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**AB-1271 Gambling Control Act: licenses.** (2023-2024)

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**Assembly Bill No. 1271**

**CHAPTER 302**

An act to amend Sections 19851, 19852, 19876, 19904, and 19912 of, and to repeal and add Section 19854 of, the Business and Professions Code, relating to gambling.

[ Approved by Governor October 04, 2023. Filed with Secretary of State October 04, 2023. ]

**LEGISLATIVE COUNSEL'S DIGEST**

AB 1271, Gipson. Gambling Control Act: licenses.

Existing law, the Gambling Control Act, establishes the California Gambling Control Commission, which is responsible for licensing and regulating various gambling activities and establishments. Under the act, the Department of Justice is responsible for investigating any violations of, and enforcing, the act. Existing law requires a person who deals, operates, carries on, conducts, maintains, or exposes for play any controlled game in this state, or who receives any compensation or reward, or any percentage or share of the money or property played, for keeping, running, or carrying on any controlled game in this state, to apply for and obtain a valid state gambling license, key employee license, or work permit. Existing law provides that an owner of a gambling enterprise is known as the owner-licensee. Under existing law, other persons who also obtain a state gambling license do not receive a separate license certificate, but instead the license of those persons are endorsed on the license certificate that is issued to the owner-licensee. Under existing law, a key employee license entitles the holder to work as a key employee in any key employee position at any gambling establishment, provided that the key employee terminates employment with one gambling establishment before commencing work for another. Existing law also authorizes a key employee with a valid personal portable license to work as a key employee in any key employee position in more than one gambling establishment and requires the commission to establish a program for portable personal licenses for key employees.

This bill would repeal those provisions relating to key employees working at different gambling establishments, would authorize the commission to adopt regulations to waive any application requirement for an applicant who already possesses a license in good standing, and would require the commission to adopt regulations, as specified, implementing a new owner license that allows for a person or entity to be endorsed on the license certificate of multiple gambling enterprises.

Existing law requires a license issued by the commission to be renewed biennially.

Under this bill, a license would be valid for a period of 2 years from the date of issuance.

Under existing law, the purported sale, assignment, transfer, pledge, or other disposition of any security issued by a corporation that holds a gambling license is void unless approved in advance by the commission. Under existing law, a person who willfully violates any provision of the Gambling Control Act for which a penalty is not expressly provided is guilty of a misdemeanor.

This bill would expand this prohibition to a membership interest of a limited liability company or ownership interest of a partnership or sole proprietor that holds a gambling license. By expanding the scope of an existing crime, the bill would impose a

state-mandated local program.

Existing law prohibits a person to be employed as a gambling enterprise employee, or serve as an independent agent, unless the person is a holder of a work permit issued as specified.

This bill would authorize a person with a work permit issued by the commission to act as a gambling enterprise employee, or serve as an independent agent, and entitle the holder of the work permit to work for any gambling enterprise for which the commission issues work permits as a gambling enterprise employee after proper notification to the department.

The bill would make other conforming changes.

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.

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: yes

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## THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

**SECTION 1.** Section 19851 of the Business and Professions Code is amended to read:

**19851.** (a) The owner of a gambling enterprise shall apply for and obtain a state gambling license. The owner of a gambling enterprise shall be known as the owner-licensee.

(b) Other persons who also obtain a state gambling license, as required by this chapter, shall not receive a separate license certificate, but the licenses of those persons shall be endorsed on the license certificate that is issued to the owner of the gambling enterprise.

(c) Notwithstanding any other law, the commission may adopt regulations, for any applicant who possesses a state gambling license in good standing as determined by the commission, to waive any application requirement, including, without limitation, any of the following:

(1) The requirement that an application be accompanied by supplemental forms pursuant to Section 19865.

(2) The requirement that an application be accompanied by a deposit pursuant to Section 19867.

(3) The requirement that an investigation be performed by the department.

