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LEGISLATIVE COUNSEL'S DIGEST

Bill No.

as introduced, Jones-Sawyer.

General Subject: Gambling: Internet poker: unlawful gambling activity.

(1) 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.

This bill would establish a framework to authorize intrastate Internet poker, as specified. The bill would authorize eligible entities to apply to the commission for a 10-year nontransferable license to operate an intrastate Internet 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 10 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 this bill. The bill would prohibit, among others, a federally recognized California Indian tribe that operates a gaming facility that accepts bets from players within the state but who are not physically present on Indian lands when making bets from operating an Internet poker Web site. The bill also would provide that it is unlawful for a person to patronize, or to own or operate, a place of public accommodation within this state in which computer terminals, laptop computers, hand-held devices, or similar devices are made available for accessing Internet Web sites to play gambling games, or where those devices are otherwise empowered or enabled to access Internet Web sites to play gambling games. The bill would provide that it is unlawful for a person to aggregate computers or other access devices in a public setting within this state for the purpose of playing a gambling game on the Internet, or to promote, facilitate, or market that activity. The bill would provide that any violation of these provisions is punishable as a misdemeanor. 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 within 270 days after the operative date of this bill, in consultation with the department and federally recognized California Indian tribes, to implement these provisions, and to facilitate the operation of intrastate Internet poker Web sites and expedite the state's receipt of revenues. The bill would require a license applicant to apply to the commission and pay a registration fee sufficient to cover all costs associated with 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 reasonably necessary to investigate



and evaluate the suitability of the licensee's subcontractors. An applicant that is a federally reorganized Indian tribe also would be required to submit a limited waiver of its sovereign immunity.

This bill would require the payment of an unspecified 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, problem gambling programs, and other purposes related to this bill. The bill would require each licensee to pay a one-time license fee in the amount of \$5,000,000 for deposit in the General Fund. The license fee would be credited against quarterly fees equivalent to 5% of the licensee's gross gaming revenue proceeds, as specified. The bill would require an applicant for an intrastate Internet Poker license to provide documentation establishing that the applicant is qualified to pay the one-time license fee from its own assets, or its owner's assets, or through credit extended to the entity, as specified.

This bill would establish the Unlawful Gambling Enforcement Fund as a special 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 involving lotteries and slot machines. 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.

This bill would prohibit the state from affirmatively electing to be subject to a federal Internet gambling law, as specified, and would require the state to opt out of, or would prohibit the state from opting into, any federal Internet gambling scheme. The bill would provide that if the state violates these prohibitions, a licensee shall not be required to pay the one-time license fee or the quarterly fees described above and would require the state to refund within 30 days all unused license fees paid to the state, as specified. The bill would authorize a licensee to enforce this provision in state court. The bill also would prohibit the state from participating in any Internet gambling agreement between states or foreign jurisdictions.

This bill authorizes the department to revoke or suspend any license or work permit upon reaching a finding that the licensee or employee is in violation of the provisions described above, or any regulation adopted pursuant to these provisions. However, the bill would prohibit a tribal licensee from having its license suspended or revoked, or be fined or otherwise penalized for complying with any applicable federal law or regulation when operating an Internet poker Web site on Indian lands. The bill would specify that to the extent that any state requirement is more strict than



any applicable federal law requirement, the tribal licensee is required to comply with the state requirement.

(2) Existing law, subject to exceptions, generally prohibits the possession and use of a "slot machine or device," as defined, and prohibits certain other acts and transactions pertaining to slot machines or devices. Existing law provides varying definitions of "slot machine or device" for these purposes. A violation of these provisions is punishable as a misdemeanor.

This bill would provide that an "electronic sweepstakes device," as defined, is a slot machine or device within the meaning of these provisions. By expanding the scope of existing crimes, the bill would impose a state-mandated local program.

(3) The bill would provide that its provisions are not severable.

(4) 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.

(5) 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.



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An act to add Chapter 5.2 (commencing with Section 19990.01) to Division 8 of, and to repeal Section 19990.86 of, the Business and Professions Code, and to add Section 330d to the Penal Code, relating to gambling, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.



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

SECTION 1. Chapter 5.2 (commencing with Section 19990.01) is added to Division 8 of the Business and Professions Code, to read:

CHAPTER 5.2. THE INTERNET POKER CONSUMER PROTECTION ACT OF 2014

Article 1. Title, Legislative Declarations, and Statement of Legislative Intent

19990.01. This chapter shall be known and may be cited as the Internet Poker Consumer Protection Act of 2014.

19990.02. The Legislature hereby finds and declares all of the following:

(a) Since the development of the Internet, Web sites offering gambling have raised consumer protection and enforcement concerns for federal and state governments as these Web sites are often operated by unknown persons located in many different countries, subject to little or no oversight, and have sought to attract customers from the United States.

(b) Californians participate in illegal online gambling on unregulated Internet Web sites every week. Neither federal nor California laws provide any consumer protections for California players. California players assume all risks, any negative social or financial impacts are borne by the citizens of California, and the revenues generated from online gambling are being realized by offshore operators and do not provide any benefits to the citizens of California.



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(c) The presence, operation, and expansion of offshore, unlicensed, and unregulated Internet gambling Web sites available to Californians endanger Californians because the current Internet gambling Web sites operate illegally and without regulation as demonstrated by criminal prosecutions of some Internet gambling purveyors, and questions often arise about the honesty and the fairness of the games played on these Internet gambling Web sites as well as the true purpose for, and use of, proceeds generated by these unregulated Internet gambling Web sites. In addition, some of the unlicensed and unregulated Internet gambling activity interferes with rights Californians preserved to federally recognized tribal governments when amending the state's Constitution, with that amendment providing federally recognized tribes the sole and exclusive right to engage in slot machine and house-banked casino-style gaming in California.

(d) These rights were separately guaranteed in 1999 and at various times thereafter, when the state negotiated and entered into compacts with tribes pursuant to the federal Indian Gaming Regulatory Act of 1988 (IGRA), under which signatory tribes possess the exclusive right within the state to operate "gaming devices," defined to include any slot machines, and specifically, among other things, any electronic device enabling a player to participate in games involving an element of chance for the possible delivery of a prize or something of value, as well as house-banked and percentage games. The authorization of certain types of online gaming, including slot machine or house-banked casino-style games, could impinge upon these rights.

(e) Tribally owned and operated casinos have contributed to local economies, generated tens of thousands of jobs for Californians, and provided hundreds of millions



of dollars in revenues for the state since the advent of Indian gaming, and are entitled to the full protection of the laws of this state. As such, the state is presently engaged in regulatory and enforcement efforts to combat the rise of illegal gambling activity that threatens not only protected rights, but the health and welfare of all Californians.

(f) In October 2006, Congress passed the SAFE Port Act (Public Law 109-347), to increase the security of United States ports. Embedded within the language of that act was a section entitled the Unlawful Internet Gambling Enforcement Act of 2006 (UIGEA), which prohibits the use of banking instruments, including credit cards, checks, or fund transfers, for interstate Internet gambling. UIGEA includes exceptions, including, but not limited to, one that permits individual states to create a regulatory framework to enable intrastate Internet gambling, provided the bets or wagers are made exclusively within a single state whose state laws or regulations comply with all of the following:

(1) Contain certain safeguards regarding those transactions, including both of the following:

(A) Age and location verification requirements.

(B) Data security standards designed to prevent access to minors and persons located outside of that state.

(2) Expressly authorize the bet or wager and the method by which the bet or wager is made.

(3) Do not violate any federal gaming statutes, including all of the following:

(A) The Interstate Horseracing Act of 1978.

(B) The Professional and Amateur Sports Protection Act.



(C) The Gambling Devices Transportation Act.

(D) IGRA.

(g) State authorization to operate Internet poker consistent with federal law, and heightened regulation and enforcement regarding Internet gambling activity that goes beyond poker, provides California with the means to protect its citizens and consumers under certain conditions by providing a framework to ensure that, among other things, the state is not subject to an unnecessary and unprecedented expansion of gambling, minors are prevented from gambling, citizens participating in Internet poker activities are protected, and the state is not deprived of income tax revenues to which it would otherwise be entitled from these activities.

(h) The Legislature recognizes that the regulation of gambling activities within the state's jurisdiction is of particular concern to the public interest, particularly with the advent of the Internet, and inherent dangers associated with online gambling activities, and accordingly recognizes the need to protect Californians from an unprecedented expansion of gambling activities within the state. This chapter is a vehicle to generate additional resources to protect Californians from this increased illegal Internet gambling activity.

