to Section 1203.4,
3 1203.4a, or 1203.45 of the Penal Code. However, the granting of
4 relief pursuant to Section 1203.4, 1203.4a, or 1203.45 of the Penal
5 Code shall not constitute a limitation on the discretion of the
6 department or affect the applicant's burden.

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

9 (6) Has contemptuously defied any legislative investigative
10 body, or other official investigative body of any state or of the
11 United States or any foreign jurisdiction, when that body is engaged
12 in the investigation of crimes relating to gambling, official
13 corruption related to gambling activities, or criminal profiteering
14 activity or organized crime, as defined in Section 186.2 of the
15 Penal Code.

16 (7) Is less than 21 years of age.

17 (8) Has *knowingly and willfully* accepted any wager from
18 ~~persons~~ *a person* in the United States on any form of Internet
19 gaming that has not been affirmatively authorized by law in this
20 state or the United States after December 31, 2006, or has been
21 the holder of a direct or indirect financial interest in a person or
22 entity that has accepted such a wager.

23 ~~(g) The department shall request that the United States~~
24 ~~Department of Justice or any other federal agency or agency of a~~
25 ~~state other than California provide any information about any~~
26 ~~license applicant or any of its subcontractors as part of its inquiry~~
27 ~~as to the suitability of a license applicant to operate an intrastate~~
28 ~~Internet gambling Web site.~~

29 ~~(h)~~

30 (i) (1) The department shall reject the license application of
31 any applicant found to be ~~unsuitable to be a licensee~~ *ineligible for*
32 *licensure*.

33 ~~(2) The department shall provide to the applicant a written~~
34 ~~explanation listing the reasons for denial of the license application.~~

35 (2) *If denial of the application, or approval of the license with*
36 *restrictions or conditions on the license, is recommended, the*
37 *department shall prepare and file with the commission written*
38 *reasons upon which the recommendation is based. Prior to filing*
39 *its recommendation with the commission, the department shall*
40 *meet with the applicant, or the applicant's duly authorized*

1 *representative, and inform the applicant generally of the basis for*
2 *any proposed recommendation that the application be denied,*
3 *restricted, or conditioned.*

4 (3) This section neither requires the department to divulge to
5 the applicant any confidential information received from any law
6 enforcement agency or any information received from any person
7 with assurances that the information would be maintained
8 confidential, nor to divulge any information that might reveal the
9 identity of any informant or jeopardize the safety of any person.

10 (4) Denial of an application shall be without prejudice to a new
11 and different application filed in accordance with any regulations
12 adopted by the department with respect to the submission of
13 applications.

14 (5) *A request to withdraw an application for a license may be*
15 *made by the license applicant at any time prior to final action on*
16 *the application by the department by filing a written request with*
17 *the commission to withdraw the application.*

18 19990.235. (a) A finding of suitability by a state gaming
19 agency within the United States with expertise recognized within
20 the gaming industry, and that is also recognized as meeting this
21 standard by the department, shall be grounds for a state provisional
22 finding of suitability with respect to a particular person or entity
23 until a permanent suitability finding is issued by the department
24 as to that person or entity.

25 (b) This section shall remain in effect only until January 1, 2016,
26 and as of that date is repealed, unless a later enacted statute, that
27 is enacted before January 1, 2016, deletes or extends that date.

28 19990.24. In addition to any other data that the department
29 shall request from license applicants as a matter of law and to
30 ensure that any license applicant is legally, technically, and
31 financially qualified to become a licensee, the department shall
32 request that any license applicant name, describe, or provide all
33 of the following:

34 (a) The license applicant's qualifications and the qualifications
35 of its executives and employees to receive an employee work
36 permit as set forth in Section 19990.31.

37 (b) The license applicant's experience and qualifications to
38 provide the services anticipated of a licensee as set forth in Article
39 5 (commencing with Section 19990.30).

1 (c) The names of all of the license applicant’s owners,
2 executives, and employees, as well as sufficient personally
3 identifiable information on each of those persons to conduct
4 background checks as required by the department.

5 (d) The fingerprints of the owners, directors, managers,
6 executives, and employees of the licensee, its affiliates, and
7 subcontractors taken using live scan technology.

8 (e) Documentation and information relating to the license
9 applicant and its direct and indirect owners, including, but not
10 limited to, all of the following:

11 (1) With respect to the license applicant and any of its
12 subcontractors, proof of formation in California, including, as
13 applicable, articles of incorporation, articles of organization,
14 bylaws, operating agreement, partnership agreement, or other
15 formation or charter documents.

16 (2) Current and historical audited financial and accounting
17 records *performed in accordance with Generally Accepted*
18 *Accounting Principles (GAAP) or International Financial*
19 *Reporting Standards (IFRS).*

20 (3) Any documents relating to legal and regulatory proceedings.

21 (4) Any documents relating to the license applicant’s business
22 history *and structure.*

23 (5) Any documents relating to the nature and sources of the
24 license applicant’s financing, including, but not limited to,
25 operating agreements, partnership agreements, stock purchase
26 agreements, *loan capital agreements*, pro forma cap tables, pro
27 forma statements of profits and loss, investor rights agreements,
28 voting agreements, and shareholder agreements. These materials
29 may be submitted subject to a request for confidentiality.

30 (6) Any documentation that demonstrates that the license
31 applicant is financially qualified to perform the obligations of a
32 licensee as described in this article.

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

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

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

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

3 (3) For subcontractors that are not formed in California, a
4 commitment in writing by the subcontractor to create a California
5 subsidiary prior to the commencement of authorized games
6 provided by the licensee. The commitment required pursuant to
7 this paragraph shall be subject to the cure provisions of Section
8 19990.61.

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

11 (h) A description of how the licensee's facilities will accomplish
12 the goals of this chapter, including, but not limited to:

13 (1) The licensee's location within the state.

14 (2) The licensee's security systems.

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

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

22 (2) Appropriate data security standards to prevent unauthorized
23 access by any persons whose age and current location have not
24 been verified in accordance with this chapter and applicable
25 regulations.

26 (3) The requirement that the licensee be located in California
27 and all bets be initiated and received or otherwise made exclusively
28 within California.

29 (j) The system requirements that the license applicant plans to
30 implement to achieve the state's goals under this chapter, including,
31 but not limited to:

32 (1) Connectivity.

33 (2) Hardware.

34 (3) Software.

35 (4) Antifraud systems.

36 (5) Virus prevention.

37 (6) Data protection.

38 (7) Access controls.

39 (8) Firewalls.

40 (9) Disaster recovery.

