

**ASSEMBLY BILL**

**No. 2863**

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**Introduced by Assembly Members Gray and Jones-Sawyer**

February 19, 2016

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An act to add Section 19619.8 to, and to add and repeal Chapter 5.2 (commencing with Section 19990.101) of Division 8 of, the Business and Professions Code, relating to gambling, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

AB 2863, as introduced, Gray. Gambling: Internet poker.

(1) Existing law, 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. Existing law, the Horse Racing Law, generally regulates horse racing and vests the administration and enforcement of its provisions in the California Horse Racing Board.

This bill, which would be known as the Internet Poker Consumer Protection Act of 2016, would establish a framework to authorize intrastate Internet poker, as specified. The bill would authorize eligible entities to apply for a 7-year license to operate an authorized poker Web site offering the play of authorized Internet poker games to registered players within California, as specified. The bill would require that the license be automatically renewed every 7 years upon application, as specified. The bill would prohibit the offer or play of any gambling game provided over the Internet that is not an authorized Internet poker

game permitted by the state pursuant to these provisions. The bill would provide that it is unlawful for a person to aggregate computers or any other Internet access device in a place of public accommodation within the state, including a club or other association, or a public or other setting, that can accommodate multiple players to simultaneously play an authorized Internet poker game, or to promote, facilitate, or market that activity. The bill would provide that any violation of the Internet Poker Consumer Protection Act of 2016 is punishable as a felony. By creating new crimes, the bill would impose a state-mandated local program.

This bill would require the commission, and any other state agency with a duty pursuant to these provisions, to adopt regulations to implement the provisions within 270 days after the operative date of this bill, in consultation with the department and federally recognized California Indian tribes, and to facilitate the operation of authorized poker Web sites and expedite the state's receipt of revenues. The bill would require an eligible entity, as defined, to pay an application processing fee sufficient to cover all reasonable costs associated with the review of the entity's suitability for licensure and the issuance of the license, for deposit into the Internet Poker Fund, as created by the bill, to be continuously appropriated to the department and the commission in the amounts necessary to perform their duties pursuant to this bill. The bill would require an entity seeking to act as a service provider to apply for a service provider license, employees of a licensed operator or a licensed service provider to obtain employee work permits, and owners, officers, and directors of a licensed operator to be subject to a suitability review and obtain employee work permits. The bill would require an agreement between a licensed operator and a service provider that is a California-owned and operated horse racing association to ensure that at least 50% of the gross gaming revenue that the licensed operator derives from the service provided by the service provider is paid to the service provider. The bill would establish a tribal gaming regulatory authority process for the purpose of processing tribal employee work permits, and authorize a tribe that is a licensed operator to elect to participate in the tribal gaming regulatory authority process.

This bill would require the payment of an annual regulatory fee, for deposit into the Internet Poker Fund, to be continuously appropriated for the actual costs of license oversight, consumer protection, state regulation, and other purposes related to this bill. The bill would require each licensee to pay a one-time license deposit into the General Fund

in an unspecified amount. The license deposit would be credited against quarterly fees equivalent to an unspecified percentage of the licensee's gross gaming revenue proceeds, as specified. The bill would require an applicant for an operator license to provide documentation establishing that the applicant is qualified to pay the one-time license deposit through its own net position or through credit directly to the applicant, as specified. The bill would require the first \$60,000,000 collected each fiscal year pursuant to the license deposit and quarterly fees provisions to be deposited into the California Horse Racing Internet Poker Account, which the bill would establish in the General Fund. The bill would continuously appropriate 95% of the funds in the account to the California Horse Racing Board for distribution, as specified, and would transfer 5% of those funds to the Fair and Exposition Fund, a continuously appropriated fund.

This bill would establish the Unlawful Gambling Enforcement Fund within the General Fund for purposes of ensuring adequate resources for law enforcement charged with enforcing the prohibitions and protections of the provisions described above. The bill would authorize the Attorney General, and other public prosecutors, as specified, to bring a civil action to recover a civil penalty in an unspecified amount against a person who engages in those prohibited activities described above, or other specified unlawful gambling activities in connection with the use of an Internet access device. The bill would provide for an unspecified percentage of revenues from civil penalties collected to be deposited into the fund and used for law enforcement activities pursuant to these provisions, upon appropriation by the Legislature.

This bill would require the commission, in consultation with the department, 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, at least 4 years after the issue date of any license by the state, but no later than 5 years after that date, to issue a report to the Legislature detailing the implementation of this bill, as specified.

The bill would provide that specified provisions are not severable, and would repeal its provisions on January 1, 2024.

(2) Existing constitutional provisions require that a statute that limits the right of access to the meetings of public bodies or the writings of public officials and agencies be adopted with findings demonstrating

the interest protected by the limitation and the need for protecting that interest.

This bill would make legislative findings to that effect.

(3) 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.

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

Vote: 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. Section 19619.8 is added to the Business and  
2 Professions Code, to read:  
3 19619.8. The first sixty million dollars (\$60,000,000) collected  
4 each fiscal year pursuant to subdivisions (a) and (b) of Section  
5 19990.519 shall be deposited as follows:  
6 (a) Ninety-five percent in the California Horse Racing Internet  
7 Poker Account, which is hereby created in the General Fund.  
8 Notwithstanding Section 13340 of the Government Code, the funds  
9 in the California Horse Racing Internet Poker Account are  
10 continuously appropriated to the board, which shall annually  
11 distribute the funds in the California Horse Racing Internet Poker  
12 Account according to all of the following:  
13 (1) One and three-twentieths percent to the defined contribution  
14 retirement plan for California-licensed jockeys established pursuant  
15 to paragraph (1) of subdivision (i) of Section 19604 and  
16 administered as specified in this chapter.  
17 (2) One and three-twentieths percent to provide health and  
18 welfare benefits for California-licensed jockeys, former  
19 California-licensed jockeys, and their dependents pursuant to  
20 Section 19612.9.  
21 (3) Two and three-tenths percent to supplement the pension  
22 plan for pari-mutuel employees administered on behalf of the labor  
23 organization that has historically represented the employees who  
24 accept or process any form of wagering at the horse racing meetings  
25 and for other entities licensed to conduct wagering on horse races

1 in California. Moneys distributed pursuant to this paragraph shall  
2 supplement, and not supplant, moneys distributed to that fund  
3 pursuant to this chapter or any other law.

4 (4) Ninety-five and four-tenths percent to racing associations  
5 or fairs as commissions, to horsemen participating in the racing  
6 meeting in the form of purses, and as incentive awards, in the same  
7 relative proportion as they were generated or earned at each racing  
8 association or fair on races conducted or imported by that racing  
9 association or fair during the prior calendar year. Notwithstanding  
10 any other law, the distributions with respect to each breed of racing  
11 may be altered upon the approval of the board, in accordance with  
12 an agreement signed by the respective associations, fairs,  
13 horsemen's organizations, and breeders organizations receiving  
14 those distributions.

15 (b) Five percent to the State Treasury to the credit of the Fair  
16 and Exposition Fund, to be deposited in the separate account in  
17 the fund specified in Section 19606.1 to benefit state designated  
18 fairs as defined in Sections 19418, 19418.1, 19418.2, and 19418.3.  
19 Revenues deposited into the separate account in the fund pursuant  
20 to this section, notwithstanding Section 19606.1 or any other law  
21 to the contrary, shall be allocated only to fairs in Class I to IV+,  
22 inclusive, as classified by the department pursuant to Section 4507  
23 of the Food and Agricultural Code.

24 SEC. 2. Chapter 5.2 (commencing with Section 19990.101) is  
25 added to Division 8 of the Business and Professions Code, to read:

26  
27 CHAPTER 5.2. THE INTERNET POKER CONSUMER PROTECTION  
28 ACT OF 2016

29  
30 Article 1. Title and Legislative Declarations

31  
32 19990.101. This chapter shall be known and may be cited as  
33 the Internet Poker Consumer Protection Act of 2016.

34 19990.102. The Legislature hereby finds and declares all of  
35 the following:

36 (a) In October 2006, the United States Congress passed the  
37 Unlawful Internet Gambling Enforcement Act of 2006 (UIGEA)  
38 (31 U.S.C. Secs. 5361 et seq.), which generally prohibits the use  
39 of banking instruments, including credit cards, checks, and fund  
40 transfers, for interstate Internet gambling.

1 (b) UIGEA essentially prohibits online gambling by United  
 2 States citizens, but includes exceptions that permit individual states  
 3 to create a regulatory framework to enable intrastate Internet  
 4 gambling, if the bets or wagers are made exclusively within a  
 5 single state under certain circumstances.

6  
 7  
 8

Article 2. Definitions

9 19990.201. For the purposes of this chapter, the following  
 10 words have the following meanings:

11 (a) “Authorized Internet poker game” means any of several card  
 12 games, duly authorized by the department and played on an  
 13 authorized poker Web site, that meet the definition of poker as  
 14 specified by this section.

15 (b) “Authorized poker Web site” means a Web site on which  
 16 authorized Internet poker games are offered for play by a licensed  
 17 operator pursuant to this chapter.

18 (c) “Background investigation” means a process of reviewing  
 19 and compiling personal and criminal history and financial  
 20 information through inquiries of various law enforcement and  
 21 public sources to establish a person’s qualifications and suitability  
 22 for any necessary license or employee work permit issued pursuant  
 23 to this chapter.

24 (d) “Bet” means the placement of a wager in a game.

25 (e) “Card room” means a gambling enterprise, as defined in  
 26 subdivision (m) of Section 19805.

27 (f) “Commission” means the California Gambling Control  
 28 Commission.

29 (g) “Core functions” and “core functioning” mean any of the  
 30 following:

31 (1) The management, administration, or control of bets on  
 32 authorized Internet poker games.

33 (2) The management, administration, or control of the games  
 34 with which those bets are associated.

35 (3) The development, maintenance, provision, or operation of  
 36 a gaming system.

37 (h) “Corporate affiliate” means any person controlled by,  
 38 controlling, or under common ownership with, another person or  
 39 entity. A person or entity will be deemed to control another person  
 40 or entity if it possesses, directly or indirectly, the power to direct

1 the management or policies of the other entity, whether through  
2 ownership of voting interests or otherwise, or if, regardless of  
3 whether or not it has that power, it holds 10 percent or more of the  
4 ownership or control of the other entity, whether as a stockholder,  
5 partner, member, trust interest, or otherwise.

6 (i) “Department” means the Department of Justice.

7 (j) “Determination of suitability” or “suitability review” means  
8 the process, including, but not limited to, conducting a background  
9 investigation, to determine whether an applicant for a license or  
10 employee work permit issued pursuant to this chapter meets the  
11 qualification criteria described in this chapter or whether the  
12 applicant is disqualified on any of the grounds specified in this  
13 chapter.

14 (k) (1) (A) “Eligible entity” includes both of the following:

15 (i) A card room that operates pursuant to Chapter 5  
16 (commencing with Section 19800) whose owner or owners have  
17 been authorized, subject to oversight by, and in good standing  
18 with, the applicable state regulatory authorities.

19 (ii) A federally recognized California Indian tribe that operates  
20 a gaming facility pursuant to a facility license issued in accordance  
21 with a tribal gaming ordinance approved by the Chair of the  
22 National Indian Gaming Commission and that is eligible to conduct  
23 real-money poker at that facility.

24 (B) An entity identified in this paragraph shall have operated  
25 its land-based gaming facility for at least five years immediately  
26 preceding its application to secure a license to operate an Internet  
27 poker Web site pursuant to this chapter, and shall be in good  
28 standing during that time period with the applicable federal, state,  
29 and tribal regulatory authorities.

30 (2) A group consisting of any combination of tribes and card  
31 rooms is eligible to jointly apply for a license pursuant to this  
32 chapter, through an entity organized under state or federal law, if  
33 each entity within the group independently satisfies the requisite  
34 eligibility requirements identified in this chapter.

35 (3) Subject to any applicable limited waiver of sovereign  
36 immunity as set forth in subdivision (d) of Section 19990.402, this  
37 chapter does not restrict a tribal licensee from participating as an  
38 instrumentality of a tribal government or a political subdivision  
39 of a tribe, or from forming a separate business entity organized  
40 under federal, state, or tribal law.

1 (4) A tribe that operates a gaming facility that accepts bets from  
2 players within this state but who are not physically present on  
3 Indian lands when making those bets is not an eligible entity, unless  
4 those bets are accepted on authorized Internet poker games played  
5 on an authorized poker Web site.

6 (l) “Employee” means any natural person employed in, or  
7 serving as a consultant or independent contractor with respect to,  
8 the core functioning of the actual operation of an authorized poker  
9 Web site.

