

AMENDED IN SENATE AUGUST 19, 2016

AMENDED IN SENATE AUGUST 11, 2016

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

**ASSEMBLY BILL**

**No. 2218**

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**Introduced by Assembly Member Burke**

February 18, 2016

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An act to amend Sections 19855 and 19858 of the Business and Professions Code, relating to gambling.

LEGISLATIVE COUNSEL'S DIGEST

AB 2218, as amended, Burke. Gambling: licenses.

Existing law, the Gambling Control Act, provides for the licensure and regulation of various legalized gambling activities and establishments by the California Gambling Control Commission and the investigation and enforcement of those activities and establishments by the Department of Justice. A willful violation of the act is a misdemeanor. Existing law requires every person who is required to hold a state license to obtain the license prior to engaging in the activity or occupying the position with respect to which the license is required, except as specified. Existing law also requires every person who, by order of the commission, is required to apply for a gambling license or a finding of suitability to file an application within 45 calendar days after receipt of the order.

This bill would instead require the application described above to be filed within 60 calendar days after receipt of an order of the commission.

Existing law makes it a misdemeanor for a person who deals, plays, or carries on, opens, or causes to be opened, or who conducts, either as owner or employer, whether for hire or not, any of a list of specified

gambling games, or any banking or percentage game played with cards, dice, or any device, for money, checks, credit, or any representative of value.

Existing law generally requires a person to be deemed unsuitable to hold a state gambling license under the California Gambling Control Act to own a gambling establishment if the person, or any partner, officer, director, or shareholder of that person, has any financial interest in any business or organization that is engaged in any form of gambling prohibited under the provision described above, whether within or without this state. Existing law exempts from these provisions a person who meets specified criteria, including a person who is licensed or had an application to be licensed on file with the commission on or before February 1, 2013. Existing law requires a person exempt under this provision, within 3 years of the date the closed business or organization reopens or becomes engaged in any form of gambling prohibited under the provision described above, to either divest that person's interest in the business or organization or divest that person's interest in the gambling enterprise or gambling establishment for which the person is licensed or has applied to be licensed by the commission.

During this 3-year divestment period, existing law makes it unlawful for any cross-promotion or marketing, as defined, to occur between the business or organization that is engaged in any form of gambling prohibited under the provision described above, and a gambling enterprise or gambling establishment.

This bill would instead require an exempt person, within 6 years of the date the closed business or organization reopens or becomes engaged in any form of gambling prohibited under the provision described above, to either divest that person's interest in the business or organization or divest that person's interest in the gambling enterprise or gambling establishment for which the person is licensed or has applied to be licensed by the commission. The bill would also make conforming changes. By expanding the scope of an existing crime, the bill would impose a state-mandated local program.

~~The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.~~

~~This bill would provide that no reimbursement is required by this act for a specified reason.~~

*The bill would require the City of Inglewood, by July 1, 2018, to prepare and submit a report to the Legislature and appropriate policy*

*committees of the Legislature on the progress of the construction of the City of Champions Revitalization Project and its impact on the divestment requirement described above. By imposing a reporting requirement on the City of Inglewood, this bill would impose a state-mandated local program.*

*This bill would make legislative findings and declarations as to the necessity of a special statute for the City of Inglewood.*

*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 with regard to certain mandates no reimbursement is required by this act for a specified reason.*

*With regard to any other mandates, this bill would provide that, if the Commission on State Mandates determines that the bill contains costs so mandated by the state, reimbursement for those costs shall be made pursuant to the statutory provisions noted above.*

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

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

1 SECTION 1. Section 19855 of the Business and Professions  
2 Code is amended to read:

3 19855. Except as otherwise provided by statute or regulation,  
4 every person who, by statute or regulation, is required to hold a  
5 state license shall obtain the license prior to engaging in the activity  
6 or occupying the position with respect to which the license is  
7 required. Every person who, by order of the commission, is  
8 required to apply for a gambling license or a finding of suitability  
9 shall file the application within 60 calendar days after receipt of  
10 the order.

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

13 19858. (a) Except as provided in subdivisions (b) and (c), a  
14 person shall be deemed to be unsuitable to hold a state gambling  
15 license to own a gambling establishment if the person, or any  
16 partner, officer, director, or shareholder of the person, has any  
17 financial interest in any business or organization that is engaged

1 in any form of gambling prohibited by Section 330 of the Penal  
2 Code, whether within or without this state.