- 1 (10) Redundancy.
- 2 (11) Gaming systems, including, but not limited to, hardware
- 3 and software that ensure all of the following:
 - 4 (A) The games are legal.
 - 5 (B) The games are independent and fair and played by live
 - 6 persons.
 - 7 (C) Game and betting rules are available to all registered players.
 - 8 (D) All data used for the conduct of each game is randomly
 - 9 generated and unpredictable.
- 10 (12) Accounting systems, including but not limited to, those for
- 11 any of the following:
 - 12 (A) Registered player accounts.
 - 13 (B) Per hand charges.
 - 14 (C) Transparency and reporting to all state agencies.
 - 15 (D) Distribution of funds, pursuant to the license and this
 - 16 chapter, to the state and registered players.
 - 17 (E) Ongoing auditing *and ongoing internal control and*
 - 18 *compliance reviews.*
- 19 (13) Facility security systems to protect the intrastate Internet
- 20 gambling Web site from ~~either internal or~~ *and* external threats.
- 21 (k) The license applicant's proposal to facilitate the statutory
- 22 duties and responsibilities of the state agencies with jurisdiction
- 23 over aspects of the licensee's operations, including, but not limited
- 24 to, all of the following:
 - 25 (1) The department.
 - 26 (2) The commission.
 - 27 (3) The Treasurer.
 - 28 (4) The Franchise Tax Board.
 - 29 (l) An acknowledgment by the license applicant that the *fees or*
 - 30 ~~terms and conditions~~ of the license issued by the state may be
 - 31 modified by the state after ~~three~~ *five* years, ~~and at any time~~
 - 32 ~~thereafter~~, at which point the licensee may either agree to be subject
 - 33 to that modification or relinquish the license.
 - 34 (m) In addition to demonstrating that the license applicant is
 - 35 legally, technically, and financially qualified to become a licensee,
 - 36 a licensee shall ~~describe how it will comply~~ *also provide*
 - 37 *compliance certification of its gaming software by a*
 - 38 *department-approved gaming laboratory to ensure that it complies*
 - 39 *with the requirements of this chapter.*

1 19990.25. (a) A holder of an owner license issued pursuant to
2 subdivision (a) of Section 19851, and ~~who~~ *that* is in good standing,
3 shall not be deemed unqualified to operate a land-based gambling
4 entity by reason of an investment in a license applicant or a
5 licensee.

6 (b) An official representative of the government of a federally
7 recognized California Indian tribe with a tribal-state gaming
8 compact with the state shall not be deemed unqualified to operate
9 a land-based gambling entity by reason of an investment in a
10 license applicant or a licensee.

11 (c) (1) A license applicant whose application is denied may
12 bring an action to appeal that decision to the Superior Court of the
13 County of Sacramento. The decision of the Superior Court of the
14 County of Sacramento is not appealable. No remedy other than an
15 injunction is available pursuant to this subdivision.

16 (2) The Superior Court of the County of Sacramento shall uphold
17 the decision by the department if there is any substantial evidence
18 to support the department's decision to deny the license application.

19 (3) If the Superior Court of the County of Sacramento finds for
20 the license applicant, it shall return the application to the
21 department for action consistent with the decision of the court.

22 ~~19990.26. (a) At least two years after the initial issue date of
23 any license pursuant to this chapter, but no later than three years
24 after that date, the Bureau of State Audits shall issue a report to
25 the Legislature consistent with Section 19990.96.~~

26 ~~(b) At least three years after the initial issue date of any license
27 pursuant to this chapter, but no later than four years after that date,
28 the department, the commission, the Legislature, and licensees
29 shall meet to review the operation of intrastate Internet gambling
30 Web sites pursuant to this chapter. The department may renegotiate
31 the terms and conditions of the licenses with the licensees, based
32 in large part on the report and recommendations of the Bureau of
33 State Audits to the Legislature pursuant to Section 19990.96 with
34 respect to all aspects of the licensees' operations, obligations, and
35 economics. The state reserves the right to make reasonable
36 modifications to the terms and conditions of the licenses after that
37 three-year review, and at any time thereafter, to balance the
38 relationship between the licensees and the state.~~

39 ~~(c) If the Legislature statutorily approves new or modified
40 license terms and conditions relating to the rights and obligations~~

1 of the licensees, which modification may include amendment of
2 this chapter, the department shall notify existing licensees of the
3 new terms and conditions in accordance with the statutory changes
4 approved by the Legislature. A licensee shall indicate whether it
5 accepts the new or modified license terms and conditions within
6 30 days of receiving notification from the department. A licensee's
7 acceptance of the new or modified license terms and conditions
8 shall apply for the remaining term of the license, or until those
9 terms and conditions are subsequently modified by the Legislature.
10 The licensee also may decline to accept the new or modified license
11 terms and conditions, but, pursuant to that declination, shall
12 relinquish the license to the state without compensation.

13 (d) If the department recommends no changes to the terms and
14 conditions of the license, or if the Legislature does not approve
15 any changes to the terms or conditions of the license, the licensees
16 shall continue to operate under the existing terms and conditions
17 of the license, and the license shall remain in force for the
18 remainder of the term of the license, or until those terms and
19 conditions are subsequently renegotiated and are approved by the
20 Legislature.

21 (e) No relicensing shall be required upon modification.

22

23 Article 5. Rights and Obligations of Licensees

24

25 19990.30. (a) A licensee shall comply with the terms of this
26 chapter.

27 (b) In the event of commercial infeasibility created by a change
28 in federal law rendering the provision of intrastate Internet
29 gambling services illegal, or some other event, a licensee may
30 abandon its operations after providing the department with 90
31 days' advance notice of its intent and a statement explaining its
32 interpretation that continuing to operate the intrastate Internet
33 gambling Web site is commercially infeasible. In response to that
34 notice, the state may file an action in the Superior Court of the
35 County of Sacramento as it deems necessary to protect any state
36 interests, including, but not limited to, the interests of registered
37 players.

38 (c) In the event that any dispute arises between the state and the
39 licensee, either the department or a licensee may file an action in
40 the superior court of any county in which the department has an

1 office for an interpretation of the rights and responsibilities of the
2 state and the licensee pursuant to this chapter.

3 19990.31. (a) Prior to initiating operations and thereafter, a
4 licensee shall ensure that every employee has been issued an
5 employee work permit by the department, pursuant to standards
6 adopted by the department, prior to that person having access to
7 the licensee's facilities. The permit shall be renewed every two
8 years.

9 (b) An employee work permit shall not be issued unless, based
10 on all of the information and documents submitted, the department
11 is satisfied that the applicant is, at a minimum, all of the following:

12 (1) A person of good character, honesty, and integrity.

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

20 (3) A person who is in all other respects qualified to hold an
21 employee work permit as provided in this chapter.

22 ~~The department shall disqualify an~~ An applicant for an
23 employee work permit *is disqualified* for any of the following
24 reasons:

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

27 (2) Failure of the applicant to provide timely information,
28 documentation, and assurances required by this chapter or requested
29 by any state official, or failure of the applicant to reveal any fact
30 material to the qualification, or the supplying of information that
31 is untrue or misleading as to a material fact pertaining to the
32 qualification criteria.

33 (3) Conviction of a felony, including a conviction by a federal
34 court ~~or~~, a court in another state, *or a court in another country*,
35 for a crime that would constitute a felony if committed in
36 California.

37 (4) Conviction of the applicant for any misdemeanor involving
38 dishonesty or moral turpitude within the 10-year period
39 immediately preceding the submission of the application, unless
40 the applicant has been granted relief pursuant to Section 1203.4,

1 1203.4a, or 1203.45 of the Penal Code. However, the granting of
2 relief pursuant to Section 1203.4, 1203.4a, or 1203.45 of the Penal
3 Code shall not constitute a limitation on the discretion of the
4 department or affect the applicant's burden under subdivision (b).

