

Assembly Bill No. 2218

Passed the Assembly August 31, 2016

Chief Clerk of the Assembly

Passed the Senate August 25, 2016

Secretary of the Senate

This bill was received by the Governor this _____ day
of _____, 2016, at _____ o'clock ____M.

Private Secretary of the Governor

CHAPTER _____

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

LEGISLATIVE COUNSEL'S DIGEST

AB 2218, 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 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.

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

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

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

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

19858. (a) Except as provided in subdivisions (b) and (c), a person shall be deemed to be unsuitable to hold a state gambling license to own a gambling establishment if the person, or any partner, officer, director, or shareholder of the person, has any financial interest in any business or organization that is engaged in any form of gambling prohibited by Section 330 of the Penal Code, whether within or without this state.

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

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

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

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

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

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

(d) Within six years of the date the closed business or organization reopens or becomes engaged in any form of gambling prohibited by Section 330 of the Penal Code, a person described in subdivision (c) shall 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.

(e) A person described in subdivision (c) shall inform the commission within 30 days of the date on which a business or organization in which the person has a financial interest begins to engage in any form of gambling prohibited by Section 330 of the Penal Code.

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

(g) During the six-year divestment period described in subdivision (d), any funds used in connection with the capital

improvement of the gambling enterprise or gambling establishment described in paragraph (3) of subdivision (c) shall not be provided from the gaming revenues of either the business or organization engaged in gaming prohibited under Section 330 of the Penal Code.

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

SEC. 3. (a) By July 1, 2018, the City of Inglewood shall 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 the project's impact on the divestment requirement described in subdivision (d) of Section 19858 of the Business and Professions Code.

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

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

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

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

meaning of Section 6 of Article XIII B of the California Constitution.

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

Approved _____, 2016

Governor