(i) At the same time, the Legislature recognizes that nonhouse-banked poker, as compared to other forms of gaming, poses less risk to the general public given the element of skill involved. Poker is unlike casino house-banked games or sports betting, in that poker operators are not participants in the games and only receive a set fee for hosting them. Poker players' winnings come not from the house, but from the pool of other players. In addition, winning at poker involves some measure of skill. Skillful



poker players can earn winnings in the long term, while players of house-banked games will always play against odds favoring the house.

(j) The state currently maintains and implements substantial regulatory and law enforcement efforts to protect thousands of Californians who gamble and play, among other things, real-money poker in licensed California card rooms.

(k) Federally recognized Indian tribes in California offer real-money poker, including electronically aided poker, on their Indian lands as a “class II” game under IGRA.

(l) While the state, federal government, and tribal governments exercise regulatory authority over various real-money poker games offered in California, none of those entities presently provide licensing requirements, regulatory structure, or law enforcement tools to protect millions of Californians who play the same games daily for money on the Internet.

(m) In order to protect Californians who gamble online, allow state law enforcement to ensure consumer protection, ensure compliance with the California Constitution and negotiated compacts, and keep the revenues generated from Internet gambling in California, it is in the best interest of the state and its citizens to authorize, implement, and create a legal system for intrastate Internet gambling that is limited to the game of poker.

(n) The California Gambling Control Commission and the Department of Justice, in conjunction with other state agencies and tribal governmental gaming regulators, have the expertise to issue licenses to conduct intrastate Internet poker to existing



operators of regulated gaming that are otherwise eligible to conduct real-money poker games in California.

(o) The state also possesses a legitimate interest in protecting the integrity of state-authorized intrastate Internet poker by licensing only those entities that are otherwise eligible to offer real-money poker games within the state that have significant experience operating in a regulated land-based gaming facility environment. The state's interests are best met, therefore, by licensing only those entities in California that have experience operating card rooms and tribal gaming facilities that are currently permitted to offer live real-money poker games and are in good standing with the appropriate state, federal, and tribal regulatory agencies.

(p) This chapter will permit a qualified card room to obtain a license from the state to operate poker games via the Internet for players within the jurisdiction of California. In addition, the chapter will permit a qualified federally recognized California Indian tribe to obtain a license from the state to operate poker games via the Internet for players located within the jurisdiction of California.

(q) Participation by tribes will further the interests of the state because tribes have significant experience operating and regulating real-money games.

(r) The authorization of intrastate Internet poker pursuant to this chapter does not violate any tribal-state compact or the California Constitution. Application of UIGEA in California, as set forth in this chapter, also does not violate federal Indian law by impinging upon protected tribal sovereignty. Accordingly, nothing in this chapter shall alter, diminish, or impact the rights and obligations of tribes in existing tribal-state compacts approved pursuant to IGRA, or require that those compacts be renegotiated.



At the same time, a tribal licensee does not relinquish any rights under its compact with the state by virtue of participating in intrastate Internet poker pursuant to this chapter, which is intended to respect the regulatory obligations and responsibilities of state, tribal, and federal authorities.

(s) The state can only protect Californians from the increased onslaught of unlawful Internet gambling activity through diligent and comprehensive enforcement efforts, and in particular, through heightened enforcement efforts against unauthorized slot machines, lotteries, sweepstakes cafés offering slot machine gambling and games that mimic slot machines under the guise of selling Internet usage, time, or other illusory items, and card rooms that play baccarat and other banked or percentage card games.

19990.03. It is the intent of the Legislature to create a licensing and regulatory framework and enforcement mechanisms to do all of the following:

(a) Ensure that authorized Internet poker games are offered for play only in a manner that is consistent with federal and state law.

(b) Ensure the state possesses sufficient resources to enforce prohibitions of illegal gambling activity, in part, by establishing a special regulatory enforcement fund and by empowering the department to retain a portion of receipts collected from illegal operations and, as necessary, receipts collected in accordance with this chapter.

(c) Authorize and direct the commission to issue a license to certain existing operators of regulated real-money poker games in California that meet the eligibility requirements and timely submit the required application and registration fees.



(d) Include all of the provisions in this chapter as terms of the license between the state and each licensee, subject to the enforcement provisions delineated in this chapter.

(e) Ensure that each licensee complies with applicable laws and regulations.

(f) Grant power to the state agencies authorized in this chapter to oversee the operations of each licensee and to enforce the provisions of this chapter to ensure that the interests of the state and registered players are protected.

(g) Establish a process that includes a background investigation and requires that each employee of each licensee or subcontractor receives all necessary work permits from the state and, in the case of a qualified Indian tribe, as applicable, from that tribe's gaming regulatory authority.

(h) Ensure that the state is able to collect income tax revenues from registered players participating in Internet poker activity in the state.

(i) Distribute regulatory fees collected by the state from each licensee to the Internet Poker Fund, as established in Section 19990.75, which shall be administered by the Controller, subject to annual appropriation by the Legislature for the following:

(1) The actual costs of license oversight, consumer protection, state regulation, and problem gambling programs.

(2) Other purposes related to this chapter as the Legislature may decide, including, but not limited to, enforcement efforts related to illegal Internet gambling activities.

(j) Create systems to protect each registered player's private information and prevent fraud and identity theft.



(k) Ensure that registered players are able to have their financial transactions processed in a secure, timely, and transparent fashion.

(l) Require that each licensee provide registered players with accessible customer service.

(m) Require that each licensee's Internet poker Web site contain information relating to problem gambling, including a telephone number that an individual may call to seek information and assistance for a potential gambling addiction.

(n) Require that each licensee, or consortia of eligible licensees, be organized in California or be a federally recognized Indian tribe located in California. The licensee, its facilities, other than redundant servers, its bank accounts and accounting records related to its intrastate Internet poker operations, and its registered players' deposits, shall be located entirely within the state.

(o) Ensure that each licensee is the primary beneficiary and majority owner of the Internet poker business. The Internet poker Web site domain shall be owned by the licensee to ensure protection of players by readily identifying who is the actual licensee.

(p) Ensure that all employees of the licensee are physically present in the state when working on the licensee's Internet poker Web site or in its facilities connected to the play of Internet poker in this state, or when in contact with registered players. However, the licensee shall have discretion to use the expertise of personnel not physically present in the state when necessary to protect registered players and state interests, including, but not limited to, for the purposes of diagnosing and addressing



technological problems, investigating fraud and collusion, and developing and supervising software and configuration changes.

(q) Create an express exemption from disclosure, pursuant to the California Public Records Act under subdivision (b) of Section 6253 of the Government Code, that exempts from public disclosure proprietary information of a license applicant or a licensee in order to permit disclosure of confidential information to state agencies while achieving the public policy goals of deploying secure systems that protect the interests of both the state and players.

(r) Require the state to opt out of, and decline to opt into, any federal framework for Internet gambling.

(s) As a matter of statewide concern, preempt any city, county, or city and county from enacting any law or ordinance regulating or taxing any matter covered in this chapter.

Article 2. Definitions

19990.05. For the purposes of this chapter, the following words have the following meanings:

(a) "Authorized Internet poker game" means any of several card games, duly authorized by the commission and played on an Internet poker Web site, that meets all of the following criteria:

(1) Commonly understood to be a "poker game" that is legal under state law as of the effective date of this chapter, including, but not limited to, all of the following:



- (A) Hold'em.
- (B) Stud.
- (C) Omaha.
- (D) Lowball.

(2) Not a percentage game or banked game in which a licensee, player, or combination of players operates as the bank or house at any time during the course of the game.

(3) Played by individual players against one another, and never by a field of players against one player, including, but not limited to, Pai Gow poker, Three Card poker, and other poker variants with similar rules.

(b) "Background investigation" means a process of reviewing and compiling personal and criminal history and financial information through inquiries of various law enforcement and public sources to establish a person's qualifications and suitability for any necessary license or employee work permit issued pursuant to this chapter.

(c) "Bet" means the placement of a wager in a game.

(d) "Card room" means a gambling establishment, as defined in subdivision (o) of Section 19805.

(e) "Commission" means the California Gambling Control Commission.

(f) "Core functions" and "core functioning" mean any of the following:

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

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



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

(g) "Department" means the Department of Justice.