10 (m) “Employee work permit” means a permit issued to an  
11 employee of the licensed operator or a service provider, or to a  
12 nonemployee owner, officer, or director of a licensed operator, by  
13 the commission pursuant to this chapter.

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

16 (o) “Game” means any gambling game.

17 (p) “Gaming system” means the technology, including hardware  
18 and software, used by a licensee to facilitate the offering of  
19 authorized Internet poker games to registered players.

20 (q) “Good standing” means that a person has not had a gambling  
21 license suspended or revoked by a final decision of the commission  
22 or been finally ordered by a court of competent jurisdiction to  
23 cease conducting gaming activities.

24 (r) (1) “Gross gaming revenues” means the total amount of  
25 moneys paid by players to the operator to participate in authorized  
26 games before deducting the cost of operating those activities except  
27 for fees to marketing affiliates and payment processing fees.

28 (2) “Gross gaming revenues” do not include player account  
29 deposits or amounts bet, except to the extent any portion of those  
30 bets are retained as fees by the operator, discounts on goods or  
31 services, rebates or promotional discounts or stakes provided to  
32 players, or revenues from nongaming sources, such as from food,  
33 beverages, souvenirs, advertising, clothing, and other nongaming  
34 sources.

35 (s) “IGRA” means the federal Indian Gaming Regulatory Act  
36 of 1988 (18 U.S.C. Sec. 1166 et seq. and 25 U.S.C. Sec. 2701 et  
37 seq.).

38 (t) “Initial operator license” means an operator license that is  
39 issued pursuant to subdivision (h) of Section 19990.402.



- 1 (u) “Internet access device” means a personal computer or  
2 mobile communications device used for connecting to the Internet.
- 3 (v) “Internet Poker Fund” means the fund established pursuant  
4 to Section 19990.801.
- 5 (w) “Intrastate” means within the borders and jurisdiction of  
6 California.
- 7 (x) “Key employee” means any natural person employed by a  
8 licensed operator, service provider, or marketing affiliate, or by a  
9 holding or intermediary company of a licensed operator, service  
10 provider, or marketing affiliate, who is an officer or director of  
11 the licensed operator or service provider, or who, in the judgment  
12 of the commission, has the authority to exercise significant  
13 influence over decisions concerning the operation of the licensed  
14 operator or service provider as that operation relates to the Internet  
15 poker authorized by this chapter.
- 16 (y) “Land-based gaming facility” means a gambling  
17 establishment, as defined in subdivision (o) of Section 19805, that  
18 is operated pursuant to Chapter 5 (commencing with Section  
19 19800), or a casino operated by a tribe on Indian land in California.
- 20 (z) “Licensed operator” means an eligible entity licensed  
21 pursuant to this chapter to offer the play of authorized Internet  
22 poker games to registered players on an authorized poker Web  
23 site.
- 24 (aa) “Licensed service provider” means a person licensed  
25 pursuant to this chapter to provide goods or services to a licensed  
26 operator for use in the operation of an authorized poker Web site.
- 27 (ab) “Licensee” means a licensed operator or licensed service  
28 provider.
- 29 (ac) “Net position” means the residual difference between assets  
30 and liabilities, as defined by generally accepted accounting  
31 principles.
- 32 (ad) “Online self-exclusion form” means a form on which an  
33 individual notifies a licensed operator that he or she must be  
34 excluded from participation in authorized Internet poker games  
35 for a stated period of time.
- 36 (ae) “Owner” means any person that is eligible to own a  
37 land-based gaming facility in California and that has a financial  
38 interest in, or control of, a person or entity required to be found  
39 suitable under this chapter, including shareholders, partners, and  
40 members of limited liability companies holding more than 10

1 percent of the equity or voting control of the person or entity and  
2 any person found by the commission to be exerting management  
3 or control of the person or entity in fact. An owner of a licensed  
4 operator shall include only those persons eligible to own a  
5 land-based gaming facility in California. “Owner” does not include  
6 the members or government officials of a tribe.

7 (af) “Per hand charge” means the amount charged by the  
8 licensed operator for registered players to play in a per hand game.

9 (ag) “Per hand game” means an authorized Internet poker game  
10 for which the licensed operator charges the player for each hand  
11 played.

12 (ah) “Person” means an individual, corporation, business trust,  
13 estate, trust, partnership, limited liability company, association,  
14 joint venture, government, governmental subdivision, agency, or  
15 instrumentality, public corporation, or any other legal or  
16 commercial entity, including any federally recognized California  
17 Indian tribe, or an entity that is wholly owned by the tribe.

18 (ai) “Play-for-fun game” means a version of a lawfully played  
19 gambling game in which there is no requirement to pay to play or  
20 any possibility of winning any prize or other consideration of value,  
21 including, but not limited to, games offered only for purposes of  
22 training, education, marketing, or amusement.

23 (aj) “Play-for-free game” means a version of a lawfully played  
24 gambling game that may include prizes or pots, without requiring  
25 a fee or other consideration for the right to play.

26 (ak) “Play settings” means the options and default parameters  
27 made available by a licensed operator to a registered player in the  
28 play of authorized Internet poker games.

29 (al) (1) “Poker” means any of several nonbanked card games  
30 commonly referred to as “poker” that meet all of the following  
31 criteria:

32 (A) Played by two or more individuals who bet and play against  
33 each player and not against the house on cards dealt to each player  
34 out of a common deck of cards for each round of play, including  
35 those games played over the Internet using electronically generated  
36 and displayed virtual cards.

37 (B) The object of the game is to hold or draw to a hand  
38 containing a predetermined number of cards that, when all cards  
39 to be dealt in the round have been distributed and the betting is  
40 completed, meets or exceeds the value of the hands held by the

1 other players. The pot of bets made is awarded to the player or  
2 players holding the combination of cards that qualify as the winning  
3 combination under the rules of play. Values may be assigned to  
4 cards or combinations of cards in various ways, including in  
5 accordance with their face value, the combinations of cards held,  
6 such as cards of a similar suit or face value, the order of the cards  
7 that are held, or other values announced before the round.

8 (C) The house may deal or operate and officiate the game, and  
9 may collect a fee for doing so, but is not a participant in the game  
10 itself. The house has no stake in who wins or loses.

11 (D) Poker may be played in a variety of ways, including dealing  
12 all cards to the players so that they may not be seen by others,  
13 dealing the cards open face to the players, dealing through a  
14 combination of both, or creating a common set of cards that may  
15 be used by all players. The particular rules and winning  
16 combinations are made known to the players before each round is  
17 dealt.

18 (E) All bets are placed in a common pot. At one or more  
19 predetermined points during the game a player may resign,  
20 challenge other players to make additional bets into the pot, or  
21 demand that players reveal their hand so a winner can be  
22 determined.

23 (F) A poker game that has been approved by the commission  
24 for play in an authorized live poker room in California pursuant  
25 to the Gambling Control Act (Chapter 5 (commencing with Section  
26 19800)) shall be eligible for qualification by the commission as  
27 the basis of an authorized Internet poker gambling game, except  
28 that pai gow and any other game in which persons other than  
29 authorized players to whom the cards in the game have been dealt,  
30 and by whom they are held and played, are permitted to bet on a  
31 game outcome or other game feature or may in any way control  
32 or influence the play of the hand, shall not be authorized, offered,  
33 or played in connection with an authorized Internet poker game.  
34 Subject to this limitation, the rules governing play in an authorized  
35 Internet poker game pursuant to this chapter shall generally be the  
36 same as if the game were lawfully played in a live poker room.

37 (G) An authorized Internet poker game shall not include a  
38 player-dealer position.

39 (H) Video games, slot machines, and other similar devices that  
40 individuals play against the house or device and win based on

1 valuations or combinations of cards that are similar to those  
2 valuations or combinations used in live, interactive poker games,  
3 commonly known as “video poker” and “video lottery,” are not  
4 “poker” and are not permitted under this chapter.

5 (2) Other characteristics defining “poker” pursuant to this  
6 chapter include any of the following:

7 (A) Live players with equal chances of winning competing  
8 against each other over the Internet in real time and not against  
9 the house or any device.

10 (B) Success over time may be influenced by the skill of the  
11 player.

12 (C) The bets of one player may affect the decisions of another  
13 player in the game, and the decisions of one player may affect the  
14 success or failure of another.

15 (3) The term “poker” includes poker tournaments in which  
16 players pay a fee to the operator of the tournament under  
17 tournament rules approved by the applicable gaming regulatory  
18 agency.

19 (am) “Proprietary information” means all information, including,  
20 but not limited to, computer programs, databases, data, algorithms,  
21 formulae, expertise, improvements, discoveries, concepts,  
22 inventions, developments, methods, designs, analyses, drawings,  
23 techniques, strategies, new products, reports, unpublished financial  
24 statements, budgets, projections, billing practices, pricing data,  
25 contacts, client and supplier lists, business and marketing records,  
26 working papers, files, systems, plans, and all related registrations  
27 and applications, that, whether or not patentable or registerable  
28 under patent, copyright, trademark, or similar statutes, meet either  
29 of the following:

30 (1) The information can be protected as a trade secret under  
31 California law or any other applicable state, federal, or foreign  
32 law.

33 (2) The information derives independent economic value, actual  
34 or potential, from not being generally known to the public or to  
35 other persons that can obtain economic value from its disclosure  
36 or use.

37 (an) “Proxy player” means a machine, device, or agent, other  
38 than the registered player, that is used to play an authorized Internet  
39 poker game.

1 (ao) “Registered player” means a player who has registered with  
2 a licensed operator to play authorized Internet poker games on the  
3 licensed operator’s authorized poker Web site.

4 (ap) “Registration information” means the information provided  
5 by a person to a licensed operator in order to become a registered  
6 player.

7 (aq) “Robotic play” means the use of a machine or software to  
8 automate the next player action at any point in a game, including  
9 the use of a proxy player.

10 (ar) (1) “Service provider” means any person, other than an  
11 employee, that does any of the following:

12 (A) On behalf of a licensed operator, manages, administers, or  
13 controls bets on authorized Internet poker games provided over  
14 the Internet by a licensee pursuant to this chapter.

15 (B) On behalf of a licensed operator, manages, administers, or  
16 controls the games with which the bets described in subparagraph  
17 (A) are associated.

18 (C) On behalf of a licensed operator, develops, maintains,  
19 provides, or operates a gaming system.

20 (D) Sells, licenses, or otherwise receives compensation for  
21 selling or licensing, information on individuals in California who  
22 made bets on games over the Internet that were not authorized  
23 pursuant to this chapter.

24 (E) Provides any product, service, financing, or asset to a  
25 licensed operator and is paid a percentage of gaming revenue by  
26 the licensed operator, not including fees to financial institutions  
27 and payment providers for facilitating a deposit by a customer.

28 (F) Provides intellectual property, including trademarks, trade  
29 names, service marks, or similar intellectual property under which  
30 a licensed operator identifies its games to its customers.

31 (G) Receives compensation as part of an affiliate marketing  
32 program from bringing players or potential players to a licensed  
33 operator’s authorized poker Web site.

34 (2) “Service provider” does not include a provider of goods or  
35 services that provides similar goods or services to the public for  
36 purposes other than the operation of an authorized poker Web site,  
37 including, but not limited to, payment processors and geolocation  
38 service providers.

39 (as) “State” means the State of California.

1 (at) “Terms of Use Registered Player’s Agreement” means the  
2 agreement offered by a licensed operator and accepted by a  
3 registered player delineating, among other things, permissible and  
4 impermissible activities on an authorized poker Web site and the  
5 consequences of engaging in impermissible activities.

6 (au) “Tournament” means a competition approved by the  
7 commission in which registered players play a series of authorized  
8 Internet poker games to decide the winner.

9 (av) “Tournament charge” means the amount charged by the  
10 licensed operator for registered players to play in a tournament.

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

13 (ax) “Tribal gaming regulatory authority” means the gaming  
14 regulatory authority of a federally recognized California Indian  
15 tribe that has the authority to regulate gaming on the tribe’s Indian  
16 lands pursuant to IGRA.

17 (ay) “Tribe” means a federally recognized California Indian  
18 tribe, including, but not limited to, the governing body of that tribe  
19 or any entity that is wholly owned by the tribe.

20 (az) “Unlawful Gambling Enforcement Fund” means the fund  
21 established pursuant to Section 19990.802, the revenue of which  
22 is dedicated to enforcing the prohibitions of this chapter.