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

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

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

15 (d) A licensee shall apply for an employee work permit on behalf
16 of each employee.

17 (e) ~~A person shall not be issued an~~ An employee work permit
18 *shall not be issued* unless the ~~person~~ applicant meets the
19 qualification standards adopted by the ~~department~~ *commission*.

20 (f) The department shall establish a fee to be paid by a licensee
21 ~~in submitting applications for the cost of background investigation~~
22 *on employee work permits permit applications submitted* on behalf
23 of that licensee's employees. The department *and the commission*
24 shall establish processes for the revocation or suspension of an
25 intrastate Internet gambling ~~Web site~~ license or employee work
26 permit, and to withdraw an application for an intrastate Internet
27 gambling ~~Web site~~ license or employee work permit.

28 (g) (1) A licensee or subcontractor of a licensee shall not enter
29 into, without prior approval of the department, any contract or
30 agreement with a person who is denied a gambling license or
31 employee work permit pursuant to Chapter 5 (commencing with
32 Section 19800), or whose gambling license or employee work
33 permit is suspended or revoked by the department, or with any
34 business enterprise under the control of that person, after the date
35 of receipt of notice of the department's action.

36 (2) A licensee or subcontractor of a licensee shall not enter into
37 any contract or agreement with a person or entity that has
38 *knowingly and willfully* accepted any wager from persons in the
39 United States on any form of Internet gaming that has not been
40 affirmatively authorized by law in this state or the United States

1 after December 31, 2006, or has been the holder of a direct or
2 indirect financial interest in a person or entity that has accepted
3 such a wager.

4 (h) A licensee or subcontractor of a licensee shall not employ,
5 without prior approval of the department, any person in any
6 capacity for which he or she is required to have an employee work
7 permit, if the person has been denied a gambling license or an
8 employee work permit pursuant to Chapter 5 (commencing with
9 Section 19800), or if his or her gambling license or employee work
10 permit has been suspended or revoked after the date of receipt of
11 notice of the action by the department. A licensee or subcontractor
12 of a licensee shall not enter into a contract or agreement with a
13 person whose application for a gambling license or an employee
14 work permit has been withdrawn with prejudice, or with any
15 business enterprise under the control of that person, for the period
16 of time during which the person is prohibited from filing a new
17 application for a gambling license or an employee work permit.

18 (i) If an employee who is required to hold an employee work
19 permit pursuant to this chapter is denied an employee work permit,
20 or has his or her employee work permit revoked by the department,
21 the employee shall be terminated *immediately* in all capacities.
22 ~~The employee shall not be permitted to exercise a significant~~
23 ~~influence over the gambling operation, or any part thereof, upon~~
24 ~~notification of the~~ *Upon notifying the licensee of the department's*
25 *action, the employee shall have no further involvement in the*
26 *gambling operation.*

27 (1) If an employee who is required to hold an employee work
28 permit pursuant to this chapter has his or her employee work permit
29 suspended, the employee shall be suspended in all capacities. ~~The~~
30 *Upon notifying the licensee of the department's action, the*
31 *employee shall not be permitted to exercise a significant influence*
32 *over the gambling operation, or any part thereof, have any*
33 *involvement in the gambling operation during the period of*
34 *suspension, upon notification of the licensee of the department's*
35 *action.*

36 (2) ~~If a~~ *A licensee or subcontractor of a licensee designates shall*
37 *not designate* another employee to replace the employee whose
38 employment was terminated or suspended, ~~the licensee or~~
39 ~~subcontractor shall promptly notify the department and shall apply~~

1 ~~for an employee work permit on behalf of the newly designated~~
2 ~~employee unless the other employee has an existing work permit.~~

3 (j) A licensee or subcontractor of a licensee shall not pay to a
4 person whose employment has been terminated or suspended
5 pursuant to subdivision (i) any remuneration for any service
6 performed in any capacity in which the person is required to hold
7 an employee work permit, except for amounts due for services
8 rendered before the date of receipt of notice of the department's
9 action of suspension or termination.

10 (k) Except as provided in subdivision (i), a contract or agreement
11 for the provision of services or property to a licensee or
12 subcontractor or for the conduct of any activity pertaining to the
13 operation of an intrastate Internet gambling Web site, which is to
14 be performed by a person required by this chapter or by regulations
15 adopted pursuant to this chapter, to hold an employee work permit,
16 shall be terminated upon a suspension or revocation of the person's
17 employee work permit.

18 (l) In any case in which a contract or agreement for the provision
19 of services or property to a licensee or an affiliate thereof, or for
20 the conduct of any activity at an intrastate Internet gambling Web
21 site, is to be performed by a person required by this chapter or by
22 regulations adopted by the department to hold an employee work
23 permit, the contract shall be deemed to include a provision for its
24 termination without liability on the part of the licensee, affiliate,
25 or subcontractor upon a suspension or revocation of the person's
26 employee work permit. In any action brought by the department
27 to terminate a contract pursuant to subdivision (k) or this
28 subdivision, it shall not be a defense that the agreement does not
29 expressly include the provision described in this subdivision, and
30 the lack of express inclusion of the provision in the agreement
31 shall not be a basis for enforcement of the contract by a party
32 thereto.

33 (m) If a licensee does not comply with the requirements of this
34 section, the department may impose a civil fine of not more than
35 ____ dollars (\$____) per occurrence. In the event that a licensee
36 negligently, willfully, or wantonly fails to comply with these
37 requirements, the department may initiate an enforcement action
38 and subject a licensee to a civil fine of ____ dollars (\$____) and
39 may begin proceedings to suspend or revoke the licensee's license.

1 19990.32. The licensee shall be responsible for providing
2 current and accurate documentation on a timely basis to all state
3 agencies, as provided in this chapter.

4 (a) In addition to any other confidentiality protections provided
5 to persons licensed by the state, the state and its agencies shall
6 treat the proprietary information provided by a licensee as
7 confidential to protect the licensee and to protect the security of
8 the intrastate Internet gambling Web site.

9 (b) The confidentiality provisions of this chapter exempt
10 proprietary information supplied by a licensee to a state agency
11 from public disclosure consistent with subdivision (b) of Section
12 6253 of the Government Code.

13 19990.33. (a) Changes in ownership of the licensee shall be
14 approved by the department prior to the closing of any proposed
15 transaction.

16 (b) The department shall investigate to ensure that any person
17 acquiring *an* interest in a licensee is suitable and otherwise
18 financially, technically, and legally qualified to be a licensee
19 consistent with ~~the provisions of~~ this chapter. If an acquiring person
20 is found to be unsuitable to be a licensee or otherwise not
21 financially, technically, or legally qualified to be a licensee, the
22 licensee or the acquiring person may challenge that determination
23 consistent with subdivision (c) of Section 19990.25.

24 19990.34. All facilities, software, including downloadable
25 programs, and any other property, both tangible and intangible,
26 used by the licensee in offering authorized games for play on an
27 intrastate Internet gambling Web site shall be the property of the
28 licensee or its subcontractors, and shall be approved by the
29 department.