(h) (1) "Eligible Entity" includes only (A) a card room operated pursuant to Chapter 5 (commencing with Section 19800) whose owner or owners have been authorized, subject to oversight by, and in good standing with the applicable state regulatory authorities, or (B) a federally recognized California Indian tribe that operates a gaming facility pursuant to a facility license issued in accordance with a tribal gaming ordinance approved by the Chair of the National Indian Gaming Commission and that is eligible to conduct real-money poker at that facility. An entity identified in this paragraph shall have operated its gaming facility for at least five years immediately preceding its application to secure a license to operate an Internet poker Web site pursuant to this chapter, and shall be in good standing during that time period with the applicable federal, state, and tribal regulatory authorities.

(2) A group of federally recognized California tribes or California card rooms is eligible to jointly apply for a license pursuant to this chapter, through an entity organized under state or federal law, if each entity within the group independently satisfies the requisite eligibility requirements identified in this chapter.

(3) Subject to any applicable limited waiver of sovereign immunity as set forth in subdivision (c) of Section 19990.21, this chapter does not restrict a tribal licensee from participating as an instrumentality of a tribal government or a political subdivision of a tribe, or from forming a separate business entity organized under federal, state, or tribal law.



(i) "Employee" means any natural person employed in, or serving as a consultant or independent contractor with respect to, the core functioning of the actual operation of an intrastate Internet poker Web site.

(j) "Employee work permit" means a permit issued to an employee of the licensee or a subcontractor by the commission or, if applicable, tribal gaming regulatory authority, after a background investigation.

(k) "Finding of suitability" means a finding by the commission that a subcontractor meets the qualification criteria described in Article 4 (commencing with Section 19990.20), and that the person would not be disqualified on any of the grounds specified in Article 4 (commencing with Section 19990.20).

(l) "Gambling" means to deal, operate, carry on, conduct, maintain, or expose for play any game for money.

(m) "Game" means any gambling game.

(n) "Gaming system" means the technology, including hardware and software, used by a licensee to facilitate the offering of authorized Internet poker games to registered players.

(o) "Good standing" means that a person has not had a gambling license suspended or revoked by a final decision of the commission or been finally ordered by a court of competent jurisdiction to cease conducting gaming activities.

(p) "Gross gaming revenues" means the total amount of money paid to, and retained by, a licensee in connection with the operation of authorized Internet poker games under this chapter before deducting the cost of operating those authorized Internet poker games. Gross gaming revenues shall not include player account deposits, amounts



wagered, except any portion of the amount wagered that is retained by the licensee as permitted by this chapter, discounts on goods or services, rebates or promotional discounts or stakes provided to players, or revenues from nongaming sources.

(q) "Internet access device" means a personal computer or mobile communications device used primarily for connection to the Internet, and incidentally used for the purpose of playing authorized Internet poker games offered by a licensee.

(r) "Internet Poker Fund" means the fund established pursuant to Section 19990.75 for annual appropriation by the Legislature.

(s) "Internet poker Web site" means an Internet Web site, or similar communications facility approved by the commission, through which a bet or wager is initiated, received, or otherwise made for an authorized Internet poker game.

(t) "Intrastate" means within the borders and jurisdiction of California.

(u) "Key employee" means any natural person employed by a licensee, subcontractor, or player recruiter, or by a holding or intermediary company of a licensee, subcontractor, or player recruiter, who is an officer or director of the licensee or certificate holder, or who, in the judgment of the commission, has the authority to exercise significant influence over decisions concerning the operation of the licensee or certificate holder as that operation relates to the Internet poker authorized by this chapter.

(v) "Land-based gaming facility" means a card room operated pursuant to Chapter 5 (commencing with Section 19800) or a casino operated by a federally recognized Indian tribe on Indian land in California.



(w) "Licensee" means an eligible entity licensed pursuant to this chapter to offer the play of authorized Internet poker games to registered players on an intrastate Internet poker Web site.

(x) "Online self-exclusion form" means a form on which an individual notifies a licensee that he or she must be excluded from participation in authorized Internet poker games for a stated period of time.

(y) "Owner" means any person that has a financial interest in, or control of, a subcontractor or other entity required to be found suitable under this chapter. An owner of a licensee shall include only those persons eligible to own a land-based gaming facility in California. Owner does not include the members or government officials of a federally recognized California Indian tribe.

(z) "Per hand charge" means the amount charged by the licensee for registered players to play in a per hand game.

(aa) "Per hand game" means an authorized Internet poker game for which the licensee charges the player for each hand played.

(ab) "Person" means an individual, corporation, business trust, estate, trust, partnership, limited liability company, association, joint venture, government, governmental subdivision, agency, or instrumentality, public corporation, or any other legal or commercial entity, including any federally recognized California Indian tribe, or an entity that is wholly owned by the tribe.

(ac) "Play settings" means the options and default parameters made available by a licensee to a registered player in the play of authorized Internet poker games.



(ad) "Proprietary information" means and includes all information that, whether or not patentable or registerable under patent, copyright, trademark, or similar statutes, (1) can be protected as a trade secret under California law or any other applicable state law, federal law, or foreign law, or (2) derives independent economic value, actual or potential, from not being generally known to the public or to other persons that can obtain economic value from its disclosure or use. "Proprietary information" includes, but is not limited to, computer programs, databases, data, algorithms, formulae, expertise, improvements, discoveries, concepts, inventions, developments, methods, designs, analyses, drawings, techniques, strategies, new products, reports, unpublished financial statements, budgets, projections, billing practices, pricing data, contacts, client and supplier lists, business and marketing records, working papers, files, systems, plans, and all registrations and applications related thereto.

(ae) "Proxy player" means the use of a machine, device, or agent, other than the registered player, to play an authorized Internet poker game.

(af) "Registered player" means a player who has registered with a licensee to play authorized Internet poker games on the licensee's intrastate Internet poker Web site.

(ag) "Registration information" means the information provided by a person to a licensee in order to become a registered player.

(ah) "Robotic play" means the use of a machine or software by a registered player or licensee to automate the next player action at any point in a game, including the use of a proxy player.

(ai) "State" means the State of California.



(aj) (1) "Subcontractor" means any person, other than an employee, that does any of the following:

(A) On behalf of a licensee, manages, administers, or controls wagers on authorized Internet poker games provided over the Internet by a licensee pursuant to this chapter.

(B) On behalf of a licensee, manages, administers, or controls the games with which those wagers are associated.

(C) On behalf of a licensee, develops, maintains, provides, or operates a gaming system.

(D) Sells, licenses, or otherwise receives compensation for selling or licensing information on individuals in California who made wagers on games over the Internet that were not licensed under this chapter via a database or customer lists.

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

(F) Provides intellectual property, including the trademarks, trade names, service marks, or similar intellectual property under which a licensee identifies its games to its customers.

(G) Receives compensation as part of an affiliate marketing program for bringing players or potential players to a licensee's intrastate Internet poker Web site.

(2) "Subcontractor" shall not include a provider of goods or services that provides similar goods or services to the public for purposes other than the operation of Internet



gambling activities, and is not otherwise directly or indirectly involved in the operation of an Internet poker Web site pursuant to a license issued under this chapter.

(ak) "Terms of Use Registered Player's Agreement" means the agreement offered by a licensee and accepted by a registered player delineating, among other things, permissible and impermissible activities on an intrastate Internet poker Web site and the consequences of engaging in impermissible activities.

(al) "Tournament" means a commission-approved competition in which registered players play a series of authorized Internet poker games to decide the winner.

(am) "Tournament charge" means the amount charged by the licensee for registered players to play in a tournament.

(an) "Tournament winnings" means the amount of any prize awarded to a registered player in a tournament.

(ao) "Tribal gaming regulatory authority" means the gaming regulatory authority of a federally recognized California Indian tribe that has the authority to regulate gaming on the tribe's Indian lands pursuant to the federal Indian Gaming Regulatory Act of 1988.

(ap) "Tribe" means a federally recognized California Indian tribe, including, but not limited to, the governing body of that tribe or any entity that is wholly owned by the tribe.



(aq) “Unlawful Gambling Enforcement Fund” means the special fund established pursuant to Section 19990.77, the revenue of which are dedicated to enforcing the prohibitions of this chapter.

Article 3. Legal Authorized Internet Poker Games Offered Over the Internet in California

19990.10. Under the federal Unlawful Internet Gambling Enforcement Act of 2006, California is permitted to authorize games played via the Internet as long as all players and the online wagering is located within the jurisdiction of the state and the games are not played by minors.