23

24 Article 3. Intrastate Internet Poker in California

25

26 19990.301. Under the federal Unlawful Internet Gambling  
27 Enforcement Act of 2006, California is permitted to authorize  
28 games played via the Internet as long as all players and the online  
29 wagering is located within the jurisdiction of the state and the  
30 games are not played by minors.

31 19990.302. Notwithstanding any other law, a person who is  
32 21 years of age or older and located within California is hereby  
33 permitted to participate as a registered player in an authorized  
34 Internet poker game provided by a licensed operator on an  
35 authorized poker Web site.

36 19990.303. (a) A person shall not do any of the following:

37 (1) Offer any game of poker on the Internet in this state unless  
38 that person holds a valid license issued by the commission to offer  
39 the play of authorized Internet poker games on an authorized poker  
40 Web site pursuant to this chapter.

1 (2) Offer to any player located within California any game  
2 provided on the Internet that is not authorized by the state pursuant  
3 to this chapter.

4 (3) As a player located in this state, play any game provided on  
5 the Internet that is not authorized by the state pursuant to this  
6 chapter.

7 (b) Subject to an opportunity to cure pursuant to Section  
8 19990.521, a violation of this chapter is a felony, punishable by  
9 imprisonment pursuant to subdivision (h) of Section 1170 of the  
10 Penal Code.

11 19990.304. This chapter does not limit or restrict activities or  
12 conduct permitted pursuant to Chapter 5 (commencing with Section  
13 19800) or IGRA.

14 19990.305. This chapter does not authorize any game offered  
15 in Nevada or New Jersey other than poker.

16 19990.306. A person shall not do either of the following:

17 (a) Aggregate computers or any other Internet access device in  
18 a place of public accommodation within the state, including a club  
19 or other association, or a public or other setting, that can  
20 accommodate multiple players to simultaneously play an authorized  
21 Internet poker game.

22 (b) Promote, facilitate, or market the activity described in  
23 subdivision (a).

24 19990.307. This chapter does not apply to play-for-fun or  
25 play-for-free games.

26  
27 Article 4. Licensing of Operators and Service Providers  
28

29 19990.401. (a) (1) Within 270 days after the effective date of  
30 this chapter, the commission, and any other state agency with a  
31 duty pursuant to this chapter, shall, in consultation with the  
32 department and tribes, adopt regulations pursuant to the  
33 Administrative Procedure Act (Chapter 3.5 (commencing with  
34 Section 11340) of Part 1 of Division 3 of Title 2 of the Government  
35 Code) to implement this chapter, and to facilitate the operation of  
36 authorized poker Web sites and expedite the state's receipt of  
37 revenues in compliance with this chapter. The initial adoption,  
38 amendment, or repeal of a regulation authorized by this section is  
39 deemed to address an emergency, for purposes of Sections 11346.1  
40 and 11349.6 of the Government Code, and the commission and

1 those other state agencies are hereby exempted for that purpose  
 2 from the requirements of subdivision (b) of Section 11346.1 of  
 3 the Government Code. After the initial adoption, amendment, or  
 4 repeal of an emergency regulation pursuant to this section, the  
 5 commission and those other state agencies shall not request  
 6 approval from the Office of Administrative Law to readopt the  
 7 regulation as an emergency regulation pursuant to Section 11346.1  
 8 of the Government Code, but shall promulgate permanent  
 9 regulations in accordance with all applicable law.

10 (2) The regulations adopted by the commission shall at a  
 11 minimum address all of the following:

- 12 (A) Underage gambling and problem gambling.
- 13 (B) Resolution of player disputes and complaints.
- 14 (C) Gaming system technical standards and practices.
- 15 (D) Hardware and software standards and compliance.
- 16 (E) License and work permit issuance and processes.
- 17 (F) Suitability standards and determinations.
- 18 (G) Temporary, provisional, and emergency approvals.
- 19 (H) Effect of receiverships, bankruptcy, insolvency, inheritance,  
 20 and trusts affecting ownership of a licensee.
- 21 (I) Appeals from adverse decisions.

22 (3) The regulations adopted by the department shall at a  
 23 minimum address all of the following:

- 24 (A) Approval of an authorized Internet poker game.
- 25 (B) Authorized Internet poker game rules.
- 26 (C) Authorized Internet poker gaming activities.
- 27 (D) Registered player-assessed fees, as necessary.

28 (b) (1) Each state agency with a duty pursuant to this chapter  
 29 shall identify a point of contact at that agency and describe the  
 30 responsibility of the contact with respect to the state agency's duty.

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

34 (3) Unless otherwise provided by this chapter, notice by a  
 35 licensee to a state agency shall be deemed effective once it is  
 36 received by the agency and deemed to be complete. An application  
 37 or notice is not deemed complete until all pertinent documents,  
 38 information, and fees are submitted to the department.

39 19990.402. (a) Authorized Internet poker games may be  
 40 offered only by entities licensed pursuant to this chapter. An



1 eligible entity seeking to offer authorized Internet poker games  
2 shall apply to the department for a determination of suitability. If  
3 the department determines the applicant is suitable to receive a  
4 license, the applicant shall then apply to the commission for an  
5 operator license. The applicant shall pay an application processing  
6 fee sufficient to cover the reasonable costs associated with the  
7 determination of suitability and the issuance of the license.

8 (b) Employees of the licensed operator shall undergo a suitability  
9 review and obtain work permits pursuant to Article 6 (commencing  
10 with Section 19990.601). Owners, officers, and directors of  
11 licensed operators shall also undergo a suitability review and obtain  
12 employee work permits pursuant to Article 6 (commencing with  
13 Section 19990.601). The commission may refuse to issue a license  
14 to an applicant, or suspend or revoke a license of a licensed  
15 operator, that fails to comply with this requirement.

16 (c) In order to ensure that licensed operators are not mere  
17 facades for unlicensed, unqualified, or undisclosed interests, an  
18 applicant for an operator license pursuant to this chapter shall  
19 provide documentation to the commission establishing that, if the  
20 license is granted, the license applicant will be able, through its  
21 own net position or through credit extended directly to the  
22 applicant, and with full recourse to it, by a federal or state chartered  
23 financial institution not involved with the core functions of the  
24 authorized poker Web site, that is entirely secured by an equivalent  
25 amount of its own net position, to pay the license deposit required  
26 by subdivision (a) of Section 19990.519. In addition, a licensed  
27 operator shall submit regular financial reports to the department  
28 establishing that the operator meets financial viability requirements,  
29 as determined by the commission. The commission may terminate  
30 a license if the operator fails to submit the required reports or meet  
31 the financial viability requirements.

32 (d) An applicant for an operator license pursuant to this chapter  
33 that is a tribe shall include with its license application a limited  
34 waiver of the applicant's sovereign immunity. This limited waiver  
35 shall apply exclusively to the state, and no other party, solely for  
36 the limited purpose of enforcing this chapter and any regulations  
37 adopted pursuant to this chapter, and with regard to any claim,  
38 sanction, or penalty arising therefrom against the licensed operator  
39 by the state, and for no other purpose.

1 (e) The commission shall issue an operator license to an  
2 applicant determined by the commission to qualify as an eligible  
3 entity within 150 days of receiving an application, if the applicant  
4 has already been subjected to a determination of suitability by the  
5 department and has been approved by the department to apply to  
6 the commission for licensure. All applicants shall undergo a  
7 determination of suitability prior to applying for an eligibility  
8 determination by the commission.

9 (f) The state may issue operator licenses only to eligible entities  
10 identified within this chapter. Any of the eligible entities may  
11 jointly apply for an operator license, either as a consortium or by  
12 forming an entity comprised entirely of eligible entities. Each  
13 eligible entity may have an interest in only a single operator license.

14 (g) An operator license denoting full licensure shall be issued  
15 for a term of seven years. Subject to the power of the commission  
16 to revoke, suspend, condition, or limit any license, as provided in  
17 this chapter, a license shall be automatically renewed every seven  
18 years thereafter upon application. Failure of a licensed operator to  
19 file an application for renewal may be deemed a surrender of the  
20 license.

21 (h) Each initial operator license issued pursuant to this section  
22 shall take effect on the same date. That date shall be one year after  
23 the effective date of the regulations described in Section 19990.401,  
24 unless the commission determines that good cause exists for those  
25 licenses to take effect in unison on a subsequent date. Each initial  
26 operator license shall be a temporary license, and shall be issued  
27 for a term of no longer than two years. The issuance of an initial  
28 operator license does not guarantee full licensure.

29 (i) A licensed operator may cease its operations after providing  
30 the department with a 90-day advance notice of its intent and a  
31 statement explaining its reasons for doing so, which may include  
32 the fact that continuing to operate the authorized poker Web site  
33 is commercially infeasible. In response to that notice, the state  
34 may file an action in the Superior Court of the County of  
35 Sacramento as it deems necessary to protect any state interests,  
36 including, but not limited to, the interests of registered players.

37 19990.403. (a) A licensee's employees in direct contact with  
38 registered players shall be physically present in the state.

39 (b) All primary servers, facilities, bank accounts, and accounting  
40 records of the licensee related to authorized Internet poker shall

1 be located in the state, except for redundant servers and except as  
2 may be permitted by the commission for a service provider, if the  
3 service provider ensures access to and jurisdiction over the relevant  
4 servers, facilities, bank accounts, and accounting records.

5 (c) Notwithstanding subdivisions (a) and (b), a licensee may  
6 request, and the department may approve, the licensee's use of  
7 personnel, servers, facilities, bank accounts, and accounting records  
8 not physically present in the state when necessary to protect  
9 registered players and state interests, for the purposes of diagnosing  
10 and addressing technological problems, investigating fraud and  
11 collusion, and developing and supervising software and  
12 configuration changes.

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

24 (e) A license applicant shall submit to the department, together  
25 with its application, an application processing fee as specified in  
26 subdivision (a) of Section 19990.402. All moneys collected by the  
27 state pursuant to this subdivision shall be deposited into the Internet  
28 Poker Fund.

29 19990.404. (a) An entity seeking to act as a service provider  
30 shall apply to the department for a determination of suitability. If  
31 the department determines the applicant is suitable to receive a  
32 license, the applicant shall then apply to the commission for a  
33 service provider license, and obtain a service provider license,  
34 before providing goods or services to a licensed operator in  
35 connection with the operation of an authorized poker Web site.

36 (b) The department shall review the suitability of an applicant  
37 for a service provider license. The applicant for a service provider  
38 license shall pay an application processing fee sufficient to cover  
39 the reasonable costs associated with the determination of suitability  
40 and the issuance of the license.

1 (c) The department may establish a process to conduct a  
2 preliminary determination of suitability based on a partial  
3 investigation. A partial investigation is intended to screen out  
4 applicants that do not meet the suitability requirements of this  
5 chapter. A partial investigation shall include fingerprint-based  
6 state and federal criminal history checks and clearances, and  
7 inquiries into various public databases regarding credit history and  
8 any civil litigation. A partial investigation shall also include a  
9 review of the service provider's financial status, which shall include  
10 the submission of a report prepared by a forensic accounting, audit,  
11 or investigative firm approved by the department, in a format  
12 developed by the department, and at the service provider's expense.  
13 The report shall include the financial information necessary for  
14 the department to make a preliminary determination of suitability.  
15 The department may specify additional requirements regarding  
16 the contents of the report and any other financial information or  
17 documentation required to be submitted. A full investigation shall  
18 be conducted of only those service providers that pass the partial  
19 investigation and that will undergo a full investigation pursuant  
20 to subdivision (d). Those service providers that are awarded a  
21 preliminary determination of suitability based on a partial  
22 investigation are not guaranteed full licensure. Those service  
23 providers that do not pass the partial investigation may appeal the  
24 decision to the commission.

25 (d) Before the commission issues a service provider license to  
26 an applicant, the department shall conduct the full investigation  
27 required by this section of all of the following persons:

- 28 (1) All officers of the license applicant.  
29 (2) The owner or owners of either of the following:  
30 (A) The license applicant.  
31 (B) Any corporate affiliate of the license applicant.  
32 (3) Any persons otherwise providing goods to, or performing  
33 services for, the license applicant related to core functions.  
34 (4) Any person deemed by the department to have significant  
35 influence over the license applicant or its service providers or their  
36 respective operations.  
37 (5) In the case of a tribe or a wholly owned tribal entity that is  
38 a service provider, the investigation shall be limited to the business  
39 officers of the tribal entity that will serve as the service provider.

