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**SB-1519 Gambling Control Act.** (2023-2024)

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**Senate Bill No. 1519**

**CHAPTER 138**

An act to amend Sections 19859, 19878, 19879, 19882, and 19892 of the Business and Professions Code, relating to gambling.

[ Approved by Governor July 15, 2024. Filed with Secretary of State July 15, 2024. ]

**LEGISLATIVE COUNSEL'S DIGEST**

SB 1519, Committee on Governmental Organization. Gambling Control Act.

Existing law, the Gambling Control Act, establishes the California Gambling Control Commission, which is responsible for licensing and regulating various gambling activities and establishments. Existing law requires the commission to deny a license application for several enumerated reasons, including the applicant being under 21 years of age, having associations with organized crime, making false or misleading statements or omissions on the application, or failing to clearly establish eligibility and qualification.

Existing law prohibits a licensee from contracting with or employing a person who has been denied a license. Existing law prohibits a person who has been denied a license from retaining an interest in or receiving profits from a licensed gambling entity, and requires that person to divest themselves of any such interest at fair market value and within a specified time period.

This bill would authorize the commission to not apply these provisions to a person whose license was denied solely because the person failed to clearly establish eligibility and qualification for licensure, as specified.

Existing law also requires the commission to deny a license application if the applicant has a conviction for a felony or a conviction, within 10 years of application, for a misdemeanor involving dishonesty or moral turpitude unless that misdemeanor conviction has been expunged, as specified.

This bill would clarify that an applicant with an out-of-state conviction, within 10 years of application, for a misdemeanor involving dishonesty or moral turpitude, may also be considered for licensure if the conviction has been expunged under the laws of the state in which the conviction occurred.

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

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

**SECTION 1.** Section 19859 of the Business and Professions Code is amended to read:

**19859.** The commission shall deny a license to any applicant who is disqualified for any of the following reasons:

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

(b) Failure of the applicant to provide information, documentation, and assurances required by this chapter or requested by the chief, or failure of the applicant to reveal any fact material to qualification, or the supplying of information that is untrue or misleading as to a material fact pertaining to the qualification criteria.

(c) (1) Except as provided in paragraph (2), conviction of a felony, including a conviction by a federal court or a court in another state for a crime that would constitute a felony if committed in California.

(2) A conviction of a felony for the possession of cannabis, the facts of which would not constitute a felony or misdemeanor under California law on the date the application for a license is submitted, shall not constitute a basis to deny a license pursuant to this section.

(d) (1) Conviction of the applicant, in the State of California, for any misdemeanor involving dishonesty or moral turpitude within the 10-year period immediately preceding the submission of the application, unless the applicant has been granted relief pursuant to Section 1203.4, 1203.4a, or 1203.45 of the Penal Code; provided, however, that the granting of relief pursuant to Section 1203.4, 1203.4a, or 1203.45 of the Penal Code shall not constitute a limitation on the discretion of the commission under Section 19856 or affect the applicant's burden under Section 19857.

(2) Conviction of the applicant, in another state, for any misdemeanor involving dishonesty or moral turpitude within the 10-year period immediately preceding the submission of the application, unless the conviction has been expunged under the laws of the jurisdiction in which the applicant was convicted; provided, however, that the expungement of the conviction shall not constitute a limitation on the discretion of the commission under Section 19856 or affect the applicant's burden under Section 19857.

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

(f) Contumacious defiance by the applicant of any legislative investigatory body, or other official investigatory body of any state or of the United States, when that body is engaged in the investigation of crimes relating to gambling; official corruption related to gambling activities; or criminal profiteering activity or organized crime, as defined by Section 186.2 of the Penal Code.

(g) The applicant is less than 21 years of age, except as provided by this chapter.

**SEC. 2.** Section 19878 of the Business and Professions Code is amended to read:

**19878.** (a) Neither an owner licensee, nor a California affiliate of an owner licensee, shall enter into, without prior approval of the commission, any contract or agreement with a person who is denied a license, or whose license is suspended or revoked by the commission, or with any business enterprise under the control of that person, after the date of receipt of notice of the commission's action.