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

6 (c) Subdivision (a) shall not apply to a person who meets all of  
7 the following criteria:

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

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

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

20 (4) The grounds upon which the gambling establishment  
21 described in paragraph (3) is located are directly or indirectly  
22 owned by a racetrack limited partnership owner. For purposes of  
23 this paragraph, a “racetrack limited partnership owner” means a  
24 limited partnership, or a number of related limited partnerships,  
25 that is or are at least 80 percent capitalized by limited partners that  
26 are an “institutional investor” as defined in subdivision (w) of  
27 Section 19805, an “employee benefit plan” as defined in Section  
28 1002(3) of Title 29 of the United States Code, or an investment  
29 company that manages a state university endowment.

30 (d) Within six years of the date the closed business or  
31 organization reopens or becomes engaged in any form of gambling  
32 prohibited by Section 330 of the Penal Code, a person described  
33 in subdivision (c) shall either divest that person’s interest in the  
34 business or organization, or divest that person’s interest in the  
35 gambling enterprise or gambling establishment for which the  
36 person is licensed or has applied to be licensed by the commission.

37 (e) A person described in subdivision (c) shall inform the  
38 commission within 30 days of the date on which a business or  
39 organization in which the person has a financial interest begins to

1 engage in any form of gambling prohibited by Section 330 of the  
2 Penal Code.

3 (f) During the six-year divestment period described in  
4 subdivision (d), it is unlawful for any cross-promotion or marketing  
5 to occur between the business or organization that is engaged in  
6 any form of gambling prohibited by Section 330 of the Penal Code  
7 and the gambling enterprise or gambling establishment described  
8 in paragraph (3) of subdivision (c). For purposes of this  
9 subdivision, “cross-promotion or marketing” means the offering  
10 to any customers of the gambling enterprise or gambling  
11 establishment anything of value related to visiting or gambling at  
12 the business or organization engaged in any form of gambling  
13 prohibited by Section 330 of the Penal Code.

14 (g) During the six-year divestment period described in  
15 subdivision (d), any funds used in connection with the capital  
16 improvement of the gambling enterprise or gambling establishment  
17 described in paragraph (3) of subdivision (c) shall not be provided  
18 from the gaming revenues of either the business or organization  
19 engaged in gaming prohibited under Section 330 of the Penal Code.

20 (h) If, at the end of the six-year divestment period described in  
21 subdivision (d), any person described in subdivision (c) has not  
22 divested his or her interest in either the gambling enterprise or  
23 gambling establishment or the business or organization engaged  
24 in any form of gaming prohibited under Section 330 of the Penal  
25 Code, the prohibitions of Section 19858 as it read on January 1,  
26 2013, apply.

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

36 *SEC. 3. (a) By July 1, 2018, the City of Inglewood shall*  
37 *prepare and submit a report to the Legislature and appropriate*  
38 *policy committees of the Legislature on the progress of the*  
39 *construction of the City of Champions Revitalization Project and*  
40 *the project’s impact on the divestment requirement described in*

1 subdivision (d) of Section 19858 of the Business and Professions  
2 Code.

3 (b) (1) A report submitted pursuant to subdivision (a) shall be  
4 submitted in compliance with Section 9795 of the Government  
5 Code.

6 (2) Pursuant to Section 10231.5 of the Government Code, this  
7 section is repealed on July 1, 2022.

8 SEC. 4. The Legislature finds and declares that a special law  
9 is necessary and that a general law cannot be made applicable  
10 within the meaning of Section 16 of Article IV of the California  
11 Constitution because of the unique circumstances surrounding the  
12 City of Inglewood with respect to the construction of the City of  
13 Champions Revitalization Project and the project’s impact on the  
14 divestment requirement described in the Gambling Control Act,  
15 which governs the statewide regulation and enforcement of certain  
16 legalized gambling activities in the State.

17 SEC. 5. No reimbursement is required by this act pursuant to  
18 Section 6 of Article XIII B of the California Constitution for certain  
19 costs that may be incurred by a local agency or school district  
20 because, in that regard, this act creates a new crime or infraction,  
21 eliminates a crime or infraction, or changes the penalty for a crime  
22 or infraction, within the meaning of Section 17556 of the  
23 Government Code, or changes the definition of a crime within the  
24 meaning of Section 6 of Article XIII B of the California  
25 Constitution.

26 However, if the Commission on State Mandates determines that  
27 this act contains other costs mandated by the state, reimbursement  
28 to local agencies and school districts for those costs shall be made  
29 pursuant to Part 7 (commencing with Section 17500) of Division  
30 4 of Title 2 of the Government Code.