1 (e) A full investigation shall include a review and evaluation of  
2 the service provider's qualifications and experience to provide the  
3 services anticipated, which shall include the required submission  
4 of a report prepared on each service provider by an outside firm  
5 contracted and supervised by the department, in a format developed  
6 by the department, and at the service provider's expense. The  
7 report shall include information necessary for the department to  
8 make a determination of suitability, as specified in regulations  
9 adopted pursuant to this chapter, consisting of, but not limited to,  
10 personal history, prior activities and associations, credit history,  
11 civil litigation, past and present financial affairs and standing, and  
12 business activities, including whether the applicant or an affiliate  
13 of the applicant has a financial interest in any business or  
14 organization that is or was engaged in any form of gaming or  
15 transactions related to gaming prohibited by the law of the federal  
16 or state jurisdiction in which those activities took place. The  
17 department may specify additional requirements regarding the  
18 contents of the report and other information or documentation  
19 required to be submitted.

20 (f) An institutional investor holding less than 10 percent of the  
21 equity securities of a service provider's holding or intermediary  
22 companies shall be granted a waiver of a determination of  
23 suitability or other requirement if all of the following apply:

24 (1) The securities are those of a corporation, whether publicly  
25 traded or privately held.

26 (2) Holdings of those securities were purchased for investment  
27 purposes only.

28 (3) The institutional investor annually files a certified statement  
29 with the department to the effect that it has no intention of  
30 influencing or affecting the affairs of the issuer, the licensee, or  
31 service provider, as applicable, or its holding or intermediary  
32 companies.

33 (4) Notwithstanding paragraph (3), the institutional investor  
34 may vote on matters submitted to the vote of the outstanding  
35 security holders after the investor has been issued a license.

36 (5) The certification described in paragraph (3) shall do all of  
37 the following:

38 (A) Include a statement that the institutional investor beneficially  
39 owns the equity securities of the corporation for investment  
40 purposes only, and in the ordinary course of business as an

1 institutional investor, and not for the purposes of causing, directly  
2 or indirectly, the election of members of the board of directors, or  
3 effecting a change in the corporate charter, bylaws, management,  
4 policies, or operations of the corporation of any of its affiliates.

5 (B) Indicate any changes to the structure or operations of the  
6 institutional investor that could affect its classification as an  
7 institutional investor, as that term is listed in paragraph (8).

8 (C) State that the institutional investor and corporation shall  
9 maintain gaming compliance policies and procedures to implement  
10 and ensure compliance with this chapter and regulations adopted  
11 pursuant to this chapter.

12 (6) An institutional investor granted a waiver under this  
13 subdivision that subsequently decides to influence or affect the  
14 affairs of the issuer shall provide not less than 30 days' notice of  
15 that intent and shall file with the department a request for  
16 determination of suitability before taking an action that may  
17 influence or affect the affairs of the issuer. An institutional investor  
18 shall not vote prior to being issued a license. If an institutional  
19 investor changes its investment intent, or the department finds  
20 reasonable cause to believe that the institutional investor may be  
21 found unsuitable, the institutional investor shall take no action  
22 other than divestiture with respect to its security holdings until it  
23 has complied with any requirements established by the department,  
24 which may include the execution of a trust agreement. The  
25 institutional investor and its relevant holding, related, or subsidiary  
26 companies shall immediately notify the department and, if a tribal  
27 license is involved, the tribal gaming regulatory authority, of any  
28 information about, or actions of, an institutional investor holding  
29 its equity securities when that information or action may impact  
30 upon the eligibility of the institutional investor for a waiver  
31 pursuant to paragraph (2).

32 (7) If at any time the department finds that an institutional  
33 investor holding a security of a licensee under this chapter has  
34 failed to comply with the terms of this chapter, or if at any time  
35 the department finds that, by reason of the extent or nature of its  
36 holdings, whether of debt or equity securities, an institutional  
37 investor is in a position to exercise such a substantial impact upon  
38 the controlling interests of a licensee that investigation and  
39 determination of suitability of the institutional investor are  
40 necessary to protect the public interest, the department may take

1 any necessary action otherwise authorized by this chapter to protect  
2 the public interest.

3 (8) For purposes of this subdivision, an “institutional investor”  
4 includes all of the following:

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

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

9 (C) A collective investment trust organized by banks under Part  
10 9 of the Rules of the Office of the Comptroller of the Currency  
11 (12 C.F.R. Sec. 9.1 et seq.).

12 (D) A closed-end investment trust.

13 (E) A chartered or licensed life insurance company or property  
14 and casualty insurance company.

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

17 (G) An investment adviser registered under the federal  
18 Investment Advisers Act of 1940 (15 U.S.C. Sec. 80b-1 et seq.).

19 (g) An agreement between a licensed operator and a service  
20 provider that is a horse racing association operating pursuant to  
21 Chapter 4 (commencing with Section 19400) shall ensure that at  
22 least 50 percent of the gross gaming revenue that the licensed  
23 operator derives from the service provided by the service provider  
24 is paid to the service provider.

25 19990.405. (a) The department shall issue a finding that a  
26 license applicant is suitable to obtain a license only if, based on  
27 all of the information and documents submitted, the department  
28 is satisfied that each of the persons subject to a determination of  
29 suitability pursuant to this article is both of the following:

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

34 (2) A person whose prior activities, criminal record, if any,  
35 reputation, habits, and associations do not pose a threat to the  
36 public interest of the state, or to the effective regulation and control  
37 of authorized Internet poker games, or create or enhance the  
38 dangers of unsuitable, unfair, or illegal practices, methods, and  
39 activities in the conduct of authorized Internet poker games or in

1 the carrying on of the business and financial arrangements  
2 incidental thereto.

3 (b) The department shall issue a finding that a license applicant  
4 is not suitable to obtain a license if it finds that a person subject  
5 to a determination of suitability pursuant to this article is described  
6 by any of the following:

7 (1) The person failed to clearly establish eligibility and  
8 qualifications in accordance with this chapter.

9 (2) The person failed to timely provide information,  
10 documentation, and assurances required by this chapter or requested  
11 by the department, or, with respect to a licensed applicant, failed  
12 to reveal any fact material to qualification, or supplied information  
13 that is untrue or misleading as to a material fact pertaining to the  
14 suitability criteria.

15 (3) The person has been convicted of a felony, including a  
16 conviction by a federal court or a court in another state or foreign  
17 jurisdiction for a crime that would constitute a felony if committed  
18 in California, except that a conviction of a felony involving the  
19 hunting or fishing rights of a tribal member while on his or her  
20 reservation shall not be included among the class of disqualifying  
21 felonies.

22 (4) The person has been convicted of a misdemeanor in a  
23 jurisdiction involving dishonesty or moral turpitude within the  
24 10-year period immediately preceding the submission of the  
25 application, unless the applicant has been granted relief pursuant  
26 to Section 1203.4, 1203.4a, or 1203.45 of the Penal Code.  
27 However, the granting of relief pursuant to Section 1203.4,  
28 1203.4a, or 1203.45 of the Penal Code shall not constitute a  
29 limitation on the discretion of the department or affect the  
30 applicant's burden.

31 (5) The person has associated with criminal profiteering activity  
32 or organized crime, as defined in Section 186.2 of the Penal Code.

33 (6) The person has contemptuously defied a legislative  
34 investigative body, or other official investigative body of a state  
35 or of the United States or a foreign jurisdiction, when that body is  
36 engaged in the investigation of crimes relating to poker, official  
37 corruption related to poker activities, or criminal profiteering  
38 activity or organized crime, as defined in Section 186.2 of the  
39 Penal Code.

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



1 (8) (A) The person has been convicted in a court of competent  
2 jurisdiction of a felony consisting of either having accepted a bet  
3 over the Internet in violation of United States or California law,  
4 or having aided or abetted that unlawful activity.

5 (B) A licensee shall not enter into a contract or agreement with  
6 a person or entity described in subparagraph (A).

7 (c) License applications shall be treated as follows:

8 (1) The commission shall reject the license application of an  
9 applicant found to be ineligible for licensure.

10 (2) If denial of the application, or approval of the license with  
11 restrictions or conditions on the license, is recommended, the  
12 department shall prepare and file with the commission written  
13 reasons upon which the recommendation is based. Prior to filing  
14 its recommendation with the commission, the department shall  
15 meet with the applicant, or the applicant's duly authorized  
16 representative, and inform the applicant generally of the basis for  
17 a proposed recommendation that the application be denied,  
18 restricted, or conditioned.

19 (3) This section does not require the department to divulge to  
20 the applicant confidential information received from a law  
21 enforcement agency or information received from a person with  
22 assurances that the information would be maintained confidential,  
23 nor to divulge any information that might reveal the identity of an  
24 informant or jeopardize the safety of a person.

25 (4) Denial of an application shall be without prejudice to a new  
26 and different application filed in accordance with any regulations  
27 adopted by the commission with respect to the submission of  
28 applications.

29 (5) An applicant may withdraw its application for a license at  
30 any time prior to final action on the application by the commission  
31 by filing a written request with the commission to withdraw the  
32 application, absent knowledge of a specific reason to suspect that  
33 the person or entity may be found unsuitable.

34 19990.406. (a) This chapter does not restrict the authority of  
35 a tribe that is a licensed operator or that owns a tribal enterprise  
36 that is a licensed operator to conduct suitability reviews of its  
37 service providers.

38 (b) This chapter also does not prohibit a tribal gaming regulatory  
39 authority from providing the results of its suitability investigations

1 or determinations to the commission or department for its  
2 consideration in issuance of licenses pursuant to this chapter.

3

4 Article 5. Requirements for the Operation of an Authorized  
5 Poker Web Site

6

7 19990.501. (a) A licensed operator shall ensure that registered  
8 players are eligible to play authorized Internet poker games and  
9 implement appropriate data security standards to prevent access  
10 by a person whose age and location have not been verified in  
11 accordance with this chapter.

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

14 (c) A registered player shall be at least 21 years of age.

15 (d) Each licensed operator shall do all of the following, whether  
16 directly or through the actions of its licensed service providers:

17 (1) Prior to registering a person as a registered player or  
18 permitting a person to play an authorized Internet poker game, the  
19 licensed operator shall verify that the person is 21 years of age or  
20 older.

21 (2) The licensed operator shall attempt to match the name,  
22 address, and date of birth provided by the person to information  
23 contained in records in a database of individuals who have been  
24 verified to be 21 years of age or older by reference to an appropriate  
25 database of government records.

26 (3) The licensed operator shall verify that the name and physical  
27 billing address on the check or credit card offered for payment by  
28 the person seeking to be a registered player matches the name and  
29 address listed in the database.

30 (4) If the licensed operator is unable to verify that the person is  
31 21 years of age or older pursuant to paragraph (1), the licensed  
32 operator shall require the person to submit age-verification  
33 documents consisting of an attestation signed by the person that  
34 he or she is 21 years of age or older and a copy of a valid form of  
35 government identification. For the purposes of this section, a valid  
36 form of government identification includes a driver's license, state  
37 identification card, passport, official naturalization or immigration  
38 document, such as an alien registration receipt card or an immigrant  
39 visa, or United States military identification. The licensed operator  
40 shall verify that the physical billing address on the check or credit

1 card provided by the person matches the address listed on his or  
2 her government identification.

3 (5) The licensed operator shall not permit registered players to  
4 make payments or withdrawals by money order or cash, except  
5 that a licensed operator may permit registered players to make  
6 payments or withdrawals by money order or cash in person at the  
7 land-based gaming facility operated by the licensed operator. The  
8 licensed operator shall submit information to each credit card  
9 company through which it makes credit card sales, in an  
10 appropriate form and format so that the words “Internet poker” or  
11 equivalent description is printed on the purchaser’s credit card  
12 statement with that credit card company, when a payment to a  
13 licensed operator is made by credit card and the transaction is  
14 categorized as required by law.

15 (e) A licensed operator is not in violation of this section if the  
16 operator complies with the requirements of paragraphs (1) and (2)  
17 of subdivision (d), and a person under 21 years of age participates  
18 in an authorized Internet poker game provided by the licensed  
19 operator.

20 (f) The department may assess a civil penalty against a person  
21 who violates this section, whether a licensed operator, owner,  
22 service provider, or player, according to the following schedule:

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

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

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

30 (4) Not less than five thousand five hundred dollars (\$5,500),  
31 and not more than six thousand five hundred dollars (\$6,500), for  
32 the fourth violation.

33 (5) Ten thousand dollars (\$10,000) for a fifth or subsequent  
34 violation.

35 (g) The commission shall, by regulation, provide a process for  
36 a licensee to exclude from play any person who has filled out an  
37 online self-exclusion form.

38 (1) The commission shall develop an online self-exclusion form  
39 within six months of the effective date of this chapter.

1 (2) The commission shall deliver the form to each licensed  
2 operator.