(d) (1) The commission shall adopt regulations implementing a new owner license type that allows for a person or entity to be endorsed on the license certificate of multiple gambling enterprises.

(2) The regulations shall establish a process for a person or entity endorsed on the license certificate of multiple gambling enterprises to request at the time of submittal of an application for license renewal that their existing endorsements be converted to the new owner license type, provided that the applicant's current state gambling licenses are held in good standing, as determined by the commission.

(3) To the extent feasible, the regulations shall allow individuals or entities with the new owner license type to renew all of their endorsements on the license certificates of multiple gambling enterprises with a single application for renewal. Notwithstanding this paragraph, if the license certificate of a gambling enterprise ceases to be valid, any endorsement thereon of an individual or entity with the new owner license type shall be invalid.

**SEC. 2.** Section 19852 of the Business and Professions Code is amended to read:

**19852.** Except as provided in Section 19852.2, an owner of a gambling enterprise that is not a natural person shall not be eligible for a state gambling license unless each of the following persons individually holds a state gambling license:

(a) If the owner is a corporation, then each officer, director, and shareholder, other than a holding or intermediary company, of the owner. The foregoing does not apply to an owner that is either a publicly traded racing association or a qualified racing association.

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

(c) If the owner is a qualified racing association, then each officer, director, and shareholder, other than an institutional investor, of the subsidiary corporation and any owner, other than an institutional investor, of 5 percent or more of the outstanding shares of the publicly traded corporation.

(d) If the owner is a partnership, then every general and limited partner of, and every trustee or person, other than a holding or intermediary company, having or acquiring a direct or beneficial interest in, that partnership owner.

(e) If the owner is a trust, then the trustee and, in the discretion of the commission, any beneficiary and the trustor of the trust.

(f) If the owner is a limited liability company, every officer, manager, member, or owner.

(g) If the owner is a business organization other than a corporation, partnership, trust, or limited liability company, then all those persons as the commission may require, consistent with this chapter.

(h) Each person who receives, or is to receive, any percentage share of the revenue earned by the owner from gambling activities.

(i) Every employee, agent, guardian, personal representative, lender, or holder of indebtedness of the owner who, in the judgment of the commission, has the power to exercise a significant influence over the gambling operation.

**SEC. 3.** Section 19854 of the Business and Professions Code is repealed.

**SEC. 4.** Section 19854 is added to the Business and Professions Code, to read:

**19854.** (a) A person shall not be employed as a key employee unless that person applies for and obtains a key employee license.

(b) A person shall not be issued a key employee license unless the person would qualify for a state gambling license.

(c) A key employee license, once issued, shall authorize a person to act as a key employee until the expiration or revocation of that license and shall entitle the holder to work for any gambling enterprise as a key employee upon proper notice to the department.

**SEC. 5.** Section 19876 of the Business and Professions Code is amended to read:

**19876.** (a) Subject to the power of the commission to deny, revoke, suspend, condition, or limit a license, as provided in this chapter, a license shall be valid for a period of two years from the date of issuance.

(b) An application for renewal of a gambling license shall be filed by the owner-licensee or key employee with the department no later than 120 calendar days prior to the expiration of the current license. The commission shall act upon an application for renewal prior to the date of expiration of the current license. Upon renewal of an owner license, the commission shall issue an appropriate renewal certificate or validating device or sticker.

(c) Notwithstanding subdivision (b), if an applicant has submitted an application for renewal prior to the original expiration date of the current license and the commission is unable to act on the application prior to the expiration date, the commission may extend the current license for up to 180 days.

(d) In addition to the penalties provided by law, an owner-licensee who deals, operates, carries on, conducts, maintains, or exposes for play a gambling game after the expiration date of the gambling license is liable to the state for all license fees and penalties that would have been due upon renewal.

(e) If an owner-licensee fails to renew the gambling license as provided in this chapter, the commission may order the immediate closure of the premises and a cessation of all gambling activity within the premises until the license is renewed.