30 19990.35. (a) A licensee shall ensure that registered players
31 are eligible to play authorized games and implement appropriate
32 data security standards to prevent access by a person whose age
33 and location has not been verified in accordance with this chapter.

34 (b) A registered player shall be physically located within the
35 State of California at the time of gambling.

36 (c) A registered player shall not be less than 21 years of age.

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

39 (2) Each licensee shall do all of the following:

1 (A) Prior to registering a person as a registered player or
2 permitting a person to play an authorized game, the licensee shall
3 verify that the person is 21 years of age or older. The licensee or
4 seller shall attempt to match the name, address, and date of birth
5 provided by the person to information contained in records in a
6 database of individuals who have been verified to be 21 years of
7 age or older by reference to an appropriate database of government
8 records. The licensee also shall verify that the *physical* billing
9 address on the check or credit card offered for payment by the
10 person matches the address listed in the database.

11 (B) If the licensee is unable to verify that the person is 21 years
12 of age or older pursuant to subparagraph (A), the licensee shall
13 require the person to submit an age-verification kit consisting of
14 an attestation signed by the person that he or she is 21 years of age
15 or older and a copy of a valid form of government identification.
16 For the purposes of this section, a valid form of government
17 identification includes a driver's license, state identification card,
18 passport, official naturalization or immigration document, such as
19 an alien registration receipt card or an immigrant visa, or United
20 States military identification. The licensee also shall verify that
21 the *physical* billing address on the check or credit card provided
22 by the person matches the address listed in the government
23 identification.

24 (C) The licensee shall not permit registered players to make
25 payments by money order or cash. The licensee shall submit to
26 each credit card company with which it has credit card sales,
27 information in an appropriate form and format so that the words
28 "Internet gambling" may be printed on the purchaser's credit card
29 statement when a payment to a licensee is made by credit card
30 payment.

31 (3) If a licensee complies with the requirements of paragraph
32 (2), and a person under 21 years of age participates in an authorized
33 game provided by the licensee, the licensee is not in violation of
34 this section.

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

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

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

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

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

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

11 (d) The department shall, by regulation, provide a process for
12 a licensee to exclude from play any person who has filled out an
13 online self-exclusion form.

14 (1) The department shall develop an online self-exclusion form
15 within six months of the operative date of this chapter.

16 (2) The department shall deliver the form to each licensee.

17 (3) A licensee shall prominently display a link to the
18 department's Responsible Gambling Internet Web page and the
19 online self-exclusion form on the Internet Web page that is
20 displayed when either of the following occurs:

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

22 (B) Each time a registered player accesses the intrastate Internet
23 gambling Web site prior to playing.

24 (4) A licensee shall retain the online self-exclusion form to
25 identify persons who want to be excluded from play.

26 (5) A licensee that has made commercially reasonable efforts
27 to comply with this subdivision shall not be held liable in any way
28 if a person who has filled out an online self-exclusion form plays
29 despite that person's request to be excluded.

30 19990.36. A licensee shall only offer authorized games and
31 process bets in accordance with the specified game and betting
32 rules established by the licensee and approved by the department
33 pursuant to ~~Section~~ *Sections 19990.14 and 19990.37*.

34 19990.37. (a) In order to propose a game for play, a licensee
35 shall provide the department with both of the following:

36 (1) Game rules and betting rules it proposes to offer to
37 registered players.

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

- 1 (b) The department shall approve the game rules and betting
2 rules before a licensee may offer the game to registered players.
3 19990.38. (a) A licensee shall ensure that games are fair.
4 (b) The gaming system shall display for each game the following
5 information:
6 (1) The name of the game.
7 (2) Any restrictions on play.
8 (3) The rules of the game.
9 (4) All instructions on how to play.
10 (5) The unit and total bets permitted.
11 (6) The registered player's current account balance which shall
12 be updated in real time.
13 (7) Any other information that a licensee determines is necessary
14 for the registered player to have in real time to compete fairly in
15 the game.
16 (c) Data used to create game results shall be unpredictable so
17 that it is infeasible to predict the next occurrence in a game, given
18 complete knowledge of the algorithm or hardware generating the
19 sequence and all previously generated numbers.
20 (d) A licensee shall deploy controls and technology to minimize
21 fraud or cheating through collusion, including external exchange
22 of information between different players, robotic play, or any other
23 means.
24 (1) If a licensee becomes aware that fraud or cheating is taking
25 place or has taken place, it shall take steps to stop those activities
26 immediately and inform the department of all relevant facts.
27 (2) The department shall not impose liquidated damages against
28 a licensee to prevent fraud or cheating if the licensee can
29 demonstrate that it acted responsibly to prevent those activities as
30 soon as the licensee became aware of them.
31 (e) In a per hand game, if the gaming server or software does
32 not allow a game to be completed, the game shall be void and all
33 funds relating to the incomplete game shall be returned to the
34 registered player's account.
35 (f) In a tournament, if the gaming server or software does not
36 allow the tournament to be completed, all prize money shall be
37 distributed among players in accordance with the procedure
38 published by the licensee prior to the commencement of the
39 tournament.

1 19990.39. (a) A licensee shall register players and establish
2 player accounts prior to play.

3 (b) A person shall not participate in any game provided by a
4 licensee unless the person is a registered player and holds an
5 account.

6 (c) Accounts shall be established in person, *or by United States*
7 *mail, telephone, or by any electronic means.*

8 (d) To register and establish an account, a person shall provide
9 the following registration information:

10 (1) First name and surname.

11 (2) Principal residence address.

12 (3) Telephone number.

13 (4) Social security number.

14 (5) Identification or certification to prove that person is at least
15 21 years of age.

16 (6) Valid email address.

17 (e) A licensee shall provide registered players with the means
18 to update the registration information provided to the licensee.

19 (f) Nothing in this section shall prevent a licensee from entering
20 into a marketing agreement with any third party to recruit people
21 to become registered players if the registration process described
22 in this section is under the sole control of the licensee.

23 19990.40. (a) A licensee shall provide a means for registered
24 players to put funds into a registered player account and transfer
25 funds out of that account.

26 (b) A registered player shall identify the source of funds to be
27 used to put money into the account established once the registration
28 process is complete, and a licensee shall provide a means for a
29 registered player to transfer money into and out of the player's
30 intrastate Internet gambling Web site account.

31 (c) At the time of establishing an intrastate Internet gambling
32 Web site account, a registered player shall designate the bank
33 account into which funds from the registered player's intrastate
34 Internet gambling Web site account are to be transferred.

35 (d) A registered player shall establish only one account on any
36 intrastate Internet gambling Web site.

37 (e) While playing an authorized game, a licensee shall not permit
38 a registered player to increase the amount of money in that
39 registered player's account after that hand has started and before
40 its completion.

1 (f) A licensee shall maintain records on the balance of each
2 registered player's account.

3 (g) A licensee shall not permit a registered player to place a
4 wager unless the registered player's account has sufficient funds
5 to cover the amount of the wager.

6 (h) A licensee shall not provide credit to a registered player's
7 account or act as agent for a credit provider to facilitate the
8 provision of funds.