3 (3) A licensed operator shall prominently display a link to the  
4 department’s Responsible Gambling Internet Web page and the  
5 online self-exclusion form on the authorized poker Web site that  
6 is displayed when either of the following occurs:

- 7 (A) A person registers as a registered player.
- 8 (B) Each time a registered player accesses the authorized poker  
9 Web site prior to playing.

10 (4) A licensed operator shall retain the online self-exclusion  
11 form to identify persons who want to be excluded from play. A  
12 licensed operator shall exclude those persons from play.

13 (5) A licensed operator that has made commercially reasonable  
14 efforts to comply with this subdivision shall not be held liable in  
15 any way if a person who has filled out an online self-exclusion  
16 form plays despite that person’s request to be excluded.

17 19990.502. A licensed operator shall offer only authorized  
18 Internet poker games and process bets in accordance with the  
19 specified game and betting rules established by the licensed  
20 operator and approved by the commission pursuant to Section  
21 19990.503.

22 19990.503. (a) In order to propose a game for play, a licensed  
23 operator shall provide the department with both of the following  
24 via electronic means or via mail:

- 25 (1) Game rules and betting rules it proposes to offer to registered  
26 players.
- 27 (2) Documentation from an independent gaming test laboratory  
28 that is licensed or registered in any United States jurisdiction to  
29 test, approve, and certify the game’s software.

30 (b) A licensed operator shall not offer a game for play until the  
31 department has approved the game rules and betting rules.

32 19990.504. (a) A licensed operator shall ensure that games  
33 are fair.

34 (b) A licensed operator shall display a link on its authorized  
35 poker Web site that includes the following information for each  
36 game offered:

- 37 (1) The name of the game.
- 38 (2) Any restrictions on the play of the game.
- 39 (3) The rules of the game.
- 40 (4) All instructions on how to play.

- 1 (5) The unit and total bets permitted.
- 2 (6) Per hand charges assessed to registered players.
- 3 (7) The registered player's current account balance, which shall  
4 be updated in real time.
- 5 (8) Any other information that a licensed operator or the  
6 department determines is necessary for the registered player to  
7 have in real time to compete fairly in the game.
- 8 (c) A licensed operator shall display a link on its authorized  
9 poker Web site that includes the following information for each  
10 tournament offered:
  - 11 (1) Tournament rules.
  - 12 (2) Tournament charge.
  - 13 (3) Games offered during the tournament.
  - 14 (4) Prize structure and number of registered players that will be  
15 paid.
  - 16 (5) Buy-in amount, re-buy amount, and add-on amount.
- 17 (d) Data used to create game results shall be unpredictable so  
18 that it is infeasible to predict the next occurrence in a game.
- 19 (e) A licensed operator shall deploy controls and technology to  
20 minimize fraud or cheating through collusion, including external  
21 exchange of information between different players, or any other  
22 means.
  - 23 (1) If a licensed operator becomes aware that fraud or cheating  
24 is taking place or has taken place, it shall take steps to stop those  
25 activities immediately and inform the department of all relevant  
26 facts.
  - 27 (2) The department shall not impose a fine against a licensed  
28 operator to prevent fraud or cheating if the licensed operator can  
29 demonstrate that it acted responsibly to prevent those activities as  
30 soon as the licensed operator became aware of them.
- 31 (f) 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 (g) 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 approved by the department and published by the licensed operator  
39 prior to the commencement of the tournament.

1 (h) A licensed operator shall display or allow the results from  
2 any authorized Internet poker game, including the redemption of  
3 winnings from any game, to be displayed or represented only by  
4 showing the card faces of the winning hand and the dollar amount  
5 won.

6 (i) A licensed operator shall not do any of the following:

7 (1) Display or allow the outcome from any authorized Internet  
8 poker game, including the redemption of winnings from any game,  
9 to be displayed or represented in a manner that mimics a slot  
10 machine or any other casino-style games, including, but not limited  
11 to, blackjack, roulette, or craps.

12 (2) Use casino game graphics, themes, or titles, including, but  
13 not limited to, depictions of slot machine-style symbols, banked  
14 or banking card games, craps, roulette, keno, lotto, or bingo.

15 (3) Allow the use of robotic play at any time by itself, a service  
16 provider, or a player.

17 19990.505. (a) A licensed operator shall register players and  
18 establish registered player accounts prior to play.

19 (b) A person shall not participate in any game provided by a  
20 licensed operator unless the person is a registered player and holds  
21 a registered player account.

22 (c) A registered player account may be established in person,  
23 or by United States mail, telephone, or by any electronic means.

24 (d) To register and establish a registered player account to play  
25 poker with real money, a person shall provide all of the following  
26 registration information:

27 (1) First name and surname.

28 (2) Principal residence address.

29 (3) Telephone number.

30 (4) Social security number.

31 (5) Identification or certification to prove that person is at least  
32 21 years of age.

33 (6) Valid email address.

34 (e) A licensed operator shall provide registered players with the  
35 means to update the registration information provided to the  
36 licensed operator, and shall require that registered players keep  
37 registration information current.

38 (f) This section does not prevent a licensed operator from  
39 entering into a marketing agreement with a third party, who has  
40 been determined to be suitable and licensed as a service provider,

1 to recruit people to become registered players if the registration  
2 process described in this section is under the sole control of the  
3 licensed operator.

4 19990.506. (a) A licensed operator shall provide a means for  
5 registered players to put funds into a registered player account and  
6 transfer funds out of that account.

7 (b) A registered player shall identify the source of funds to be  
8 used to put money into the registered player account established  
9 once the registration process is complete.

10 (c) At the time of establishing a registered player account, a  
11 registered player shall designate the bank account into which funds  
12 from the registered player's authorized poker Web site account  
13 are to be transferred.

14 (d) A registered player shall not establish more than one account  
15 on the same authorized poker Web site.

16 (e) While playing an authorized Internet poker game, the game  
17 system shall not permit a registered player to increase the amount  
18 of money that player has available at a game table while a hand is  
19 in play. Any increase to the funds available to a player during a  
20 hand shall not take effect until the following hand.

21 (f) A licensed operator shall maintain records on the balance of  
22 each registered player's account.

23 (g) A licensed operator shall not permit a registered player to  
24 place a bet unless the registered player's account has sufficient  
25 funds to cover the amount of the bet.

26 (h) A licensed operator shall not provide credit to a registered  
27 player's account or act as agent for a credit provider to facilitate  
28 the provision of funds.

29 (i) Interest shall not be paid by a licensed operator with respect  
30 to a registered player's account.

31 (j) A licensed operator shall segregate funds it holds in all  
32 registered player accounts from all of its other assets.

33 (k) A licensed operator shall not commingle funds in the  
34 segregated account containing funds paid by registered players  
35 with any other funds held by the licensed operator, including, but  
36 not limited to, operating funds of the licensed operator. Both the  
37 accounts of the licensed operator and its segregated registered  
38 player accounts shall be held in financial institutions located in  
39 the state.

1 (l) Funds held in a registered player’s account shall be used only  
2 for the following purposes:

3 (1) To pay per hand or tournament charges owed by a registered  
4 player to the licensed operator for play of authorized Internet poker  
5 games.

6 (2) To transfer funds from one registered player’s account to  
7 the account of another registered player to reconcile the result of  
8 a loss in the play of an authorized Internet poker game.

9 (3) To transfer funds from a registered player’s account to a  
10 temporary account to be held by a licensed operator pending the  
11 outcome of an authorized Internet poker game.

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

14 (5) To transfer funds from a registered player’s account with  
15 the licensed operator to an account specified by that registered  
16 player upon that registered player’s request.

17 19990.507. Prior to completing the registration process, a  
18 licensed operator shall explain in a conspicuous fashion to the  
19 person who is registering the privacy policies of the authorized  
20 poker Web site, and the person shall assent to the following  
21 policies:

22 (a) Personally identifiable information shall not be shared with  
23 any nongovernmental third parties, except as provided in Section  
24 19990.512.

25 (b) All personally identifiable information about registered  
26 players shall be shared with state agencies, including, but not  
27 limited to, the department, the commission, the Franchise Tax  
28 Board, and the Department of Child Support Services as necessary  
29 to assist them in fulfilling their obligations.

30 (c) Personally identifiable information may be shared with  
31 governmental agencies only as set forth in subdivision (b) or  
32 subject to court order as provided in Section 19990.512.

33 19990.508. A licensed operator may require that a registered  
34 player, or a person registering as a player, agree to a Terms of Use  
35 Registered Player’s Agreement.

36 19990.509. A licensed operator may suspend or revoke the  
37 account of a registered player for any of the following reasons:

38 (a) A person or registered player provided false information to  
39 the licensed operator, including, but not limited to, in the  
40 registration process.



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

3 (c) The registered player has violated the authorized poker Web  
4 site's Terms of Use Registered Player's Agreement.

5 (d) The person has already been registered.

6 (e) The licensed operator suspects that the registered player has  
7 participated in an illegal or unauthorized activity on the authorized  
8 poker Web site.

9 (f) The licensed operator is directed by a state agency to suspend  
10 or revoke the registered player's account.

11 19990.510. Upon registration, and each time a registered player  
12 logs into an authorized poker Web site, the licensed operator shall  
13 permit a registered player to adjust his or her play settings to:

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

15 (b) Set a limit on the aggregate losses in a registered player's  
16 account within a specified period of time.

17 (c) Set a limit on the amount of time that a registered player can  
18 play.

19 19990.511. A licensed operator shall offer customer support  
20 that shall be available to registered players 24 hours per day, 365  
21 days per year.

22 19990.512. (a) A licensed operator shall protect the privacy  
23 of registered players and their personally identifiable information.

24 (b) A licensed operator shall comply with all applicable state  
25 and federal privacy and data protection laws.

26 (c) At the time a registered player registers with a licensed  
27 operator, and at least one time per year thereafter, a licensed  
28 operator shall provide notice in the form of a separate, written  
29 statement, delivered via the United States Postal Service or  
30 electronic mail, to the registered player that clearly and  
31 conspicuously informs the registered player of all of the following:

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

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

39 (3) The period during which personally identifiable information  
40 will be maintained by the licensed operator.

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

4 (5) The limitations provided by this section with respect to the  
5 collection and disclosure of personally identifiable information by  
6 a licensed operator.

7 (d) A licensed operator shall not collect personally identifiable  
8 information concerning any registered player without the prior  
9 written or electronic consent of the registered player.

10 (e) A licensed operator may collect personally identifiable  
11 information in order to do both of the following:

12 (1) Obtain information necessary to operate the authorized poker  
13 Web site and offer authorized Internet poker games to registered  
14 players pursuant to this chapter.

15 (2) Detect unauthorized play, activities contrary to a licensed  
16 operator's Terms of Use Registered Player's Agreement, or  
17 activities contrary to state or federal law.

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

24 (g) A licensed operator may disclose personally identifiable  
25 information if the disclosure is any of the following:

26 (1) Necessary to render, or conduct a legitimate business activity  
27 related to, the provision of authorized Internet poker games to the  
28 registered player by the licensed operator.

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

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

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

36 (B) The disclosure does not reveal, directly or indirectly, the  
37 nature of any transaction made by the registered player over the  
38 authorized poker Web site.

1 (4) A disclosure to the commission and the department to fulfill  
2 its obligations under this chapter or to a state agency as authorized  
3 in this chapter.

4 (5) A disclosure to persons found suitable under this chapter if  
5 the registered player is notified and consents to the information  
6 being shared.

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

15 (i) A licensed operator shall destroy personally identifiable  
16 information if both of the following apply:

17 (1) The information is no longer reasonably necessary for the  
18 purpose for which it was collected.

19 (2) There are no pending requests or orders for access to the  
20 information under subdivision (j).

21 (j) A governmental or nongovernmental third party may obtain  
22 personally identifiable information concerning a registered player  
23 pursuant to a court order only if, in the court proceeding relevant  
24 to the court order, both of the following apply:

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

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

33 19990.513. A licensed operator shall establish a book of  
34 accounts and regularly audit all of its financial records and reports,  
35 which shall, at a minimum, include all of the following:

36 (a) Monthly auditable and aggregate financial statements of  
37 gambling transactions.

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

39 (c) The identity of registered players.

1 (d) The balance on each registered player’s account at the start  
2 of a session of play, the amount won or lost by each registered  
3 player during a game, and the balance on the registered player’s  
4 account.

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

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

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

10 19990.514. (a) A licensed operator shall make all financial  
11 records established and maintained pursuant to Section 19990.513,  
12 including, but not limited to, all books, records, documents,  
13 financial information, and financial reports, available on an  
14 electronic basis, as required by the commission, the department,  
15 or other state agencies so that those state agencies can fulfill their  
16 responsibilities under this chapter. A state agency may request  
17 specific printed hard copies of records for good cause.