(b) An owner licensee or an affiliate of the owner licensee shall not employ, without prior approval of the commission, any person in any capacity for which that person would be required to be licensed, if the person has been denied a license, or if their license has been suspended or revoked after the date of receipt of notice of the action by the commission. Neither an owner licensee, nor a California affiliate of an owner licensee, without prior approval of the commission, shall enter into any contract or agreement with a person whose application has been withdrawn with prejudice, or with any business enterprise under the control of that person, for the period of time during which the person is prohibited from filing a new application for licensure.

(c) (1) If an employee who is required to be licensed pursuant to this chapter fails to apply for a license within the time specified by regulation, is denied a license, or has their license revoked by the commission, the employee shall be terminated in any capacity in which they are required to be licensed and they shall not be permitted to exercise a significant influence over the gambling operation, or any part thereof, upon being notified of that action.

(2) If an employee who is required to be licensed pursuant to this chapter has their license suspended, the employee shall be suspended in any capacity in which they are required to be licensed and shall not be permitted to exercise a significant influence over the gambling operation, or any part thereof, during the period of suspension, upon being notified of that action.

(3) If the owner licensee designates another employee to replace the employee whose employment was terminated, the owner licensee shall promptly notify the department and shall require the newly designated employee to apply for a license.

(d) An owner licensee or an affiliate of the owner licensee shall not pay to a person whose employment has been terminated pursuant to subdivision (c) any remuneration for any service performed in any capacity in which the person is required to be licensed except for amounts due for services rendered before the date of receipt of notice of the commission's action. Neither an owner licensee, nor an affiliate thereof, during the period of suspension, shall pay to a person whose employment has been suspended pursuant to subdivision (c), any remuneration for any service performed in any capacity in which the person is

required to be licensed, except for amounts due for services rendered before the date of receipt of notice of the commission's action.

(e) Except as provided in subdivision (c), a contract or agreement for the provision of services or property to an owner licensee or an affiliate thereof, or for the conduct of any activity at a gambling establishment, which is to be performed by a person required by this chapter or by regulations adopted pursuant to this chapter, to be licensed, shall be terminated upon a suspension or revocation of the person's license.

(f) In any case in which a contract or agreement for the provision of services or property to an owner licensee or an affiliate thereof, or for the conduct of any activity at a gambling establishment, is to be performed by a person required by this chapter or by regulations adopted by the commission to be licensed, the contract shall be deemed to include a provision for its termination without liability on the part of the owner licensee or its duly registered holding company upon a suspension or revocation of the person's license. In any action brought by the department or commission to terminate a contract pursuant to subdivision (c) or (e), it shall not be a defense that the agreement does not expressly include the provision described in this subdivision, and the lack of express inclusion of the provision in the agreement shall not be a basis for enforcement of the contract by a party thereto.

(g) (1) The commission may, at its discretion, not apply the provisions of subdivision (a), (b), or (d), or paragraph (1) of subdivision (c) when the person who has been denied a license was denied that license solely due to the person's failure to clearly establish eligibility and qualification for licensure as described in subdivision (a) of Section 19859.

(2) Paragraph (1) shall not apply if additional grounds for denial of the license existed, whether or not those grounds were formally provided as the reason for the denial.

**SEC. 3.** Section 19879 of the Business and Professions Code is amended to read:

**19879.** With regard to a person who has had their application for a license denied by the commission, all of the following shall apply:

(a) Except as provided in subdivision (c), the person shall not be entitled to profit from any investment in any business entity that has applied for or been granted a state license.

(b) The person shall not retain any interest in a business entity described in subdivision (a) beyond that period prescribed by the commission.

(c) The person shall not accept more for their interest in a business entity described in subdivision (a) than they paid for it, or the market value on the date of the denial of the license or registration, whichever is higher.

(d) Nothing in this section shall be construed as a restriction or limitation on the powers of the commission specified in this chapter.