9 (i) No interest shall be paid by a licensee with respect to
10 registered player accounts.

11 19990.41. (a) A licensee shall segregate funds it holds in all
12 registered player accounts from all of its other assets.

13 (b) A licensee shall not commingle funds in the segregated
14 account containing funds paid by registered players with any other
15 funds held by the licensee, including, but not limited to, operating
16 funds of the licensee. Both the accounts of the licensee and its
17 segregated registered player accounts shall be held in financial
18 institutions located in the state.

19 (c) Funds held in a registered player's account shall only be
20 used for the following purposes:

21 (1) To pay per hand or tournament charges owed by a registered
22 player to the licensee for play of authorized games.

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

26 (3) To transfer funds from a registered player's account to a
27 temporary account to be held by a licensee pending the outcome
28 of an authorized game.

29 (4) To remit tax proceeds due and owing from a registered player
30 to the Franchise Tax Board.

31 (5) To transfer funds from a registered player's account with
32 the licensee to an account specified by a registered player upon
33 that registered player's request.

34 19990.42. Prior to completing the registration process, a
35 licensee shall explain to the person who is registering in a
36 conspicuous fashion the privacy policies of the intrastate Internet
37 gambling Web site, and ~~a~~ *the* person shall assent to the following
38 policies:

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

4 (b) All personally identifiable information about registered
5 players shall be shared with state agencies, including, but not
6 limited to, the department, the commission, ~~and~~ the Franchise Tax
7 Board, *and the Department of Child Support Services* as necessary
8 to assist them in fulfilling their obligations under this chapter.

9 (c) Personally identifiable information may be shared with
10 government agencies only as set forth in subdivision (b) or subject
11 to court order as provided in subdivision (j) of Section 19990.47.

12 19990.43. A licensee may require that a registered player, or
13 a person registering as a player, agree to a Terms of Use Registered
14 Player's Agreement.

15 19990.44. A licensee may suspend or revoke the account of a
16 registered player for any of the following reasons:

17 (a) A person or registered player provided false information to
18 the licensee, including, but not limited to, in the registration
19 process.

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

22 (c) The registered player has violated the intrastate Internet
23 gambling Web site's Terms of Use Registered Player's Agreement.

24 (d) The person has already been registered.

25 (e) The licensee suspects that the registered player has
26 participated in an illegal or unauthorized activity on the intrastate
27 Internet gambling Web site.

28 (f) The licensee is directed by a state agency to suspend or
29 revoke the registered player's account.

30 19990.45. (a) Upon registration, and each time a registered
31 player logs into an intrastate Internet gambling Web site, the
32 licensee shall permit a registered player to adjust his or her play
33 settings to:

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

35 (2) Set a limit on the aggregate losses in a registered player's
36 account within a specified period of time.

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

1 (1) ~~Indicate~~ *Once an hour, indicate* how long the player has
2 been playing.

3 (2) ~~Indicate the net and the current value and change in value~~
4 ~~to a~~ *of the* registered player's *total* account since the time of last
5 logging in.

6 (3)

7 (2) At least once every six hours, require the registered player
8 to confirm that the player has read the ~~message or messages~~
9 *required in paragraph (1)*, and give an option to the player to end
10 the session or return to the game.

11 19990.46. A licensee shall establish a toll-free telephone
12 customer service hotline that shall be available to registered players
13 24 hours per day, 365 days a year. All employees shall be
14 physically present in the state while in contact with registered
15 players. However, the licensee shall have discretion to use the
16 expertise of personnel not physically present in the state when
17 necessary to protect registered players and state interests, including,
18 but not limited to, for the purposes of diagnosing and addressing
19 technological problems, investigating fraud and collusion, and
20 supervising software and configuration changes. The licensee shall
21 give notice to the department when using personnel who are out
22 of state.

23 19990.47. (a) A licensee shall protect the privacy of registered
24 players and their personally identifiable information.

25 (b) A licensee shall comply with all state and federal privacy
26 and data protection laws.

27 (c) At the time of registration with a licensee as a registered
28 player, and at least once a year thereafter, a licensee shall provide
29 notice in the form of a separate, written statement, delivered via
30 ~~postal service~~ *United States Postal Service* or electronic mail, to
31 the registered player that clearly and conspicuously informs the
32 registered player of all of the following:

33 (1) The nature of personally identifiable information collected
34 or to be collected with respect to the registered player and the
35 nature of the use of that information.

36 (2) The nature, frequency, and purpose of any disclosure that
37 may be made of personally identifiable information, including an
38 identification of the types of persons to whom the disclosure may
39 be made.

1 (3) The period during which personally identifiable information
2 will be maintained by the licensee.

3 (4) The times and place at which the registered player may have
4 access to personally identifiable information in accordance with
5 subdivision (h).

6 (5) The limitations provided by this section with respect to the
7 collection and disclosure of personally identifiable information by
8 a licensee and the right of the registered player under subdivision
9 (j) or (k) to enforce those limitations.

10 (d) A licensee shall not collect personally identifiable
11 information concerning any registered player without the prior
12 written or electronic consent of the registered player concerned.

13 (e) A licensee may collect personally identifiable information
14 in order to do both of the following:

15 (1) Obtain information necessary to operate the intrastate
16 Internet gambling Web site and offer authorized games to registered
17 players pursuant to this chapter.

18 (2) Detect unauthorized play, activities contrary to a licensee's
19 Terms of Use Registered Player's Agreement, or activities contrary
20 to state or federal law.

21 (f) Except as provided in subdivision (g), a licensee shall not
22 disclose personally identifiable information concerning any
23 registered player without the prior written or electronic consent of
24 the registered player concerned and shall take actions necessary
25 to prevent unauthorized access to that information by a person
26 other than the registered player or licensee.

27 (g) A licensee may disclose personally identifiable information
28 if the disclosure is any of the following:

29 (1) Necessary to render, or conduct a legitimate business activity
30 related to, the provision of authorized games to the registered
31 player by the licensee.

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

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

37 (A) The licensee has provided the registered player the
38 opportunity to prohibit or limit the disclosure.

1 (B) The disclosure does not reveal, directly or indirectly, the
2 nature of any transaction made by the registered player over the
3 intrastate Internet gambling Web site.

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

6 (5) *To persons found suitable under this chapter if the registered
7 player is notified and consents to the information being shared.*

8 (h) A registered player shall be provided access to all personally
9 identifiable information regarding that registered player that is
10 collected and maintained by a licensee. The information shall be
11 made available to the registered player at reasonable times and at
12 a place designated by the licensee. A registered player shall be
13 provided reasonable opportunity to correct any error in the
14 information.

15 (i) A licensee shall destroy personally identifiable information
16 if the information is no longer necessary for the purpose for which
17 it was collected, and there are no pending requests or orders for
18 access to the information under subdivision (k).

19 (j) Any person aggrieved by any act of a licensee in violation
20 of this section may bring a civil action in any superior court *in*
21 *California*. The court may award:

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

24 (2) Punitive damages.