19990.11. Notwithstanding any other law, a person in California 21 years of age or older is hereby permitted to participate as a registered player in an authorized Internet poker game provided over the Internet by a licensee on an approved intrastate Internet poker Web site as described in this chapter.

19990.12. (a) A person shall not offer any game of poker on the Internet in this state, other than a game operated pursuant to federal law that is confined to Indian lands with all players physically present on the Indian lands within this state, unless that person holds a valid license issued by the state to offer the play of authorized Internet poker games on an intrastate Internet poker Web site pursuant to this chapter. A federally recognized California Indian tribe that operates a gaming facility that accepts bets from players within this state but who are not physically present on Indian



lands when making the bet shall not be eligible to operate an Internet poker Web site pursuant to this chapter.

(b) It is unlawful for any person to offer or play any gambling game provided on the Internet that is not authorized by the state pursuant to this chapter.

(c) It is unlawful for any person to use a device other than an Internet access device to play any authorized Internet poker game.

(d) A violation of this chapter is punishable as a misdemeanor.

19990.13. Chapter 5 (commencing with Section 19800) does not apply to this chapter.

19990.14. Only poker games consistent with the definition in Section 19990.05, and approved by the commission for play on an intrastate Internet poker Web site, may be offered for play on an intrastate Internet poker Web site pursuant to this chapter. All other forms of Internet gambling other than Internet poker played in this state pursuant to this chapter, are prohibited and subject to penalty as provided in this chapter. This prohibition includes, but is not limited to, any game offered in Nevada or New Jersey other than poker, sports betting, any banked or percentage game, and any game that would be considered class III gaming as that term is used in the federal Indian Gaming Regulatory Act of 1988 if played on Indian lands.

19990.15. (a) It is unlawful for a person to patronize, or to own or operate, a place of public accommodation within this state, including a club or association limited to dues-paying members or similar restricted groups, or similar establishments, in which computer terminals, laptop computers, hand-held devices, or similar devices are made available for accessing Internet Web sites to play gambling games, or where



those devices are otherwise empowered or enabled to access Internet Web sites to play gambling games.

(b) It is unlawful for a person to aggregate computers or other access devices in a public setting within this state for the purpose of playing a gambling game on the Internet, or to promote, facilitate, or market that activity.

(c) This chapter does not restrict a federally recognized Indian tribal government, or its wholly owned tribal entities, from participating in activities described in subdivision (a) exclusively within Indian lands as defined by the federal Indian Gaming Regulatory Act.

19990.16. (a) To protect Californians from an unprecedented and unwanted expansion of gambling activity on the Internet, and also to protect California's investments in land-based gaming facilities, which generate thousands of jobs for Californians and hundreds of millions of dollars for the state every year, the state shall not affirmatively elect to be subject to a federal Internet gambling law that would permit persons, other than tribes operating under tribal-state gaming compacts, to operate "gaming devices," as that term is defined by state law and tribal-state gaming compacts, or to operate house-banked games.

(b) If a federal law authorizing Internet gambling in the state is enacted, and if that federal law provides that states may opt out of the federal Internet gambling scheme, the state shall opt out of that federal Internet gambling scheme in the manner and time frame provided by that federal law. In the event the federal law allows states to affirmatively opt into any federal Internet gambling scheme, this state shall decline to do so. If the state violates this subdivision, a licensee shall not be required to pay the



fees set forth in Section 19990.47 and the state shall refund within 30 days all unused license fees paid to the state to each licensee as follows:

(1) The state shall provide any refund owed to licensees from the Internet Poker Fund.

(2) In the event that there are insufficient funds in the Internet Poker Fund to provide these refunds, the state shall provide the remaining amount from the General Fund.

(c) A licensee may bring suit to enforce subdivision (b) in state court.

(d) If a federal law authorizes Internet gambling agreements between states or foreign jurisdictions, this state shall not participate in any such agreement.

Article 4. Licensing of Intrastate Internet Poker Web Sites

19990.20. (a) (1) Within 270 days after the effective date of this chapter, the commission, and any other state agency with a duty pursuant to this chapter, shall adopt regulations pursuant to the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code), in consultation with the department and federally recognized California Indian tribes, to implement this chapter, and to facilitate the operation of intrastate Internet poker Web sites and expedite the state's receipt of revenues in compliance with this chapter. The initial adoption, amendment, or repeal of a regulation authorized by this section is deemed to address an emergency, for purposes of Sections 11346.1 and 11349.6 of the Government Code, and the commission and those other state agencies are hereby



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

(2) The regulations adopted by the commission shall address underage gambling and problem gambling.

(3) The regulations of the commission also shall provide for temporary or provisional approvals, licenses, or certificates for heirs, executors, receivers, trustees, conservators, key employees, and other persons where an approval, license, or certificate is required.

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

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

(3) Unless otherwise provided by this chapter, notice by a licensee to the state shall be deemed effectively given upon personal delivery, three days after deposit in the United States mail by certified or registered mail, return receipt requested, one



business day after its deposit with any return receipt express courier, prepaid, or one business day after electronically confirmed transmission by facsimile.

19990.21. (a) An entity seeking to be licensed to offer authorized Internet poker games shall apply to the commission for a license to engage in that activity. The commission shall charge the license applicant a registration fee sufficient to cover the reasonable costs associated with the issuance of the license.

(b) An applicant for an intrastate Internet poker license pursuant to this chapter shall provide documentation establishing that if the license is granted, the license applicant is qualified to pay the license fee required by subdivision (a) of Section 19990.47 from its own assets, its owner's assets, or through credit extended to the entity in an amount not to exceed the entity's own assets, or its owner's assets.

(c) An applicant for an intrastate Internet poker license pursuant to this chapter that is a federally recognized California Indian tribe shall include with its license application a limited waiver of the applicant's sovereign immunity exclusively to the state and no other party solely for the limited purpose of enforcing this chapter and any regulations promulgated thereunder, and with regard to any claim, sanction, or penalty arising therefrom against the licensee by the state, and for no other purpose.

(d) The commission shall issue a license to operate an intrastate Internet poker Web site to an applicant determined by the commission to qualify as an eligible entity under this chapter within 90 days of receiving an application, if the applicant submits a completed application form and pays the required registration fee within the time frame specified in subdivision(a).



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

(f) A license to operate an intrastate Internet poker Web site pursuant to this chapter shall be issued for a term of 10 years. Subject to the power of the commission to revoke, suspend, condition, or limit any license, as provided in this chapter, a license shall be automatically renewed every 10 years thereafter upon application. Failure of a licensee to file an application for renewal may be deemed a surrender of the license.

(g) All licenses issued pursuant to this chapter before January 1, 2015, shall thereafter take effect on the same date, and in particular, on January 1, 2015, absent good cause for all of those licenses to take effect in unison on a subsequent date, as determined by the commission. Subject to those conditions, all licenses issued after January 1, 2015, shall take effect on the date issued.

(h) If commercial infeasibility develops as a result of a change in federal law rendering the provision of intrastate Internet poker services illegal, or some other event, a licensee may abandon its operations after providing the commission with 90 days' advance notice of its intent and a statement explaining its interpretation that continuing to operate the intrastate Internet poker Web site is commercially infeasible. In response to that notice, the state may file an action in the Superior Court of the County of Sacramento as it deems necessary to protect any state interests, including, but not limited to, the interests of registered players.



19990.22. (a) All facilities, with the exception of redundant servers, bank accounts, and accounting records of the license applicant related to intrastate Internet poker shall be located in California.

(b) All subcontractors of a licensee are subject to this subdivision. If a licensee desires to enter into an agreement with a subcontractor to provide goods or services in connection with the operation of authorized Internet poker games, that subcontractor is subject to this subdivision and investigation and a finding of suitability as set forth in Section 19990.23.

(c) In addition to any other confidentiality protections afforded to license applicants, the state and its agencies shall treat the proprietary information of a license applicant as confidential to protect the license applicant and to protect the security of any prospective intrastate Internet poker Web site. This chapter does not prohibit the exchange of confidential information among state agencies considering a license application. The confidentiality provisions of this chapter exempt proprietary information supplied by a license applicant to a state agency from public disclosure consistent with subdivision (b) of Section 6253 of the Government Code.