18 (b) The licensed operator’s data shall be retained in a manner  
19 by which it may be accessed online by a state agency with  
20 responsibilities pursuant to this chapter. The commission shall  
21 identify which state agencies require online access.

22 (c) Notwithstanding subdivision (b), data covered by  
23 subdivisions (d), (e), and (f) of Section 19990.513 shall be  
24 accessible to the state agencies online for 180 days, and, thereafter,  
25 archived and retained for two years.

26 19990.515. A licensed operator shall do all of the following:

27 (a) Implement technical systems that materially aid the  
28 commission in the protection of registered players. Software shall  
29 meet, at a minimum, international industry standards as verified  
30 by an independent gaming test laboratory that is licensed or  
31 registered in any United States jurisdiction to test, approve, and  
32 certify the software.

33 (b) Define and document its methodology for developing  
34 software and applications and describe the manner in which  
35 software protects registered players from fraud and other risks in  
36 the play of authorized Internet poker games and in the management  
37 of registered player accounts.

38 (c) Meet minimum game server connectivity requirements to  
39 ensure that registered players are protected from losses due to  
40 connectivity problems.

1 (d) Ensure that all transactions involving registered players’  
2 funds are recoverable by the system in the event of a failure or  
3 malfunction.

4 (e) Ensure that all information required for reviewing a game  
5 interrupted due to loss of connectivity is recoverable by the licensed  
6 operator.

7 (f) Document and implement preventive and detective controls  
8 addressing money laundering and fraud risks.

9 19990.516. (a) A licensed operator may charge registered  
10 players to play in authorized Internet poker games.

11 (b) (1) A licensed operator may charge a per hand charge if the  
12 per hand charge is designated and conspicuously posted on the  
13 licensed operator’s authorized poker Web site.

14 (2) A licensed operator may vary the per hand charges to  
15 registered players based on betting limits or other factors.

16 (c) (1) A licensed operator may charge a tournament charge if  
17 the tournament charge is designated and conspicuously posted on  
18 the licensed operator’s authorized poker Web site.

19 (2) A licensed operator may vary tournament charges based on  
20 tournament prizes or other factors.

21 (d) A licensed operator shall provide notice to the commission  
22 of the charges to registered players prior to initiating play.

23 19990.517. A licensed operator may do any of the following:

24 (a) Enter into an agreement with any third party to sponsor or  
25 underwrite prizes for a tournament, subject to the approval of the  
26 commission and, if applicable, the tribal gaming regulatory  
27 authority.

28 (b) Enter into an agreement to sell advertisement space on any  
29 Internet Web site it controls.

30 (c) Enter into an agreement with a third-party service provider  
31 for marketing, or any other purpose consistent with this chapter,  
32 including, but not limited to, displaying the name of a marketing  
33 partner on a screen viewed by a registered player.

34 (d) Enable a chat function between registered players if it has  
35 in place effective controls against collusion.

36 (e) Post Internet Web links on the Internet Web sites it controls  
37 to permit registered players to access remote Internet Web sites.

38 (f) Offer authorized Internet poker games on up to two  
39 authorized poker Web sites pursuant to its license.

1 (g) Enter into contractual agreements with one or more licensed  
2 operators for the purpose of ensuring adequate player liquidity.

3 19990.518. There are three categories of application fees,  
4 regulatory fees, and license deposits, as follows:

5 (a) Application Processing Fee. In order to cover the costs of  
6 suitability investigations and other costs of processing an  
7 application for a license or work permit, the applicant shall deposit  
8 the applicable application processing fee as provided in subdivision  
9 (a) of Section 19990.402, subdivision (e) of Section 19990.403,  
10 subdivision (b) of Section 19990.404, or Section 19990.605. Any  
11 balance of the application processing fee that remains after  
12 completion of the determination of suitability shall be refunded to  
13 the applicant. If additional moneys are needed to complete the  
14 determination of suitability of the license applicant, the applicant  
15 shall pay the funds necessary to complete the determination of  
16 suitability.

17 (b) One-time License Deposit. Prior to offering any games for  
18 play or accepting any bets on its authorized poker Web site, a  
19 licensed operator shall pay the one-time license deposit as provided  
20 in subdivision (a) of Section 19990.519. This deposit shall be an  
21 advance against the duty on gross gaming revenues specified in  
22 subdivision (b) of Section 19990.519.

23 (c) Ongoing Regulatory Fees. Following issuance of a license  
24 and beginning of operations thereunder, the licensed operator shall  
25 pay the ongoing regulatory fees set forth in subdivision (c) of  
26 Section 19990.519.

27 19990.519. (a) In support of the application for a license  
28 pursuant to this chapter, prior to offering games or accepting bets  
29 on its authorized poker Web site, the licensed operator shall remit  
30 to the Treasurer a one-time license deposit in the amount of \_\_\_\_  
31 dollars (\$\_\_\_\_), to be deposited into the General Fund, subject to  
32 Section 19619.8, and credited against charges imposed pursuant  
33 to subdivision (b) on the licensed operator's gross gaming revenues.  
34 Upon depletion of the license deposit, the department shall notify  
35 the licensed operator to commence quarterly payments to the state  
36 in accordance with subdivision (b).

37 (b) In consideration of the substantial value of each license, a  
38 licensed operator shall remit to the Treasurer on a quarterly basis  
39 for deposit in the General Fund, subject to Section 19619.8, an  
40 amount equal to \_\_\_\_ percent of its gross gaming revenues.

1 (1) Each quarterly payment shall be due on the 10th day of the  
2 month following the end of each quarter.

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

6 (c) Each licensed operator shall pay a regulatory fee, to be  
7 deposited in the Internet Poker Fund, in an amount to be determined  
8 by the commission, for the reasonable costs of license oversight,  
9 consumer protection, state regulation, problem gambling programs,  
10 and other purposes related to this chapter, determined on a pro rata  
11 basis depending on the number of licensed operators in the state.

12 19990.520. (a) The licensed operator shall facilitate the  
13 collection of personal income taxes from registered players by the  
14 Franchise Tax Board and shall be responsible for providing current  
15 and accurate documentation on a timely basis to all state agencies,  
16 as provided in this chapter.

17 (b) The state and its agencies shall treat the proprietary  
18 information provided by a licensed operator as confidential to  
19 protect the licensed operator and to protect the security of the  
20 authorized poker Web site.

21 (c) The confidentiality provisions of this chapter exempt  
22 proprietary information supplied by a licensee to a state agency  
23 from public disclosure consistent with subdivision (b) of Section  
24 6253 of the Government Code.

25 19990.521. (a) A licensee shall act expeditiously to cure any  
26 violation of this chapter, or any regulation adopted pursuant to this  
27 chapter, in the offer or administration of authorized Internet poker  
28 games that interferes with its obligations to the state or registered  
29 players under this chapter.

30 (b) If a licensee becomes aware of any violation of this chapter,  
31 it shall notify the department immediately and work with the  
32 department to develop a plan to rectify the violation.

33 (c) If the department becomes aware of any violation of this  
34 chapter, or if it becomes aware of any activities that might lead to  
35 a violation, the department shall provide notice of that violation  
36 to the licensee and a reasonable opportunity for the licensee to  
37 cure the violation. If the violation is not timely cured, the  
38 department shall investigate the violation further and may take  
39 enforcement actions. If the commission becomes aware of any  
40 violation of this chapter, the commission shall notify the

1 department of the violation immediately so that the department  
2 may take appropriate action pursuant to this chapter.

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

9 (e) A licensee shall be afforded a reasonable time period to cure  
10 any reported violation. During this time period, a licensee shall  
11 not be subject to prosecution for the criminal penalty described in  
12 Section 19990.303, or liable for the civil penalties described in  
13 this article.

14 (f) The department shall have subpoena power in an  
15 investigation of any violation of this chapter, or any regulation  
16 adopted pursuant to this chapter.

17 (g) The commission may revoke or suspend any license or work  
18 permit under this chapter upon reaching a finding that the licensee  
19 or employee is in violation of any provision of this chapter, or any  
20 regulation adopted pursuant to this chapter. However, a tribal  
21 licensee shall not have its license suspended or revoked, or be  
22 fined or otherwise penalized, for complying with any applicable  
23 federal law or regulation when operating an authorized poker Web  
24 site on Indian lands. To the extent that any state requirement is  
25 more stringent than any applicable federal requirement, the tribal  
26 licensee shall comply with the more stringent state requirement,  
27 unless the federal requirement preempts state law.

28 (h) A licensee may appeal any final decision of the department  
29 pursuant to this section to the superior court. The superior court  
30 shall hear any appeal de novo.

31 (i) The department shall protect the rights and assets of  
32 registered players on an authorized poker Web site if the licensed  
33 operator's license pursuant to this chapter is revoked or the licensed  
34 operator becomes bankrupt.

35 19990.522. (a) (1) A license issued pursuant to this chapter  
36 is not transferable.

37 (2) If a licensed operator seeks to change the ownership of its  
38 land-based gaming facility, both of the following apply:



1 (A) The license held by the licensed operator under this chapter  
2 shall be rendered void upon the date of any change of ownership  
3 in the land-based gaming facility.

4 (B) Prior to a change in ownership, the acquiring person shall  
5 apply to become a licensed operator, at which point the commission  
6 shall determine whether the person is legally qualified to be a  
7 licensed operator under this chapter.

8 (b) The department shall investigate to ensure that any person  
9 acquiring an interest in a licensee is suitable, and otherwise  
10 financially, technically, and legally qualified to be a licensee  
11 pursuant to this chapter. If an acquiring person is found to be  
12 unsuitable to be a licensee, or otherwise not financially, technically,  
13 or legally qualified to be a licensee, the licensed operator or the  
14 acquiring person may challenge that determination.

15 19990.523. All facilities, software, including downloadable  
16 programs, and any other property, both tangible and intangible,  
17 used by the licensed operator in offering authorized Internet poker  
18 games for play on an authorized poker Web site shall be the  
19 property of the licensed operator or its licensed service providers,  
20 and shall be subject to the review of the department and the  
21 approval of the commission.

22 19990.524. If any dispute arises between the state and a  
23 licensee, either the commission or a licensee may file an action in  
24 the superior court of any county in which the commission has an  
25 office for an interpretation of the rights and responsibilities of the  
26 state and the licensee pursuant to this chapter.

27 19990.525. (a) (1) The department or commission may  
28 contract with other public or private entities, including, but not  
29 limited to, state, tribal, and international regulatory agencies, for  
30 the provision of services related to a responsibility imposed on the  
31 department or commission by this chapter if all of the following  
32 are satisfied:

33 (A) The contract will assist with the provision of efficient,  
34 effective, and robust regulation of intrastate Internet poker.

35 (B) The contract provides access to expertise that has been tested  
36 and proven in the poker industry.

37 (C) The department or commission retains administrative control  
38 and responsibility for ensuring compliance with this chapter.

39 (2) In order to expedite the implementation of intrastate Internet  
40 poker, a contract entered into pursuant to paragraph (1) is not

1 subject to the Public Contracts Code, or otherwise applicable  
2 contracting provisions of the Government Code.

3 (b) A state agency with a duty pursuant to this chapter may enter  
4 into agreements to share information with other regulatory and  
5 law enforcement agencies to assist in performing the state agency’s  
6 duty.

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Article 6. Employee Work Permits

10 19990.601. (a) Except as provided in Section 19990.602, a  
11 licensee shall submit an application and applicable fees to the  
12 department and apply to the commission for an employee work  
13 permit on behalf of each employee.

14 (b) Prior to initiating operations and thereafter, a licensee shall  
15 ensure that every employee has been issued an employee work  
16 permit by the commission prior to that person having access to the  
17 licensee’s facilities. The permit shall be renewed every two years.

18 (c) The commission shall issue an employee work permit only  
19 if, based on all of the information and documents submitted, the  
20 commission is satisfied that the applicant is, at a minimum, all of  
21 the following:

- 22 (1) A person of good character, honesty, and integrity.
- 23 (2) A person whose prior activities, criminal record, if any,  
24 reputation, habits, and associations do not pose a threat to the  
25 integrity of a gaming operation or public interest of this state, or  
26 to the effective regulation and control of controlled gambling, as  
27 defined in Section 19805, or create or enhance the dangers of  
28 unsuitable, unfair, or illegal practices, methods, and activities in  
29 the conduct of controlled gambling or in the carrying on of  
30 incidental business and financial arrangements.
- 31 (3) A person who is in all other respects qualified to hold an  
32 employee work permit as provided in this chapter.