(e) (1) The commission may, at its discretion, not apply the provisions of this section when the person who has been denied a license was denied that license solely due to the person's failure to clearly establish eligibility and qualification for licensure as described in subdivision (a) of Section 19859.

(2) Paragraph (1) shall not apply if additional grounds for denial of the license existed, whether or not those grounds were formally provided as the reason for the denial.

**SEC. 4.** Section 19882 of the Business and Professions Code is amended to read:

**19882.** (a) If at any time the commission denies a license to, or revokes the license of, an individual owner of any security issued by a corporation that applies for or holds an owner license, both of the following shall apply:

(1) The commission shall immediately notify the individual and the corporation of that fact.

(2) The owner of the security shall sell the security for an amount not greater than fair market value, within 60 calendar days of the denial or revocation. Upon a showing of due diligence, the commission may extend the time for selling the security.

(b) Beginning upon the date when the commission serves notice of the denial upon the corporation, it is unlawful for the denied security owner to do any of the following:

(1) Receive any dividend, income, or interest upon any security described in subdivision (a), except dividends equal to the good faith estimate of the owner's personal share of any income tax due on the ownership interest until the date of the sale, as determined in writing by an independent certified public accountant, or as may be necessary to protect the election of the gambling enterprise to be treated as an "S corporation" under Subchapter S (commencing with Section 1361) of Chapter 1 of Subtitle A of the Internal Revenue Code.

(2) Exercise, directly or through any trustee or nominee, any voting right conferred by any security described in subdivision (a).

(3) Receive any remuneration in any form from the corporation for services rendered or for any other purpose.

(c) Every security issued by a corporate owner licensee shall bear a statement, on both sides of the certificate evidencing the security, of the restrictions imposed by this section.

(d) (1) The commission may, at its discretion, not apply the provisions of subdivision (b) or paragraph (2) of subdivision (a) when the person who has been denied a license was denied that license solely due to the person's failure to clearly establish eligibility and qualification for licensure as described in subdivision (a) of Section 19859.

(2) Paragraph (1) shall not apply if additional grounds for denial of the license existed, whether or not those grounds were formally provided as the reason for the denial.

**SEC. 5.** Section 19892 of the Business and Professions Code is amended to read:

**19892.** (a) The purported sale, assignment, transfer, pledge, or other disposition of any interest in a partnership or limited liability company that holds a gambling license, or the grant of an option to purchase the interest, is void unless approved in advance by the commission.

(b) (1) If at any time the commission denies a license to, or revokes the license of, an individual owner of any interest described in subdivision (a), the commission shall immediately notify the individual and the partnership or limited liability company of that fact.

(2) The individual denied a license, or whose license is revoked, shall sell their interest in an amount not greater than fair market value, within 60 calendar days of the denial or revocation. Upon a showing of due diligence, the commission may extend the time for selling the security.

(c) Beginning upon the date when the commission serves a notice of denial upon the partnership or limited liability company, it is unlawful for the denied owner of the interest to do any of the following:

(1) Receive any share of the revenue or interest upon the partnership or limited liability company interest, except distributions equal to the good faith estimate of the owner's personal share of any income tax due on the ownership interest until the date of the sale as determined in writing by an independent certified public accountant.

(2) Exercise, directly or through any trustee or nominee, any voting right conferred by that interest.

(3) Receive any remuneration in any form from the partnership, for services rendered or for any other purpose.

(d) Every certificate of limited partnership of any limited partnership or limited liability company holding a gambling license shall contain a statement of the restrictions imposed by this section.

(e) (1) The commission may, at its discretion, not apply the provisions of subdivision (c) or paragraph (2) of subdivision (b) when the person who has been denied a license was denied that license solely due to the person's failure to clearly establish eligibility and qualification for licensure as described in subdivision (a) of Section 19859.

(2) Paragraph (1) shall not apply if additional grounds for denial of the license existed, whether or not those grounds were formally provided as the reason for the denial.