(d) A license applicant shall submit to the commission, together with its application, a registration fee as specified in subdivision (a) of Section 19990.21. All moneys collected by the state pursuant to this subdivision shall be deposited into the Internet Poker Fund.

19990.23. (a) The department shall review the suitability of a subcontractor providing goods or services in connection with a licensee's operation of an intrastate Internet poker Web site.



(b) The department may establish a process to conduct a preliminary determination of suitability based on a partial investigation of a subcontractor along with a determination of which subcontractors may be subject to a partial investigation. A partial investigation is intended to screen out applicants that do not meet the suitability requirements of this chapter. A partial investigation shall include fingerprint-based state and federal criminal history checks and clearances, and inquiries into various public databases regarding credit history and any civil litigation. A partial investigation shall also include a review of the subcontractor's financial status, which shall include the required submission of a report prepared on behalf of the subcontractor by a department-approved forensic accounting, audit, or investigative firm, in a format developed by the department, and at the subcontractor's expense. The report shall include the financial information necessary for the department to make a preliminary determination of suitability. The department may specify additional requirements regarding the contents of the report and any other financial information or documentation required to be submitted. A full investigation shall be conducted of only those subcontractors that pass the partial investigation and that will undergo a full investigation pursuant to subdivision (c). Those subcontractors that do not pass the partial investigation may appeal the decision to the commission.

(c) The department shall conduct a full investigation into the suitability of any subcontractor of a licensee. The investigation shall include all of the following persons:

- (1) All officers of the subcontractor.
- (2) The owner or owners of the following:
 - (A) The subcontractor.



(B) Any affiliate of the subcontractor.

(C) Any persons otherwise providing goods to, or performing services for, the subcontractor related to core functions.

(D) Any person deemed by the department to have significant influence over the license applicant or its subcontractors or their respective operations.

(3) In the case of a tribe or a wholly owned tribal entity that is a subcontractor, the investigation shall be limited to the business officers of the tribal entity that will serve as the subcontractor.

(d) A full investigation shall include a review and evaluation of the subcontractor's qualifications and experience to provide the services anticipated, which shall include the required submission of a report prepared on each subcontractor by an outside firm contracted and supervised by the department, in a format developed by the department, and at the subcontractor's expense. The report shall include information necessary for the department to make a determination of suitability, as specified in regulation, consisting of, but not limited to, personal history, prior activities and associations, credit history, civil litigation, past and present financial affairs and standing, and business activities. The department may specify additional requirements regarding the contents of the report and other information or documentation required to be submitted.



(e) A subcontractor shall not be deemed suitable if the subcontractor, or any affiliate of the subcontractor, accepted a wager from any person in California on any form of Internet gaming prior to ____.

Article 5. Requirements for the Operation of an Intrastate Internet Poker Web Site

19990.30. (a) A licensee shall ensure that registered players are eligible to play authorized Internet poker games and implement appropriate data security standards to prevent access by a person whose age and location have not been verified in accordance with this chapter.

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

(c) A registered player shall not be less than 21 years of age.

(d) Each licensee shall do all of the following:

(1) Prior to registering a person as a registered player or permitting a person to play an authorized Internet poker game, the licensee shall verify that the person is 21 years of age or older. The licensee shall attempt to match the name, address, and date of birth provided by the person to information contained in records in a database of individuals who have been verified to be 21 years of age or older by reference to an appropriate database of government records. The licensee also shall verify that the physical billing address on the check or credit card offered for payment by the person seeking to be a registered player matches the address listed in the database.



(2) If the licensee is unable to verify that the person is 21 years of age or older pursuant to subparagraph (1), the licensee shall require the person to submit age-verification documents consisting of an attestation signed by the person that he or she is 21 years of age or older and a copy of a valid form of government identification. For the purposes of this section, a valid form of government identification includes a driver's license, state identification card, passport, official naturalization or immigration document, such as an alien registration receipt card or an immigrant visa, or United States military identification. The licensee also shall verify that the physical billing address on the check or credit card provided by the person matches the address listed in the government identification.

(3) The licensee shall not permit registered players to make payments or withdrawals by money order or cash, except at a land-based gaming facility operated by the licensee. The licensee shall submit to each credit card company with which it has credit card sales information in an appropriate form and format so that the words "Internet poker" may be printed on the purchaser's credit card statement when a payment to a licensee is made by credit card.

(e) If a licensee complies with the requirements of paragraphs (1) and (2) of subdivision (d), and a person under 21 years of age participates in an authorized Internet poker game provided by the licensee, the licensee is not in violation of this section.

(f) The department may assess civil penalties against a person who violates this section, whether a licensee, owner, subcontractor, or player, according to the following schedule:



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

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

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

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

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

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

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

(2) The commission shall deliver the form to each licensee.

(3) A licensee shall prominently display a link to the department's Responsible Gambling Internet Web page and the online self-exclusion form on the Internet Web site that is displayed when either of the following occurs:

(A) A person registers as a registered player.

(B) Each time a registered player accesses the intrastate Internet poker Web site prior to playing.

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



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

19990.31. A licensee shall offer only authorized Internet poker games and process bets in accordance with the specified game and betting rules established by the licensee and approved by the commission pursuant to Sections 19990.14 and 19990.32.

19990.32. (a) In order to propose a game for play, a licensee shall provide the commission with both of the following:

- (1) Game rules and betting rules it proposes to offer to registered players.
 - (2) Documentation relating to development and testing of the game's software.
- (b) A licensee shall not offer a game for play until the commission has approved

the game rules and betting rules.

19990.33. (a) A licensee shall ensure that games are fair.

(b) A licensee shall display a link on its Internet poker Web site that includes the following information for each game offered:

- (1) The name of the game.
- (2) Any restrictions on play.
- (3) The rules of the game.
- (4) All instructions on how to play.
- (5) The unit and total bets permitted.
- (6) The registered player's current account balance, which shall be updated in

real time.



(7) Any other information that a licensee determines is necessary for the registered player to have in real time to compete fairly in the game.

(c) Data used to create game results shall be unpredictable so that it is infeasible to predict the next occurrence in a game, given complete knowledge of the algorithm or hardware generating the sequence and all previously generated numbers.

(d) A licensee shall deploy controls and technology to minimize fraud or cheating through collusion, including external exchange of information between different players, or any other means.

(1) If a licensee becomes aware that fraud or cheating is taking place or has taken place, it shall take steps to stop those activities immediately and inform the department of all relevant facts.

(2) The department shall not impose a fine against a licensee to prevent fraud or cheating if the licensee can demonstrate that it acted responsibly to prevent those activities as soon as the licensee became aware of them.

(e) In a per hand game, if the gaming server or software does not allow a game to be completed, the game shall be void and all funds relating to the incomplete game shall be returned to the registered player's account.

(f) In a tournament, if the gaming server or software does not allow the tournament to be completed, all prize money shall be distributed among players in accordance with the procedure published by the licensee prior to the commencement of the tournament.

(g) A licensee shall not display or allow the results from any authorized Internet poker game, including the redemption of winnings from any game, to be displayed or



represented through any means other than showing the card faces of the winning hand and the dollar amount won. No casino game graphics, themes, or titles may be used, including, but not limited to, depictions of slot machine-style symbols, banked or banking card games, craps, roulette, keno, lotto, or bingo.

(h) A licensee shall not permit the use of robotic play at any time by itself, a subcontractor, or a player.

(i) A licensee shall not permit the use of poker game outcomes to be used in a manner that mimics a slot machine or any other casino style game.

19990.34. (a) A licensee shall register players and establish player accounts prior to play.

(b) A person shall not participate in any game provided by a licensee unless the person is a registered player and holds an account.

(c) Accounts may be established in person, or by United States mail, telephone, or by any electronic means.

(d) To register and establish an account, a person shall provide the following registration information:

- (1) First name and surname.
- (2) Principal residence address.
- (3) Telephone number.
- (4) Social security number.
- (5) Identification or certification to prove that person is at least 21 years of age.
- (6) Valid e-mail address.



(e) A licensee shall provide registered players with the means to update the registration information provided to the licensee, and shall require that registered players keep registration information current.

(f) This section does not prevent a licensee from entering into a marketing agreement with a third party, who has been determined to be suitable as a subcontractor, to recruit people to become registered players if the registration process described in this section is under the sole control of the licensee.

19990.35. (a) A licensee shall provide a means for registered players to put funds into a registered player account and transfer funds out of that account.