33 (d) The commission shall not issue an employee work permit  
34 unless the applicant meets the qualification standards adopted by  
35 the commission by regulation. A tribal gaming regulatory authority  
36 may impose additional qualifications with respect to activities on  
37 Indian lands.

38 19990.602. (a) A tribe that is a licensed operator, or that owns  
39 a tribal enterprise that is a licensed operator, may elect to  
40 participate in the tribal gaming regulatory authority process

1 prescribed by this section for the issuance of employee work  
2 permits. If the tribe does not elect to participate in the tribal gaming  
3 regulatory authority process as provided in this section, then the  
4 process specified in this section regarding submission and action  
5 by the tribal gaming regulatory authority on the application for  
6 employee work permit shall not apply, and the other provisions of  
7 this chapter shall instead govern.

8 (b) The joint state and tribal processes required pursuant to this  
9 section are intended to promote and involve joint cooperation  
10 among the tribal gaming regulatory authority, the commission,  
11 and the department.

12 (c) The tribal employee work permit process shall be as follows:

13 (1) All applications for employee work permits first shall be  
14 filed with the tribal gaming regulatory authority, which shall  
15 promptly file a copy of the application with the commission,  
16 together with information regarding the filing date and the payment  
17 of fees and deposits. The application shall be accompanied by the  
18 fees required in Section 19990.605, except those fees shall be  
19 deposited into a tribal account created for the purpose of holding  
20 the deposited funds and using them for the costs of the suitability  
21 review and the issuance of the license.

22 (2) In reviewing an application for a work permit, the tribal  
23 gaming regulatory authority shall determine whether issuance of  
24 the employee work permit would meet the suitability standards  
25 set forth in this chapter. The tribal gaming regulatory authority  
26 shall not issue a permit unless, based on all information and  
27 documents submitted, the tribal gaming regulatory authority  
28 determines that the applicant meets all of the criteria set forth in  
29 this chapter for the issuance of the employee work permit.

30 (3) The tribal gaming regulatory authority shall conduct, or  
31 cause to be conducted, all necessary determinations of suitability  
32 reasonably required to determine that the applicant is qualified for  
33 an employee work permit under the standards set forth in this  
34 chapter for the issuance of the employee work permit.

35 (4) In lieu of completing its own determination of suitability,  
36 and to the extent that doing so does not conflict with or violate  
37 this chapter, the tribal gaming regulatory authority may contract  
38 with the department for the conduct of determinations of suitability,  
39 may rely on a state certification of nonobjection previously issued  
40 under a gaming compact involving another tribe, or may rely on

1 a state gaming license previously issued to the applicant, to fulfill  
2 some or all of the tribal gaming regulatory authority's  
3 determination of suitability obligation. An applicant for a tribal  
4 employee work permit shall provide releases to make background  
5 information regarding the applicant available to the tribal gaming  
6 regulatory authority, the department, and the commission.

7 (5) Upon completion of the necessary determination of  
8 suitability, the tribal gaming regulatory authority may issue a  
9 finding that the person or entity is eligible for an employee work  
10 permit on a conditional or unconditional basis. This section does  
11 not create a property or other right of an applicant in an opportunity  
12 to be permitted, or in a permit itself, both of which shall be  
13 considered privileges granted to the applicant in the sole discretion  
14 of the tribal gaming regulatory authority.

15 (6) Upon receipt of a completed license application and a  
16 determination by the tribal gaming regulatory authority that the  
17 applicant is eligible and suitable for the employee work permit,  
18 the tribal gaming regulatory authority shall transmit to the  
19 commission a notice of intent to issue a permit to the applicant.  
20 The tribal gaming regulatory authority shall not issue an employee  
21 work permit until the process required by paragraph (7) is  
22 complete.

23 (7) After receipt of the tribal gaming regulatory authority's  
24 notice pursuant to paragraph (6), and upon completion of the  
25 necessary determination of suitability, the commission shall issue  
26 a notice to the tribal gaming regulatory authority stating its finding  
27 that the applicant is suitable or is not suitable for the requested  
28 permit. The commission may charge an additional application  
29 processing fee pursuant to Section 19990.605 to cover the  
30 reasonable costs of conducting its verification of suitability.

31 (A) If the commission notices a finding that the applicant is  
32 suitable, the tribal gaming regulatory agency shall issue an  
33 employee work permit to the applicant. The permit shall be  
34 effective pursuant to this chapter as though issued by the  
35 commission.

36 (B) If the commission notices a finding that the applicant is not  
37 suitable, the tribal gaming regulatory authority shall not issue the  
38 requested permit. Prior to denying an application for a  
39 determination of suitability, the commission shall notify the tribal  
40 gaming regulatory authority and afford the tribe an opportunity to

1 be heard. If the commission denies an application for a  
2 determination of suitability, the commission shall provide the  
3 applicant with written notice of all appeal rights available under  
4 state law.

5 (C) Upon receipt of notice that the commission or department,  
6 collectively or individually, or the tribal gaming regulatory  
7 authority has determined that a person would be unsuitable in a  
8 similar application filed in connection with a nontribal operation,  
9 the tribal gaming regulatory authority shall not issue the requested  
10 permit or, if that notice is received after issuance of the permit,  
11 promptly revoke that permit. However, the tribal gaming regulatory  
12 authority may, in its discretion, reissue a permit to the person  
13 following entry of a final judgment reversing the determination of  
14 the commission and department in a proceeding in state court  
15 conducted pursuant to Section 1085 of the Code of Civil Procedure.

16 (8) A tribal permit application submitted pursuant to this section  
17 may be denied, and any permit issued may be revoked, if the tribal  
18 gaming regulatory authority determines that the application is  
19 incomplete or deficient, or if the applicant is determined to be  
20 unsuitable or otherwise unqualified for a permit. Pending  
21 consideration of revocation, the tribal gaming regulatory authority  
22 may suspend a permit. All rights to notice and hearing shall be  
23 governed by the rules of the tribal gaming regulatory authority,  
24 which shall meet minimum requirements to be developed among  
25 the tribes, the commission, and the department, and as to which  
26 the applicant shall be notified in writing, along with notice of an  
27 intent to suspend or revoke the permit.

28 (9) The tribal gaming regulatory authority may summarily  
29 suspend an employee work permit issued pursuant to this section  
30 if the tribal gaming regulatory authority determines that the  
31 continued permitting of the person or entity could constitute a  
32 threat to the public health or safety or may violate this chapter.

33 (d) The commission and tribal gaming regulatory authorities  
34 conducting suitability reviews pursuant to this section shall  
35 cooperate in sharing as much background information as possible  
36 in order to maximize investigative efficiency and thoroughness,  
37 to minimize investigative costs, and to expedite the permitting  
38 process.

39 (e) The commission and the tribes that have elected to conduct  
40 suitability reviews pursuant to this section shall cooperate in

1 developing standard forms for tribal gaming employee work permit  
2 applicants, on a statewide basis, that reduce or eliminate duplicative  
3 or excessive paperwork, and that take into account the requirements  
4 of this chapter and the expense of compliance with those  
5 requirements.

6 19990.603. An applicant for an employee work permit is  
7 disqualified if the applicant is described by any of the following:

8 (a) The applicant failed to clearly establish eligibility and  
9 qualifications in accordance with this chapter.

10 (b) The applicant failed to timely provide information,  
11 documentation, and assurances required by this chapter or requested  
12 by any state official, or, with respect to a licensed applicant, failed  
13 to reveal any fact material to qualification, or supplied information  
14 that is untrue or misleading as to a material fact pertaining to the  
15 suitability criteria.

16 (c) The applicant has been convicted of a felony, including a  
17 conviction by a federal court or a court in another state or foreign  
18 jurisdiction for a crime that would constitute a felony if committed  
19 in California, except that a conviction of a felony involving the  
20 hunting or fishing rights of a tribal member while on his or her  
21 reservation shall not be included among the class of disqualifying  
22 felonies.

23 (d) The applicant has been convicted of a misdemeanor in a  
24 jurisdiction involving dishonesty or moral turpitude within the  
25 10-year period immediately preceding the submission of the  
26 application, unless the applicant has been granted relief pursuant  
27 to Section 1203.4, 1203.4a, or 1203.45 of the Penal Code.  
28 However, the granting of relief pursuant to Section 1203.4,  
29 1203.4a, or 1203.45 of the Penal Code shall not constitute a  
30 limitation on the discretion of the department or affect the  
31 applicant's burden.

32 (e) The applicant has associated with criminal profiteering  
33 activity or organized crime, as defined in Section 186.2 of the  
34 Penal Code.

35 (f) The applicant has contemptuously defied a legislative  
36 investigative body, or other official investigative body of a state  
37 or of the United States or a foreign jurisdiction, when that body is  
38 engaged in the investigation of crimes relating to poker, official  
39 corruption related to poker activities, or criminal profiteering

1 activity or organized crime, as defined in Section 186.2 of the  
2 Penal Code.

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

4 (h) The applicant has been convicted in a court of competent  
5 jurisdiction of a felony consisting of either having accepted a bet  
6 over the Internet in violation of United States or California law,  
7 or having aided or abetted that unlawful activity.

8 19990.604. (a) If a licensed operator has any owners, officers,  
9 or directors who are not employees, it shall ensure that each of  
10 those persons obtains an employee work permit before having any  
11 role or decisionmaking authority regarding the licensed operator's  
12 gaming operations.

13 (b) If the licensed operator is a tribal enterprise controlled by  
14 an independent board of directors, the officers, directors, and  
15 employees of that tribal enterprise are subject to suitability review  
16 pursuant to this section. This section does not require that an  
17 officer, director, employee, or member of the tribe that owns the  
18 tribal enterprise be subject to suitability review if that individual  
19 is not also an officer, director, employee, or member of the tribal  
20 enterprise or a person who controls the core functions of the tribal  
21 enterprise.

22 19990.605. The commission, the department, and, if applicable,  
23 the tribal gaming regulatory authority, shall establish application  
24 processing fees to be paid by a licensee for the reasonable cost of  
25 determinations of suitability for, and issuance of, employee work  
26 permit applications. The commission shall establish processes for  
27 the revocation or suspension of an employee work permit, and to  
28 withdraw an application for an employee work permit.

29 19990.606. A licensed operator or service provider shall not  
30 enter into, without prior approval of the commission, a contract  
31 or agreement with either of the following:

32 (a) A person who is denied a gambling license or employee  
33 work permit pursuant to Chapter 5 (commencing with Section  
34 19800), or whose gambling license or employee work permit is  
35 suspended or revoked.

36 (b) Any business enterprise under the control of a person  
37 described in subdivision (a), after the date of receipt of notice of  
38 the action.

39 19990.607. (a) (1) A licensed operator or service provider  
40 shall not employ, without prior approval of the commission, a

1 person in any capacity for which he or she is required to have an  
2 employee work permit, if the person has been denied a gambling  
3 license or an employee work permit pursuant to Chapter 5  
4 (commencing with Section 19800), or if his or her gambling license  
5 or employee work permit has been suspended or revoked after the  
6 date of receipt of notice of the action by the commission or tribal  
7 gaming regulatory authority.

8 (2) A licensed operator or service provider shall not enter into  
9 a contract or agreement with a person whose application for a  
10 gambling license or an employee work permit has been withdrawn  
11 with prejudice, or with a business enterprise under the control of  
12 that person, for the period of time during which the person is  
13 prohibited from filing a new application for a gambling license or  
14 an employee work permit.

15 (b) (1) If an employee who is required to hold an employee  
16 work permit pursuant to this chapter is denied an employee work  
17 permit, or has his or her employee work permit revoked, the  
18 employee shall be terminated immediately in all capacities. Upon  
19 notifying the licensee of the denial or revocation, the employee  
20 shall have no further involvement in the gambling operation.

21 (2) If an employee who is required to hold an employee work  
22 permit pursuant to this chapter has his or her employee work permit  
23 suspended, the employee shall be suspended in all capacities. Upon  
24 notifying the licensee of the suspension, the employee shall not  
25 be permitted to have any involvement in the gambling operation  
26 during the period of suspension.

27 (3) A licensed operator or service provider shall not designate  
28 another employee to replace the employee whose employment was  
29 terminated or suspended, unless the other employee has an existing  
30 work permit.

31 (c) A licensed operator or service provider shall not pay to a  
32 person whose employment has been terminated or suspended as  
33 described in subdivision (b) any remuneration for any service  
34 performed in any capacity in which the person is required to hold  
35 an employee work permit, except for amounts due for services  
36 rendered before the date of receipt of the notice.