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

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

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

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

1 19990.48. A licensee shall establish a book of accounts and
2 regularly audit all of its financial records and reports, which shall,
3 at a minimum, include all of the following:

4 (a) Monthly auditable and aggregate financial statements of
5 gambling transactions.

6 (b) Monthly calculation of all amounts payable to the state.

7 (c) The identity of registered players.

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

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

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

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

18 19990.49. (a) A licensee shall make all financial records
19 established and maintained pursuant to Section 19990.48,
20 including, but not limited to, all books, records, documents,
21 financial information, and financial reports, available on ~~both~~
22 electronic basis ~~and in hard copy~~, as required by the department
23 or other state agencies so that those state agencies can fulfill their
24 responsibilities under this chapter. *A state agency may request*
25 *specific printed hard copies of records for good cause.*

26 (b) The licensee's data shall be retained in a manner by which
27 it may be accessed by the state agencies online.

28 (c) Notwithstanding subdivision (b), data covered by
29 subdivisions (d), (e), and (f) of Section 19990.48 shall be accessible
30 to the state agencies online for 120 days, and, thereafter, archived
31 and retained for one year.

32 19990.50. (a) A licensee shall implement technical systems
33 that materially aid the department in the protection of registered
34 players. *Software shall meet, at a minimum, international industry*
35 *standards as verified by a department-approved gaming laboratory.*

36 (b) A licensee shall define and document its methodology for
37 developing software and applications and describe the manner in
38 which software protects registered players from fraud and other
39 risks in the play of authorized games and in the management of
40 registered player accounts.

1 (c) A licensee shall meet minimum game server connectivity
2 requirements to ensure that registered players are protected from
3 losses due to connectivity problems.

4 (d) A licensee shall ensure that all transactions involving
5 registered players' funds shall be recoverable by the system in the
6 event of a failure or malfunction.

7 (e) All information required for reviewing a game interrupted
8 due to loss of connectivity shall be recoverable by the licensee.

9 (f) Preventative and detective controls addressing money
10 laundering and fraud risks shall be documented and implemented
11 by the licensee.

12 19990.51. (a) A licensee may charge registered players to play
13 in authorized games.

14 (b) Per hand charges are permitted.

15 (1) A per hand charge shall be designated and conspicuously
16 posted on the screen prior to the start of each authorized game
17 *intrastate Internet gambling Web site*.

18 (2) A licensee may vary the per hand charges to registered
19 players based on betting limits or other factors.

20 (c) Tournament charges shall be permitted.

21 (1) A tournament charge shall be designated and conspicuously
22 posted on the screen prior to the start of the first authorized game
23 *of any tournament intrastate Internet gambling Web site*.

24 (2) A licensee may vary tournament charges based on
25 tournament prizes or other factors.

26 (d) A licensee shall provide notice to the department of the
27 charges to registered players prior to initiating play.

28 19990.52. A licensee may enter into an agreement with any
29 third party to sponsor or underwrite prizes for a tournament, subject
30 to the approval of the department.

31 19990.53. A licensee may enter into an agreement to sell
32 advertisement space on any Internet Web site it controls, ~~subject~~
33 ~~to the approval of the department~~.

34 19990.535. (a) A licensee may enter into an agreement with
35 a third party for marketing, or any other purpose consistent with
36 this chapter, including, but not limited to, displaying the name of
37 a marketing partner on a screen viewed by a registered player.

38 (b) A licensee shall not utilize any brand or business name, trade
39 or service mark, software, *technology, operational systems*,
40 customer information, or other data acquired, derived, or developed

1 directly or indirectly from any operation that has *knowingly and*
2 *willfully* accepted any wager from persons in the United States on
3 any form of Internet gaming that has not been affirmatively
4 authorized by law in this state or the United States after December
5 31, 2006. To the extent any business relationships or financial
6 arrangements were utilized or existed to further any such illegal
7 Internet gambling, those relationships and arrangements shall be
8 discontinued.

9 19990.54. A licensee may enable a chat function between
10 registered players if it has in place effective controls against
11 collusion, ~~subject to the approval of the department.~~

12 19990.55. A licensee may post Internet Web links on the
13 Internet Web sites it controls to permit registered players to access
14 remote Internet Web sites, ~~subject to the approval of the~~
15 ~~department.~~

16 19990.56. A licensee may enter into contractual agreements
17 with one or more licensees for the purpose of ensuring adequate
18 player liquidity, ~~subject to the approval of the department.~~

19 19990.57. A licensee may allow a registered player to
20 participate simultaneously in multiple games or tournaments, if
21 the licensee has demonstrated to the department that it has technical
22 controls that prohibit a registered player from playing multiple
23 hands simultaneously in the same game, ~~subject to the approval~~
24 ~~of the department.~~

25 19990.58. (a) ~~Any entity licensed to operate an~~ *Before the*
26 *collection of a registered player fee, wager, or deposit on any*
27 *authorized game on the licensee's intrastate Internet gambling*
28 *Web site, the licensee shall remit to the Treasurer for deposit in*
29 *the General Fund a nonrefundable one-time license fee in the*
30 *amount of thirty million dollars (\$30,000,000). This amount shall*
31 *be credited against fees imposed pursuant to subdivision (b) on*
32 *the licensee's gross gaming revenue proceeds for the first three*
33 *five years of operation. Upon depletion of the license fee, the*
34 *department shall notify the licensee to commence monthly*
35 *payments to the state in accordance with subdivision (b).*

36 (b) A licensee shall remit to the Treasurer on a monthly basis
37 for deposit in the General Fund, an amount equal to 10 percent of
38 its gross revenues.

39 (1) Each monthly payment shall be due on the 10th day of the
40 following month.

1 (2) A licensee shall make all electronic and written financial
2 records available to the Treasurer, the commission, and the
3 department on an electronic basis.

4 (3) For the purposes of determining gross revenues, the licensee
5 and the Treasurer shall use generally accepted accounting
6 principles.

7 (c) Each licensee shall pay a regulatory fee, to be deposited in
8 the Internet Gambling Fund as established by Section 19990.86,
9 in an amount to be determined by the department for the actual
10 costs of license oversight, consumer protection, state regulation,
11 problem gambling programs, and other purposes related to this
12 chapter.

13 19990.59. (a) The licensee shall facilitate the collection of
14 personal income taxes from registered players by the Franchise
15 Tax Board.

16 (b) The licensee shall withhold 5 percent of tournament winnings
17 for state income tax if the winnings less the tournament charge are
18 more than six hundred dollars (\$600) and are at least 300 times
19 the tournament charge.

20 (1) The licensee shall transfer that withheld income to the
21 Franchise Tax Board.

22 (2) Winnings and losses of the registered player from other
23 tournaments sponsored by the licensee during the year are not
24 taken into account in arriving at the six-hundred-dollar (\$600)
25 amount. Required withholding is determined on a
26 tournament-by-tournament basis.

27 (c) Within six months of the operative date of this chapter, the
28 Franchise Tax Board shall publish a form to be used annually by
29 a licensee to ~~ensure that the state is able to collect~~ *report*
30 *information concerning* income tax revenues from registered
31 players. The Franchise Tax Board shall provide a date by which
32 the form is required to be filed. The form shall include, but shall
33 not be limited to, the following information:

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

35 (2) Social security number.