(f) If an owner-licensee applicant submits an application for renewal of the gambling license after the deadline described in subdivision (b) but before the original expiration date of the license, the commission may assess reasonable delinquency fees not to exceed three times the usual application fee.

**SEC. 6.** Section 19904 of the Business and Professions Code is amended to read:

**19904.** The purported sale, assignment, transfer, pledge, or other disposition of any security issued by a corporation, membership interest of a limited liability company, or ownership interest of a partnership or sole proprietor that holds a gambling license, or the grant of an option to purchase that interest or security, is void unless approved in advance by the commission.

**SEC. 7.** Section 19912 of the Business and Professions Code is amended to read:

**19912.** (a) (1) A person shall not be employed as a gambling enterprise employee, or serve as an independent agent, except as provided in paragraph (2), (3), or (4), unless the person is the holder of one of the following:

(A) A valid work permit issued in accordance with the applicable ordinance or regulations of the county, city, or city and county in which the person's duties are performed.

(B) A work permit issued by the commission pursuant to regulations adopted by the commission for the issuance and renewal of work permits. A work permit issued by the commission shall be valid for two years. A work permit, once issued by the commission, shall authorize a person to act as a gambling enterprise employee, or serve as an independent agent, until the expiration or revocation of that work permit and shall entitle the holder to work for any gambling enterprise for which the commission issues work permits as a gambling enterprise employee after proper notification to the department.

(2) An independent agent is not required to hold a work permit if the independent agent is not a resident of this state and has registered with the department in accordance with regulations.

(3) A person whose job duties are not supervisory, not related to the operation or administration of gambling, and who does not perform employment duties in the area where gambling is conducted, may begin working as a gambling enterprise employee after applying for a work permit provided that the person wears a temporary badge on their outermost garment at chest level with their name, picture, and the words "Non-Gaming Employee, Work Permit Pending." Except as provided in paragraph (4), after the person has received a work permit, the person may perform any duties for which a work permit is required. If the person is denied a work permit, the person shall not work as a gambling enterprise employee in any gaming or nongaming job.

(4) A person who is 18 through 20 years of age may be employed without a work permit and only in a position that is not supervisory, not related to the operation or administration of gambling, and not allowed to perform duties in an area in which gambling is conducted, until the person reaches 21 years of age, if the person wears a badge on their outermost garment at chest level with the words "Non-Gaming Employee: Under 21." The badge shall have a different background color than the badges worn by other gambling enterprise employees.

(b) Except as provided in this section, a work permit shall not be issued by the commission or by any city, county, or city and county to any person who would be disqualified from holding a state gambling license for the reasons specified in subdivisions (a) to (g), inclusive, of Section 19859.

(c) The department may object to the issuance of a work permit by a city, county, or city and county for any cause specified under this chapter deemed reasonable by the department, and if the department objects to issuance of a work permit, the work permit issued by a city, county, or city and county shall be denied.

(1) The commission shall adopt regulations specifying particular grounds for objection to issuance of, or refusal to issue, a work permit.

(2) The ordinance of any city, county, or city and county relating to issuance of work permits shall permit the department to object to the issuance of any permit.

(3) Any person whose application for a work permit has been denied because of an objection by the department may apply to the commission for an evidentiary hearing in accordance with regulations.

(d) Application for a work permit for use in any jurisdiction where a locally issued work permit is not required by the licensing authority of a city, county, or city and county shall be made to the department, and may be granted or denied by the commission for any cause specified under this chapter.

(1) If the commission denies the application, it shall include in its notice of denial a statement of facts upon which it relied in denying the application.

(2) Upon receipt of an application for a work permit, the commission may issue a temporary work permit for a period specified by the commission, pending completion of the background investigation by the department and official action by the commission with respect to the work permit application.

(e) An order of the commission denying an application for, or placing restrictions or conditions on, a work permit, including an order declining to issue a work permit following review pursuant to paragraph (3) of subdivision (c), may be reviewed in accordance with subdivision (f) of Section 19870.

**SEC. 8.** No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