(b) A registered player shall identify the source of funds to be used to put money into the account established once the registration process is complete, and a licensee shall provide a means for a registered player to transfer money into and out of the player's intrastate Internet poker Web site account.

(c) At the time of establishing an intrastate Internet poker Web site account, a registered player shall designate the bank account into which funds from the registered player's intrastate Internet poker Web site account are to be transferred.

(d) A registered player shall establish only one account on any intrastate Internet poker Web site.

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



(f) A licensee shall maintain records on the balance of each registered player's account.

(g) A licensee shall not permit a registered player to place a wager unless the registered player's account has sufficient funds to cover the amount of the wager.

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

(i) No interest shall be paid by a licensee with respect to registered player accounts.

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

(k) A licensee shall not commingle funds in the segregated account containing funds paid by registered players with any other funds held by the licensee, including, but not limited to, operating funds of the licensee. Both the accounts of the licensee and its segregated registered player accounts shall be held in financial institutions located in the state.

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

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

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



(3) To transfer funds from a registered player's account to a temporary account to be held by a licensee pending the outcome of an authorized Internet poker game.

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

(5) To transfer funds from a registered player's account with the licensee to an account specified by that registered player upon that registered player's request.

19990.36. Prior to completing the registration process, a licensee shall explain to the person who is registering in a conspicuous fashion the privacy policies of the intrastate Internet poker Web site, and the person shall assent to the following policies:

(a) No personally identifiable information shall be shared with any nongovernment third parties except as provided in subdivision (j) of Section 19990.41.

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

(c) Personally identifiable information may be shared with government agencies only as set forth in subdivision (b) or subject to court order as provided in subdivision (j) of Section 19990.41.

19990.37. A licensee may require that a registered player, or a person registering as a player, agree to a Terms of Use Registered Player's Agreement.

19990.38. A licensee may suspend or revoke the account of a registered player for any of the following reasons:



- (a) A person or registered player provided false information to the licensee, including, but not limited to, in the registration process.
- (b) The registered player has not updated registration information to keep it current.
- (c) The registered player has violated the intrastate Internet poker Web site's Terms of Use Registered Player's Agreement.
- (d) The person has already been registered.
- (e) The licensee suspects that the registered player has participated in an illegal or unauthorized activity on the intrastate Internet poker Web site.
- (f) The licensee is directed by a state agency to suspend or revoke the registered player's account.

19990.39. Upon registration, and each time a registered player logs into an intrastate Internet poker Web site, the licensee shall permit a registered player to adjust his or her play settings to:

- (a) Set a limit on the deposits that can be made per day.
- (b) Set a limit on the aggregate losses in a registered player's account within a specified period of time.
- (c) Set a limit on the amount of time that a registered player can play.

19990.40. A licensee shall offer customer support that shall be available to registered players 24 hours per day, 365 days a year. All employees shall be physically present in the state while in contact with registered players. However, the licensee shall have discretion to use the expertise of personnel not physically present in the state when necessary to comply with this chapter and protect registered players and state



interests, including, but not limited to, for the purposes of diagnosing and addressing technological problems, investigating fraud and collusion, and supervising software and configuration changes. The licensee shall give notice to the commission when using personnel who are out of state.

19990.41. (a) A licensee shall protect the privacy of registered players and their personally identifiable information.

(b) A licensee shall comply with all applicable state and federal privacy and data protection laws.

(c) At the time of registration with a licensee as a registered player, and at least once a year thereafter, a licensee shall provide notice in the form of a separate, written statement, delivered via the United States Postal Service or electronic mail, to the registered player that clearly and conspicuously informs the registered player of all of the following:

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

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

(3) The period during which personally identifiable information will be maintained by the licensee.

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



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

(d) A licensee shall not collect personally identifiable information concerning any registered player without the prior written or electronic consent of the registered player.

(e) A licensee may collect personally identifiable information in order to do both of the following:

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

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

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

(g) A licensee may disclose personally identifiable information if the disclosure is any of the following:

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



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

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

(A) The licensee has provided the registered player the opportunity to prohibit or limit the disclosure.

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

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

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

(h) A registered player shall be provided access to all personally identifiable information regarding that registered player that is collected and maintained by a licensee. The information shall be made available to the registered player at reasonable times and at a place designated by the licensee. A registered player shall be provided reasonable opportunity to correct any error in the information.

(i) A licensee shall destroy personally identifiable information if the information is no longer reasonably necessary for the purpose for which it was collected, and there are no pending requests or orders for access to the information under subdivision (j).

(j) Except as provided in subdivision (g), a governmental or nongovernmental third party may obtain personally identifiable information concerning a registered



player pursuant to a court order only if, in the court proceeding relevant to the court order, both of the following apply:

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

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

19990.42. A licensee shall establish a book of accounts and regularly audit all of its financial records and reports, which shall, at a minimum, include all of the following:

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

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

(c) The identity of registered players.

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

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

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

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



19990.43. (a) A licensee shall make all financial records established and maintained pursuant to Section 19990.42, including, but not limited to, all books, records, documents, financial information, and financial reports, available on an electronic basis, as required by the commission or other state agencies so that those state agencies can fulfill their responsibilities under this chapter. A state agency may request specific printed hard copies of records for good cause.

(b) The licensee's data shall be retained in a manner by which it may be accessed online by a state agency with responsibilities under this chapter. The commission shall identify which state agencies require online access.

(c) Notwithstanding subdivision (b), data covered by subdivisions (d), (e), and (f) of Section 19990.42, shall be accessible to the state agencies online for 120 days, and, thereafter, archived and retained for one year.

19990.44. (a) A licensee shall implement technical systems that materially aid the commission in the protection of registered players. Software shall meet, at a minimum, international industry standards as verified by a commission-approved gaming laboratory.

(b) A licensee shall define and document its methodology for developing software and applications and describe the manner in which software protects registered players from fraud and other risks in the play of authorized Internet poker games and in the management of registered player accounts.

(c) A licensee shall meet minimum game server connectivity requirements to ensure that registered players are protected from losses due to connectivity problems.



(d) A licensee shall ensure that all transactions involving registered players' funds shall be recoverable by the system in the event of a failure or malfunction.

(e) All information required for reviewing a game interrupted due to loss of connectivity shall be recoverable by the licensee.

(f) Preventative and detective controls addressing money laundering and fraud risks shall be documented and implemented by the licensee.

19990.45. (a) A licensee may charge registered players to play in authorized Internet poker games.

(b) Per hand charges are permitted.

(1) A per hand charge shall be designated and conspicuously posted on the intrastate Internet poker Web site.

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

(c) Tournament charges shall be permitted.

(1) A tournament charge shall be designated and conspicuously posted on the intrastate Internet poker Web site.

(2) A licensee may vary tournament charges based on tournament prizes or other factors.

(d) A licensee shall provide notice to the commission of the charges to registered players prior to initiating play.

19990.46. A licensee may do any of the following:



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

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

(c) Enter into an agreement with a third-party subcontractor for marketing, or any other purpose consistent with this chapter, including, but not limited to, displaying the name of a marketing partner on a screen viewed by a registered player. However, a licensee shall not utilize any brand or business name, including any derivative brand name with the same or similar wording, or any trade or service mark, software, technology, operational system, customer information, or other data acquired, derived, or developed directly or indirectly from any operation that has accepted a wager from any person in California on any form of Internet gaming prior to _____. To the extent any business relationships or financial arrangements were utilized or existed to further illegal Internet gambling, those relationships and arrangements shall be discontinued.

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

(e) Post Internet Web links on the Internet Web sites it controls to permit registered players to access remote Internet Web sites. However, each licensee is limited to ____ Internet poker Web site for which ____ which it may offer Internet poker to registered players.

(f) Enter into contractual agreements with one or more licensees for the purpose of ensuring adequate player liquidity.



19990.47. (a) In support of the application for a license pursuant to this chapter, the licensee shall remit to the Treasurer a one-time license fee in the amount of five million (\$5,000,000), to be deposited into the General Fund, and credited against charges imposed pursuant to subdivision (b) on the licensee's gross gaming revenues. Upon depletion of the license fee, the commission shall notify the licensee to commence quarterly payments to the state in accordance with subdivision (b).

(b) In consideration of the substantial value of each license, a licensee shall remit to the Treasurer on a quarterly basis for deposit in the General Fund an amount equal to 5 percent of its gross gaming revenues.

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

(2) A licensee shall make all electronic and written financial records available to the Treasurer, the commission, and the department on an electronic basis.