36 (3) The total amount the registered player deposited in his or
37 her account during the year.

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

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

1 (6) The total amount withheld by the licensee, if any, during
2 the year for purposes of federal or state income taxes.

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

5 (d) The licensee shall electronically file a copy of the form with
6 the Franchise Tax Board for each registered player who held an
7 account with the licensee for all, or any portion of, the taxable
8 year. The licensee shall electronically provide each registered
9 player with a copy of the form.

10 ~~19990.60. (a) A security interest in a licensee shall not be~~
11 ~~enforced without the prior approval of the department.~~

12 ~~(b) It is unlawful for any person to sell, purchase, lease,~~
13 ~~hypotheate, borrow, or loan money, or create a voting trust~~
14 ~~agreement or any other agreement of any sort with a licensee or~~
15 ~~with respect to any portion of the provision of authorized games,~~
16 ~~except in accordance with the department.~~

17 ~~(c) Every licensee that is involved in a transaction for the~~
18 ~~extension or redemption of credit by the licensee, or for the~~
19 ~~payment, receipt, or transfer of coin, currency, or other monetary~~
20 ~~instruments, as specified by the department, in an amount,~~
21 ~~denomination, or amount and denomination, or under~~
22 ~~circumstances prescribed by regulation, and any other participant~~
23 ~~in the transaction, as specified by the department, shall, if required~~
24 ~~by regulation, make and retain a record of, or file with the~~
25 ~~department a report on, the transaction, at the time and in the~~
26 ~~manner prescribed by regulation.~~

27 *19990.60. A security interest in a licensee, other than a security*
28 *interest in financed or leased equipment, shall not be enforced*
29 *except in conformity with regulations adopted by the commission.*
30 *If a licensee contracts to acquire or transfer any assets or property*
31 *in circumstances where the transferor or transferee must be*
32 *licensed or found suitable, then the transaction shall not have a*
33 *closing date prior to the approval or licensing of the other party,*
34 *except as provided in regulations of the commission.*

35 19990.61. (a) A licensee shall act expeditiously to cure any
36 violation of this chapter, or any regulation adopted pursuant to this
37 chapter, in the offer or administration of authorized games that
38 interferes with its obligations to the state or registered players
39 under this chapter.

1 (b) If a licensee becomes aware of any violation, it shall notify
2 the department immediately and work with the department to
3 develop a plan to rectify the violation.

4 (c) If the department becomes aware of any violation, or if it
5 becomes aware of any activities that might lead to a violation, the
6 department shall provide notice of that violation to the licensee
7 and a reasonable opportunity to cure the violation.

8 (d) All state agencies with responsibilities under this chapter
9 shall report any actual or suspected violation of this chapter, or
10 any regulation adopted pursuant to this chapter, or activities that
11 may lead to such a violation, to the department immediately so
12 that the department can assess whether it needs to commence an
13 investigation or enforcement action.

14 (e) A licensee shall be afforded a reasonable time period to cure
15 any reported violation. The department may assess penalties for
16 any violation of this chapter, or any regulation adopted pursuant
17 to this chapter.

18 (f) The department shall have the subpoena power in an
19 investigation of any violation of this chapter, or any regulation
20 adopted pursuant to this chapter.

21 (g) The department may revoke or suspend any license or work
22 permit under this chapter upon reaching a finding that the licensee
23 or employee is in violation of any provision of this chapter, or any
24 regulation adopted pursuant to this chapter.

25 (h) A licensee may appeal any decision of the department
26 pursuant to this section to the superior court. The superior court
27 shall hear any appeal de novo.

28 19990.62. The department shall protect the rights and assets
29 of registered players on an intrastate Internet gambling Web site
30 if the licensee's license pursuant to this chapter is revoked or the
31 licensee becomes bankrupt.

32 19990.63. (a) A licensee shall at all times indemnify, defend,
33 and hold harmless the state and its agencies from and against any
34 claims, damages, liabilities, costs, and expenses, including, but
35 not limited to, reasonable attorney's fees and expenses arising out
36 of any third-party claim made against the state or any of its
37 agencies relating to actions of the licensee and this chapter.
38 However, the state shall not enter into a settlement agreement
39 related to any of those claims, damages, liabilities, costs, or
40 expenses without the prior written approval of the licensee.

1 (b) The state and its agencies shall promptly notify a licensee
 2 of any claim or litigation to which the indemnity set forth in Section
 3 19990.62 applies.

4 (c) At the option of a licensee, it may assume the defense of
 5 any claim or litigation. If a licensee assumes the defense of any
 6 claim or litigation, the licensee's obligation with respect thereto
 7 shall be limited to the payment of any settlement approved by the
 8 licensee, or any judgment in connection with that claim or
 9 litigation.

10

11 Article 6. Authority of State Agencies

12

13 ~~19990.70. (a) (1) The department, and any other state agency~~
 14 ~~with a duty pursuant to this chapter, shall adopt regulations, in~~
 15 ~~consultation with the commission, to implement this chapter and~~
 16 ~~facilitate the operation of intrastate Internet gambling Web sites~~
 17 ~~in compliance with this chapter no later than 12 months after the~~
 18 ~~operative date of this chapter.~~

19 *19990.70. (a) (1) Within 120 days after the operative date of*
 20 *this chapter, the commission, and any other state agency with a*
 21 *duty pursuant to this chapter, shall, in order to comply with time*
 22 *deadlines, in consultation with the department, adopt regulations*
 23 *to implement this chapter, and to facilitate the operation of*
 24 *intrastate Internet gambling Web sites and expedite the state's*
 25 *receipt of revenues in compliance with this chapter. The initial*
 26 *adoption, amendment, or repeal of a regulation authorized by this*
 27 *section is deemed to address an emergency, for purposes of*
 28 *Sections 11346.1 and 11349.6 of the Government Code, and the*
 29 *commission and those other state agencies are hereby exempted*
 30 *for that purpose from the requirements of subdivision (b) of Section*
 31 *11346.1 of the Government Code. After the initial adoption,*
 32 *amendment, or repeal of an emergency regulation pursuant to this*
 33 *section, the commission and those other state agencies shall not*
 34 *request approval from the Office of Administrative Law to readopt*
 35 *the regulation as an emergency regulation pursuant to Section*
 36 *11346.1 of the Government Code, but shall promulgate permanent*
 37 *regulations in accordance with all applicable law.*

38 (2) The regulations adopted by the ~~department~~ *commission* shall
 39 address underage gambling and problem gambling.

1 (3) *The regulations of the commission also shall provide for*
2 *temporary or provisional approvals, licenses, or certificates for*
3 *heirs, executors, receivers, trustees, conservators, key employees,*
4 *and other persons where an approval, license, or certificate is*
5 *required.*

6 (b) (1) Each state agency with a duty pursuant to this chapter
7 shall identify a contact person at that agency and describe the
8 responsibility of the contact with respect to the state agency's duty.

9 (2) Any notice provided by a licensee to a state agency pursuant
10 to this chapter shall be addressed to the contact identified by the
11 state agency pursuant to paragraph (1).