37 (d) Except as provided in subdivision (b), a contract or  
38 agreement for the provision of services or property to a licensed  
39 operator or service provider or for the conduct of any activity  
40 pertaining to the operation of an authorized poker Web site, that



1 is to be performed by a person required by this chapter, or by  
2 regulation, to hold an employee work permit, shall be terminated  
3 upon a suspension or revocation of the person's employee work  
4 permit.

5 (e) If a contract or agreement for the provision of services or  
6 property to a licensed operator or service provider, or for the  
7 conduct of any activity at an authorized poker Web site, is to be  
8 performed by a person required by this chapter or by regulations  
9 adopted pursuant to this chapter, to hold an employee work permit,  
10 the contract or agreement shall be deemed to include a provision  
11 for its termination without liability on the part of the licensed  
12 operator or service provider upon a suspension or revocation of  
13 the person's employee work permit. In any action brought by the  
14 commission to terminate a contract or agreement pursuant to  
15 subdivision (d) or this subdivision, it is not a defense that the  
16 contract or agreement does not expressly include the provision  
17 described in this subdivision, and the lack of express inclusion of  
18 the provision in the contract or agreement is not a basis for  
19 enforcement of the contract or agreement by a party to the contract  
20 or agreement.

21

#### 22 Article 7. Protection of Registered Players

23

24 19990.701. A licensed operator shall use its best efforts to  
25 protect registered players. Subject to the approval of the  
26 department, and consistent with uniform standards established by  
27 the department by regulation, each licensed operator shall establish  
28 administrative procedures to resolve registered player complaints.

29 19990.702. (a) If a registered player has a complaint against  
30 a licensed operator, the exclusive remedy shall be to register the  
31 complaint with the department.

32 (b) The department shall establish regulations with respect to  
33 registered player complaints.

34 (c) Under the regulations, the department shall do all of the  
35 following:

36 (1) Investigate registered player complaints to determine if a  
37 licensed operator has failed to meet its obligations to a registered  
38 player.

39 (2) Attempt to resolve complaints by registered players if a  
40 licensed operator fails to meet an obligation to a registered player.

1 (3) Initiate enforcement actions to require specific performance  
2 of any obligation that the department has determined a licensed  
3 operator has failed to fulfill with respect to a registered player.

4 (d) A licensed operator may appeal any action by the department  
5 pursuant to this article to the superior court, which shall review  
6 the appeal de novo.

7

8 Article 8. Financial Provisions for State Regulation and  
9 Unlawful Gambling Enforcement

10

11 19990.801. The Treasurer shall transfer all amounts received  
12 pursuant to subdivision (a) of Section 19990.402, subdivision (e)  
13 of Section 19990.403, subdivision (b) of Section 19990.404,  
14 subdivision (c) of Section 19990.519, and Section 19990.605 to  
15 the Controller for deposit in the Internet Poker Fund, which is  
16 created in the State Treasury, to be administered by the department.  
17 Notwithstanding Section 13340 of the Government Code, all  
18 moneys in the fund are continuously appropriated to the department  
19 and the commission, without regard to fiscal years, in the amounts  
20 necessary for the department and the commission to perform their  
21 duties under this chapter.

22 19990.802. (a) The Unlawful Gambling Enforcement Fund is  
23 hereby established within the General Fund for purposes of  
24 ensuring adequate resources for law enforcement charged with  
25 enforcing the prohibitions and protections of this chapter. The  
26 Unlawful Gambling Enforcement Fund shall be funded by  
27 depositing:

28 (1) \_\_\_\_ percent of the revenue from the civil penalties  
29 recovered by law enforcement authorities pursuant to Section  
30 19990.803 into the fund prior to the distribution required under  
31 subdivision (c) of Section 19990.803.

32 (2) All amounts or property recovered pursuant to Section  
33 19990.804.

34 (3) \_\_\_\_ percent of the duties paid by licensed operators  
35 pursuant to subdivision (b) of Section 19990.519, after any  
36 distribution required by Section 19619.8.

37 (4) The revenue from the civil penalties recovered pursuant to  
38 subdivision (f) of Section 19990.501.

1 (b) Up to \_\_\_\_ million dollars (\$\_\_\_\_) in the fund may be  
2 expended annually by the Attorney General, upon appropriation  
3 by the Legislature, for the purposes of this chapter.

4 19990.803. (a) Except as provided in subdivision (f) of Section  
5 19990.501, a person who engages or conspires to engage in  
6 activities prohibited by this chapter, or in connection with the use  
7 of an Internet access device, activities prohibited by Section 321,  
8 322, 323, 324, 326, 330, 330a, 330b, 330c, 330.1, 330.4, or 331  
9 of the Penal Code, is liable for a civil penalty not to exceed \_\_\_\_  
10 dollars (\$\_\_\_\_) for each violation, in addition to any other penalty  
11 or remedy that may be imposed by law, which shall be assessed  
12 and recovered in a civil action brought in the name of the people  
13 of the State of California by the Attorney General, a district  
14 attorney, a county counsel authorized by agreement with the district  
15 attorney in an action involving the violation of a county ordinance,  
16 the city attorney of a city having a population in excess of 750,000  
17 persons, the city attorney of a city and county, or, with the consent  
18 of the district attorney, the city prosecutor in a city with a full-time  
19 city prosecutor, in a court of competent jurisdiction.

20 (b) In determining the amount of the civil penalty described in  
21 subdivision (a), the court shall consider any relevant circumstance  
22 presented by a party to the case, including, but not limited to, any  
23 of the following:

- 24 (1) The nature and seriousness of the misconduct.
- 25 (2) The number of violations.
- 26 (3) The persistence of the misconduct.
- 27 (4) The length of time over which the misconduct occurred.
- 28 (5) The willfulness of the defendant's misconduct.
- 29 (6) The defendant's assets, liabilities, and net worth.

30 (c) (1) Subject to paragraph (1) of subdivision (a) of Section  
31 19990.802, civil penalties recovered by law enforcement authorities  
32 pursuant to this section shall be allocated as follows:

33 (A) If the action is brought by the Attorney General, one-half  
34 of the penalty collected shall be paid to the treasurer of the county  
35 in which the judgment was entered for deposit into that county's  
36 general fund, and one-half to the Treasurer for deposit into the  
37 Unlawful Gambling Enforcement Fund.

38 (B) If the action is brought by a district attorney or county  
39 counsel, the penalty collected shall be paid to the treasurer of the

1 county in which the judgment was entered for deposit into that  
2 county's general fund.

3 (C) If the action is brought by a city attorney or city prosecutor,  
4 one-half of the penalty collected shall be paid to the treasurer of  
5 the city in which the judgment was entered for deposit into that  
6 city's general fund, and one-half to the treasurer of the county in  
7 which judgment was entered for deposit into that county's general  
8 fund. If the action is brought by the city attorney of a city and  
9 county, the entire amount of the penalty collected shall be paid to  
10 the treasurer of the city and county in which the judgment was  
11 entered.

12 (2) The revenue from all civil penalties allocated to the Unlawful  
13 Gambling Enforcement Fund pursuant to subparagraph (A) of  
14 paragraph (1), upon appropriation by the Legislature, shall be used  
15 by the Attorney General exclusively to support the investigation  
16 and enforcement of violations of California's gambling laws,  
17 including the implementation of judgments obtained from  
18 prosecution and investigation of those violations and violations  
19 of, in connection with the use of an Internet access device, Sections  
20 321, 322, 323, 324, 326, 330, 330a, 330b, 330c, 330.1, 330.4, and  
21 331 of the Penal Code, and other activities that are in furtherance  
22 of this chapter.

23 (3) The revenue from all civil penalties allocated to the treasurer  
24 of the county, city, or city and county in which the judgment was  
25 entered pursuant to subparagraphs (A), (B), and (C) of paragraph  
26 (1) shall be for the exclusive use of the district attorney, the county  
27 counsel, the city attorney, or the city prosecutor, whichever is  
28 applicable, for the enforcement of this chapter and existing laws  
29 prohibiting illegal gambling activity.

30 19990.804. (a) Any money, other representative of value, or  
31 real or personal property used in, or derived from, the play of a  
32 game provided on the Internet that is not authorized by the state  
33 pursuant to this chapter is subject to seizure by the department or  
34 by a peace officer.

35 (b) Upon a finding by a court that the money, other  
36 representative of value, or real or personal property was used in,  
37 or derived from, the play of a game provided on the Internet that  
38 is not authorized by the state pursuant to this chapter, that money  
39 or property shall be forfeited to the Unlawful Gambling  
40 Enforcement Fund established in Section 19990.802.

1 Article 9. Preemption of Local Regulation  
2

3 19990.901. A city, county, or city and county shall not regulate,  
4 tax, or enter into a contract with respect to any matter related to  
5 this chapter. This section does not prohibit or limit the investigation  
6 and prosecution of any violation of this chapter.  
7

8 Article 10. Reports to the Legislature  
9

10 19990.1001. Notwithstanding Section 10231.5 of the  
11 Government Code, within one year of the operative date of this  
12 chapter, and annually thereafter, the commission, in consultation  
13 with the department, the Treasurer, and the Franchise Tax Board,  
14 shall issue a report to the Legislature describing the state's efforts  
15 to meet the policy goals articulated in this chapter. The report shall  
16 be submitted in compliance with Section 9795 of the Government  
17 Code.

18 19990.1002. (a) At least four years after the issue date of any  
19 license pursuant to this chapter, but no later than five years after  
20 that date, the Bureau of State Audits shall issue a report to the  
21 Legislature detailing the implementation of this chapter.

22 (b) A report submitted pursuant to subdivision (a) shall be  
23 submitted in compliance with Section 9795 of the Government  
24 Code.  
25

26 Article 11. Partial Severability and Repeal of Chapter  
27

28 19990.1101. (a) Except as provided in subdivision (b), the  
29 provisions of this chapter are severable. If any provision of this  
30 chapter, other than those listed in subdivision (b), or its application,  
31 is held invalid, that invalidity shall not affect other provisions or  
32 applications that can be given effect without the invalid provision  
33 or application.

34 (b) (1) The following provisions of this chapter are not  
35 severable:

36 (A) Establishing poker as the only permissible Internet gambling  
37 game.

38 (B) Prohibiting persons or entities who have been convicted in  
39 a court of competent jurisdiction of a felony consisting of either  
40 having accepted a bet over the Internet in violation of United States

1 or California law, or having aided or abetted that unlawful activity,  
2 from being licensed under this chapter.

3 (C) Limiting the entities that are eligible for an operator license.

4 (2) If any of the provisions identified in paragraph (1), or  
5 application of those provisions to any person or circumstances, is  
6 held invalid, the entire chapter shall be invalid.

7 19990.1102. This chapter shall remain in effect only until  
8 January 1, 2024, and as of that date is repealed, unless a later  
9 enacted statute, that is enacted before January 1, 2024, deletes or  
10 extends that date.

11 SEC. 3. The Legislature finds and declares that Chapter 5.2  
12 (commencing with Section 19990.101) of Division 8 of the  
13 Business and Professions Code, as added by Section 1 of this act,  
14 imposes a limitation on the public’s right of access to the meetings  
15 of public bodies or the writings of public officials and agencies  
16 within the meaning of Section 3 of Article I of the California  
17 Constitution. Pursuant to that constitutional provision, the  
18 Legislature makes the following findings to demonstrate the interest  
19 protected by this limitation and the need for protecting that interest:

20 The limitations on the people’s right of access set forth in this  
21 act are necessary to protect the privacy and integrity of information  
22 submitted by registered players as well as the proprietary  
23 information of the license applicants and licensees.

24 SEC. 4. No reimbursement is required by this act pursuant to  
25 Section 6 of Article XIII B of the California Constitution because  
26 the only costs that may be incurred by a local agency or school  
27 district will be incurred because this act creates a new crime or  
28 infraction, eliminates a crime or infraction, or changes the penalty  
29 for a crime or infraction, within the meaning of Section 17556 of  
30 the Government Code, or changes the definition of a crime within  
31 the meaning of Section 6 of Article XIII B of the California  
32 Constitution.

33 SEC. 5. This act is an urgency statute necessary for the  
34 immediate preservation of the public peace, health, or safety within  
35 the meaning of Article IV of the Constitution and shall go into  
36 immediate effect. The facts constituting the necessity are:

37 In order to protect the interests of Californians who play online  
38 gambling games and to ensure that people play fair games, that  
39 the state realizes the revenues, and that suitable persons operate

- 1 authorized poker Web sites, it is necessary that this act take effect
- 2 immediately.

O