





LEGAL ALERT

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Legal Alert: Game Changing Bill on California's Internet Gaming

by Harsh Parikh and Heidi McNeil Staudenmaier

In hopes of infusing much-needed revenues into California's state treasury, Senators Rod Wright and Darrell Steinberg introduced **SB 1463** in the California Legislature on Friday, February 24, 2012. The new bill would legalize online gambling, with poker as the only game allowed for the first two years.

If it passes, online gambling is expected to become a lucrative industry, as the bill hopes to "provide hundreds of millions of dollars annually for the public services that have been cut repeatedly during the state's budget crisis." SB 1463, however, only allows three types of entities to obtain a license to operate an intrastate Internet gambling website: (1) current owners of a state gambling license who have held it in good standing with the California Gambling Control Commission for the last three years; (2) Indian tribes; and (3) racing associations and advance deposit wagering sites in good standing for the last three years with the California Horse Racing

Board. The bill provides that every applicant be thoroughly investigated by the California Department of Justice. The application for a license would be anywhere between \$1 million to \$5 million.

Those who are not eligible to obtain a license, like out-of-state corporations or unlicensed entities, are not completely out of luck. They may join any eligible licensees as investors, subcontractors and online gaming platform providers. The Department of Justice would investigate all such persons. Additionally, SB 1463 requires that, with some notable exceptions, all licensees and their employees involved with the operations of a licensed Internet gambling website be physically located within the State of California.

The bill will not be acted upon until the end of March or beginning of April, when it is expected to go through several amendments and revisions. SB 1463 has been given an “urgency” status and, if passed by the legislature, will become effective as soon as it is signed by the Governor or allowed to become law without the Governor’s signature. There appears to be a greater sense of optimism that this online gambling bill will pass, despite the failure of similar measures last year, SB 40 and SB 45.



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