(c) Each licensee shall pay a regulatory fee, to be deposited in the Internet Poker Fund, in an amount, not to exceed ____ (\$____) per year, to be determined by the commission for the reasonable costs of license oversight, consumer protection, state regulation, problem gambling programs, and other purposes related to this chapter.

19990.48. (a) The licensee shall facilitate the collection of personal income taxes from registered players by the Franchise Tax Board and shall be responsible for providing current and accurate documentation on a timely basis to all state agencies, as provided in this chapter.



(b) The state and its agencies shall treat the proprietary information provided by a licensee as confidential to protect the licensee and to protect the security of the intrastate Internet poker Web site.

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

19990.49. (a) A licensee shall act expeditiously to cure any violation of this chapter, or any violation of a regulation adopted pursuant to this chapter, in the offer or administration of authorized Internet poker games that interferes with its obligations to the state or registered players under this chapter.

(b) If a licensee becomes aware of any violation, it shall notify the commission immediately and work with the commission to develop a plan to rectify the violation.

(c) If the commission becomes aware of any violation, or if it becomes aware of any activities that might lead to a violation, the commission shall provide notice of that violation to the licensee and a reasonable opportunity to cure the violation, before referring the matter to the department for investigation and possible enforcement.

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

(e) A licensee shall be afforded a reasonable time period to cure any reported violation.



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

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

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

(i) The department shall protect the rights and assets of registered players on an intrastate Internet poker Web site if the licensee's license pursuant to this chapter is revoked or the licensee becomes bankrupt.

19990.50. (a) A license issued pursuant to this chapter is not transferable. To the extent a licensee seeks to change ownership of its land-based gaming facility, the license held by the licensee shall be rendered void upon the date of any change of ownership in the land-based gaming facility. In anticipation of a change in ownership, the acquiring person shall apply for a license in advance, at which point the commission shall determine whether the applicant is legally qualified to be a licensee under this chapter.



(b) The commission shall investigate to ensure that any person acquiring an interest in a licensee is suitable and otherwise financially, technically, and legally qualified to be a licensee pursuant to this chapter. If an acquiring person is found to be unsuitable to be a licensee, or otherwise not financially, technically, or legally qualified to be a licensee, the licensee or the acquiring person may challenge that determination.

19990.51. All facilities, software, including downloadable programs, and any other property, both tangible and intangible, used by the licensee in offering authorized Internet poker games for play on an intrastate Internet poker Web site shall be the property of the licensee or its subcontractors, and shall be subject to the approval of the commission.

19990.52. If any dispute arises between the state and the licensee, either the commission or a licensee may file an action in the superior court of any county in which the commission has an office for an interpretation of the rights and responsibilities of the state and the licensee pursuant to this chapter.

Article 6. Employee Work Permits

19990.60. (a) A licensee shall apply to the commission and, if applicable, the tribal regulatory authority, for an employee work permit on behalf of each employee.

(b) Prior to initiating operations and thereafter, a licensee shall ensure that every employee has been issued an employee work permit by the commission and, if



applicable, the tribal gaming regulatory authority, prior to that person having access to the licensee's facilities. The permit shall be renewed every two years.

(c) An employee work permit shall not be issued unless, based on all of the information and documents submitted, the commission and, if applicable, the tribal gaming regulatory authority is satisfied that the applicant is, at a minimum, all of the following:

(1) A person of good character, honesty, and integrity.

(2) A person whose prior activities, criminal record, if any, reputation, habits, and associations do not pose a threat to the integrity of a gaming operation or public interest of this state, or to the effective regulation and control of controlled gambling, or create or enhance the dangers of unsuitable, unfair, or illegal practices, methods, and activities in the conduct of controlled gambling or in the carrying on of incidental business and financial arrangements.

(3) A person who is in all other respects qualified to hold an employee work permit as provided in this chapter.

(d) An employee work permit shall not be issued unless the applicant meets the qualification standards adopted by the commission. A tribal gaming regulatory authority may impose additional qualifications with respect to activities on Indian lands.

19990.61. An applicant for an employee work permit 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 timely information, documentation, and assurances required by this chapter or requested by any state official, failure of the applicant to reveal any fact material to the qualification, or the supplying of information that is untrue or misleading as to a material fact pertaining to the qualification criteria.

(c) Conviction of a felony, including a conviction by a federal court, a court in another state, or a court in another country, for a crime that would constitute a felony if committed in California.

(d) Conviction of the applicant 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. However, 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 department or affect the applicant's burden under subdivision (b).

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

(f) Contemptuous defiance by the applicant of any legislative investigative body, or other official investigative 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.



19990.62. The commission and, if applicable, the tribal gaming regulatory authority shall establish fees to be paid by a licensee for the reasonable cost of background investigation on employee work permit applications. The commission shall establish processes for the revocation or suspension of an intrastate Internet poker license or employee work permit, and to withdraw an application for an intrastate Internet poker license or employee work permit. These processes shall also be followed by the tribal gaming regulatory authority with respect to activities on Indian lands.

19990.63. (a) A licensee or subcontractor of a licensee shall not enter into, without prior approval of the commission and, if applicable, the tribal gaming regulatory authority, a contract or agreement with a person who is denied a gambling license or employee work permit pursuant to Chapter 5 (commencing with Section 19800), or whose gambling license or employee work permit is suspended or revoked by the department or tribal gaming regulatory authority, or with any business enterprise under the control of that person, after the date of receipt of notice of the action of the department or tribal gaming regulatory authority.

(b) A licensee or subcontractor of a licensee shall not enter into a contract or agreement with a person or entity that has accepted a wager from any person in California on any form of Internet gaming prior to ____, or has been the holder of a direct or indirect financial interest in a person or entity that has accepted that wager.

19990.64. (a) A licensee or subcontractor of a licensee shall not employ, without prior approval of the commission and, if applicable, the tribal gaming regulatory authority, a person in any capacity for which he or she is required to have an employee work permit, if the person has been denied a gambling license or an employee work



permit pursuant to Chapter 5 (commencing with Section 19800), or if his or her gambling license or employee work permit has been suspended or revoked after the date of receipt of notice of the action by the commission or tribal gaming regulatory authority. A licensee or subcontractor of a licensee shall not enter into a contract or agreement with a person whose application for a gambling license or an employee work permit has been withdrawn with prejudice, or with a 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 a gambling license or an employee work permit.

(b) (1) If an employee who is required to hold an employee work permit pursuant to this chapter is denied an employee work permit, or has his or her employee work permit revoked by the commission or tribal gaming regulatory authority, the employee shall be terminated immediately in all capacities. Upon notifying the licensee of the action of the commission or tribal gaming regulatory authority, the employee shall have no further involvement in the gambling operation.

(2) If an employee who is required to hold an employee work permit pursuant to this chapter has his or her employee work permit suspended, the employee shall be suspended in all capacities. Upon notifying the licensee of the action of the commission or tribal gaming regulatory authority, the employee shall not be permitted to have any involvement in the gambling operation during the period of suspension.

(3) A licensee or subcontractor of a licensee shall not designate another employee to replace the employee whose employment was terminated or suspended, unless the other employee has an existing work permit.



(c) A licensee or subcontractor of a licensee shall not pay to a person whose employment has been terminated or suspended pursuant to subdivision (b) any remuneration for any service performed in any capacity in which the person is required to hold an employee work permit, except for amounts due for services rendered before the date of receipt of notice of the action of the department or tribal gaming regulatory authority.

(d) Except as provided in subdivision (b), a contract or agreement for the provision of services or property to a licensee or subcontractor or for the conduct of any activity pertaining to the operation of an intrastate Internet poker Web site, that is to be performed by a person required by this chapter, or by regulations adopted pursuant to this chapter, to hold an employee work permit, shall be terminated upon a suspension or revocation of the person's employee work permit.

(e) In a case in which a contract or agreement for the provision of services or property to a licensee or an affiliate thereof, or for the conduct of any activity at an intrastate Internet poker Web site, is to be performed by a person required by this chapter or by regulations adopted by the department to hold an employee work permit, the contract shall be deemed to include a provision for its termination without liability on the part of the licensee, affiliate, or subcontractor upon a suspension or revocation of the person's employee work permit. In any action brought by the commission to terminate a contract pursuant to subdivision (d) or this subdivision, 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.