12 (3) Unless otherwise provided by this chapter, notice by a
13 licensee to the state shall be deemed effectively given upon
14 personal delivery, three days after deposit in the United States mail
15 by certified or registered mail, return receipt requested, one
16 business day after its deposit with any return receipt express
17 courier, prepaid, or one business day after electronically confirmed
18 transmission by facsimile.

19 19990.71. The Legislature may, by a statute adopted by a
20 majority vote of both houses, do either of the following:

21 (a) Opt out of, or opt into, any federal framework for Internet
22 gambling.

23 (b) If the United States Department of Justice notifies the
24 department in writing that it is permissible under federal law, enter
25 into any agreement with other states *or foreign jurisdictions* to
26 provide Internet gambling.

27 19990.72. The department may outsource its regulatory
28 functions under this chapter where optimal to provide efficient,
29 effective, and robust regulation with access to worldwide expertise
30 tested and proven in the gambling industry. *This may include, but*
31 *is not limited to, state and international regulatory agencies. To*
32 *expedite the implementation of Internet gambling, contracts*
33 *pursuant to this section shall not be subject to otherwise applicable*
34 *provisions of the Government Code or the Public Contract Code*
35 *and, for those purposes, the department shall not be considered a*
36 *state agency or public entity.*

Article 7. Protection of Registered Players

19990.75. A licensee shall use its best efforts to protect registered players. Subject to the approval of the department, and consistent with uniform standards established by the department by regulation, each licensee shall establish administrative procedures to resolve registered player complaints.

19990.76. In the event a registered player has a complaint against a licensee, the exclusive remedy shall be to register the complaint with the department, unless an action is brought pursuant to the remedies described in subdivision (j) of Section 19990.47.

19990.77. (a) The department, in consultation with the commission, shall establish regulations with respect to registered player complaints.

(b) Under the regulations, the department shall do all of the following:

(1) Investigate registered player complaints to determine if a licensee has failed to meet its obligations to a registered player.

(2) Attempt to resolve complaints by registered players if a licensee fails to meet an obligation to a registered player.

(3) Initiate enforcement actions to require specific performance of any obligation that a licensee has to a registered player and payment by the licensee of restitution to a registered player for actual losses and interest thereon.

19990.78. A licensee may appeal any action by the department pursuant to this article to the superior court, which shall review the appeal de novo.

Article 8. Disposition of State Regulatory Proceeds

19990.86. (a) The Treasurer shall transfer all amounts received from a licensee pursuant to subdivision (c) of Section 19990.58 to the Controller for deposit in the Internet Gambling Fund, which is created in the State Treasury, to be administered by the Controller, subject to annual appropriation by the Legislature. These amounts shall not be subject to the formulas established by statute directing expenditures from the General Fund.

(b) 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

1 Committee on Budget, as well as the Senate and Assembly
2 Committees on Governmental Organization and the Department
3 of Finance on or before March 31 of the preceding fiscal year. A
4 justification of those costs shall be provided with each submission
5 of revenue needs.

6 (c) The State Department of Alcohol and Drug Programs, Office
7 of Problem Gambling, shall submit revenue needs for programs
8 to alleviate problem gambling that results from the offering of
9 authorized games for the upcoming fiscal year to the Senate
10 Committee on Budget and Fiscal Review and the Assembly
11 Committee on Budget, as well as the Senate and Assembly
12 Committees on Governmental Organization, the Senate and
13 Assembly Committees on Human Services, and the Department
14 of Finance on or before March 31 of the preceding fiscal year. A
15 justification of those costs shall be provided with each submission
16 of revenue needs.

17 (d) All remaining proceeds not allocated to subdivisions (b) and
18 (c) shall remain in the Internet Gambling Fund subject to
19 appropriation by the Legislature.

20

21 Article 9. Preemption of Local Regulation

22

23 19990.90. A city, county, or city and county shall not regulate,
24 tax, or enter into a contract with respect to any matter related to
25 this chapter. This section shall not prohibit or limit the investigation
26 and prosecution of any violation of this chapter.

27

28 Article 10. Reports to the Legislature

29

30 19990.95. Notwithstanding Section 10231.5 of the Government
31 Code, within one year of the operative date of this chapter and,
32 annually thereafter, the department, in consultation with the
33 commission, the Treasurer, and the Franchise Tax Board, shall
34 issue a report to the Legislature describing the state's efforts to
35 meet the policy goals articulated in this chapter. The report shall
36 be submitted in compliance with Section 9795 of the Government
37 Code.

38 19990.96. (a) At least ~~two~~ *four* years after the issue date of
39 any license pursuant to this chapter, but no later than ~~three~~ *five*
40 years after that date, the Bureau of State Audits shall issue a report

1 to the Legislature detailing the implementation of this chapter. The
2 State Auditor may advise the Legislature on any recommendations
3 regarding the terms of licensure, including the consideration paid
4 to the state, the economic and operational impacts upon the licensee
5 and the state, and any other issues that may be relevant to the state's
6 decision whether to impose modifications on existing ~~licensees~~
7 *licensees' fees or terms of licensure*. The report may also advise
8 the Legislature as to any proposed changes to Article 5
9 (commencing with Section 19990.30) of this chapter. ~~The State~~
10 ~~Auditor shall advise the Legislature whether continuation of the~~
11 ~~moratorium on state gaming contained in Section 19962 is justified,~~
12 ~~given statewide competition with legalized Internet gambling.~~

13 (b) A report submitted pursuant to subdivision (a) shall be
14 submitted in compliance with Section 9795 of the Government
15 Code.

16 (c) Pursuant to Section 10231.5 of the Government Code, this
17 section is repealed on January 1, 2019.

18 SEC. 2. The Legislature finds and declares that Section 1 of
19 this act, which adds Chapter 5.2 (commencing with Section
20 19990.01) to Division 8 of the Business and Professions Code,
21 imposes a limitation on the public's right of access to the meetings
22 of public bodies or the writings of public officials and agencies
23 within the meaning of Section 3 of Article I of the California
24 Constitution. Pursuant to that constitutional provision, the
25 Legislature makes the following findings to demonstrate the interest
26 protected by this limitation and the need for protecting that interest:

27 The limitations on the people's rights of access set forth in this
28 chapter are necessary to protect the privacy and integrity of
29 information submitted by the registered players as well as the
30 proprietary information of the license applicants and licensees.

31 SEC. 3. No reimbursement is required by this act pursuant to
32 Section 6 of Article XIII B of the California Constitution because
33 the only costs that may be incurred by a local agency or school
34 district will be incurred because this act creates a new crime or
35 infraction, eliminates a crime or infraction, or changes the penalty
36 for a crime or infraction, within the meaning of Section 17556 of
37 the Government Code, or changes the definition of a crime within
38 the meaning of Section 6 of Article XIII B of the California
39 Constitution.

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

5 In order to protect the interests of Californians who play online
6 gambling games and to ensure that people play fair games, that
7 the state realizes the revenues, and that suitable persons operate
8 ~~online gambling~~ *intrastate* Internet *gambling* Web sites, it is
9 necessary that this act take effect immediately.

O