Article 7. Protection of Registered Players

19990.70. A licensee shall use its best efforts to protect registered players. Subject to the approval of the commission, and consistent with uniform standards established by the commission by regulation, each licensee shall establish administrative procedures to resolve registered player complaints.

19990.71. (a) If a registered player has a complaint against a licensee, the exclusive remedy shall be to register the complaint with the commission.

(b) The commission, in consultation with the department, shall establish regulations with respect to registered player complaints.

(c) Under the regulations, the commission shall do all of the following:

(1) Investigate registered player complaints to determine if a licensee has failed to meet its obligations to a registered player.

(2) Attempt to resolve complaints by registered players if a licensee fails to meet an obligation to a registered player.

(3) Initiate enforcement actions to require specific performance of any obligation that the commission has determined a licensee has failed to fulfill with respect to a registered player.



(d) A licensee may appeal any action by the commission pursuant to this article to the superior court, which shall review the appeal de novo.

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

19990.75. The Treasurer shall transfer all amounts received from a licensee pursuant to subdivision (d) of Section 19990.22 and subdivision (c) of Section 19990.47 to the Controller for deposit in the Internet Poker Fund, which is created in the State Treasury, to be administered by the department. Notwithstanding Section 13340 of the Government Code, all moneys in the fund are continuously appropriated to the department and the commission, without regard to fiscal years, in the amounts necessary for the department and the commission to perform their duties under Sections 19990.22 and 19990.23, and subdivision (c) of Section 19990.47.

19990.76. (a) The state agencies shall submit revenue needs to fulfill their obligations under this chapter for the upcoming fiscal year to the Senate Committee on Budget and Fiscal Review and the Assembly Committee on Budget, as well as the Senate and Assembly Committees on Governmental Organization and the Department of Finance on or before March 31 of the preceding fiscal year. A justification of those costs shall be provided with each submission of revenue needs.

(b) The State Department of Alcohol and Drug Programs, Office of Problem Gambling, shall submit revenue needs for programs to alleviate problem gambling that results from the offering of authorized Internet poker games for the upcoming fiscal



year to the Senate Committee on Budget and Fiscal Review and the Assembly Committee on Budget, as well as the Senate and Assembly Committees on Governmental Organization, the Senate and Assembly Committees on Human Services, and the Department of Finance on or before March 31 of the preceding fiscal year. A justification of those costs shall be provided with each submission of revenue needs.

(c) With the exception of funding paid into the Unlawful Gambling Enforcement Fund, as set forth in this article, all remaining proceeds not allocated pursuant to subdivisions (a) and (b) shall remain in the Internet Poker Fund subject to appropriation by the Legislature.

19990.77. The Unlawful Gambling Enforcement Fund is hereby established as a special fund within the General Fund for purposes of ensuring adequate resources for law enforcement charged with enforcing the prohibitions and protections of this chapter. The fund shall be funded by depositing ____ percent of the revenue from the civil penalties recovered by law enforcement authorities pursuant to Section 19990.78 into the fund prior to the distribution required under subdivision (c) of Section 19990.78. Up to ____ million dollars (\$____) in the fund may be expended annually by the Attorney General, upon appropriation by the Legislature, for the purposes of this chapter.

19990.78. (a) A person who engages or conspires to engage in activities prohibited by this chapter, or by Section 321, 322, 323, 324, 326, 330, 330a, 330b, 330c, 330d, 330.1, 330.4, or 331 of the Penal Code, is liable for a civil penalty not to exceed ____ dollars (\$____) for each violation, in addition to any other penalty or remedy that may be imposed by law, which shall be assessed and recovered in a civil



action brought in the name of the people of the State of California by the Attorney General, a district attorney, a county counsel authorized by agreement with the district attorney in an action involving the violation of a county ordinance, the city attorney of a city having a population in excess of 750,000 persons, the city attorney of a city and county, or, with the consent of the district attorney, the city prosecutor in a city with a full-time city prosecutor, in a court of competent jurisdiction.

(b) The court shall impose a civil penalty for each violation of this chapter and each violation of Section 321, 322, 323, 324, 326, 330, 330a, 330b, 330c, 330d, 330.1, 330.4, or 331 of the Penal Code. In determining the amount of the civil penalty, the court shall consider any relevant circumstance presented by a party to the case, including, but not limited to, any of the following:

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

(c) (1) Civil penalties recovered by law enforcement authorities pursuant to this section shall be allocated as follows:

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



(B) If the action is brought by a district attorney or county counsel, the penalty collected shall be paid to the treasurer of the county in which the judgment was entered for deposit into that county's general fund.

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

(2) The revenue from all civil penalties allocated pursuant to subparagraph (A) of paragraph (1), upon appropriation by the Legislature, shall be used by the Attorney General exclusively to support the investigation and enforcement of violations of California's gambling laws, including the implementation of judgments obtained from prosecution and investigation of those violations and other activities that are in furtherance of this chapter and Sections 321, 322, 323, 324, 326, 330, 330a, 330b, 330c, 330d, 330.1, 330.4, and 331 of the Penal Code.

(3) The revenue from all civil penalties allocated pursuant to subparagraphs (B) and (C) of paragraph (1) shall be for the exclusive use of the district attorney, the county counsel, the city attorney, or the city prosecutor, whichever is applicable, for the enforcement of this chapter and existing laws prohibiting illegal gambling activity.

Article 9. Preemption of Local Regulation



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19990.80. A city, county, or city and county shall not regulate, tax, or enter into a contract with respect to any matter related to this chapter. This section shall not prohibit or limit the investigation and prosecution of any violation of this chapter.

Article 10. Reports to the Legislature

19990.85. Notwithstanding Section 10231.5 of the Government Code, within one year of the operative date of this chapter, and annually thereafter, the commission, in consultation with the department, the Treasurer, and the Franchise Tax Board, shall issue a report to the Legislature describing the state's efforts to meet the policy goals articulated in this chapter. The report shall be submitted in compliance with Section 9795 of the Government Code.

19990.86. (a) At least four years after the issue date of any license pursuant to this chapter, but no later than five years after that date, the Bureau of State Audits shall issue a report to the Legislature detailing the implementation of this chapter.

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

(c) Pursuant to Section 10231.5 of the Government Code, this section is repealed four years after the date on which this chapter becomes operative.

Article 11. Nonseverability



19990.87. The provisions of this act are not severable. If any provision of this act or the application thereof to any person or circumstances is held invalid, the entire act shall be invalid.

SEC. 2. Section 330d is added to the Penal Code, to read:

330d. (a) An “electronic sweepstakes device” is a slot machine or device within the meaning of Section 330b, and is subject to that section.

(b) For the purposes of this section, an “electronic sweepstakes device” is a computer or other mechanically or electronically operated machine or device, or network of machines or devices, that is capable of displaying information on a screen or other mechanism, and that is intended to be used at least in part for the purpose of conducting or promoting a sweepstakes through the use of an entertaining display, including the entry process or the reveal of a prize, regardless of whether that computer, machine, device, or network also serves other purposes, such as Internet access, and regardless of whether consideration is required in order to enter the sweepstakes or to operate the device in connection with the conduct or promotion of the sweepstakes.

(c) For the purposes of this section, “entertaining display” means a video or mechanical representation of the outcome of the sweepstakes, including, but not limited to, video or mechanical reels or other casino game themes.

(d) For the purposes of this section, a “sweepstakes” is defined as a game, advertising scheme or plan, or other promotion conducted in connection with the sale of a consumer product, with or without payment of consideration, that a person may enter to win or become eligible to receive a prize of money, credit, allowance, or thing



of value, or that may be given in trade, the determination of which is based upon skill or chance, or both, and regardless of the point at which the prize is determined.

SEC. 3. The Legislature finds and declares that Chapter 5.2 (commencing with Section 19990.01) of Division 8 of the Business and Professions Code, as added by this act, imposes a limitation on the public's right of access to the meetings of public bodies or the writings of public officials and agencies within the meaning of Section 3 of Article I of the California Constitution. Pursuant to that constitutional provision, the Legislature makes the following findings to demonstrate the interest protected by this limitation and the need for protecting that interest:

The limitations on the people's rights of access set forth in this chapter are necessary to protect the privacy and integrity of information submitted by the registered players as well as the proprietary information of the license applicants and licensees.

SEC. 4. 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.

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



In order to protect the interests of Californians who play online gambling games and to ensure that people play fair games, that the state realizes the revenues, and that suitable persons operate intrastate Internet poker Web sites, it is necessary that this act take effect immediately.



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