

Overview of Gambling in California

LEGISLATIVE ANALYST'S OFFICE

Presented to:
Assembly Governmental Organization Committee
Hon. Adam Gray, Chair

Senate Governmental Organization Committee
Hon. Isadore Hall III, Chair





Major Forms of Gambling in California

- Tribal Gaming
- California State Lottery
- Cardrooms
- Horse Racing
- Gambling by Charitable Organizations



Tribal Gaming

- Authorizing Statute.** Proposition 1A (2000) amended the State Constitution to allow federally recognized tribes to operate slot machines, lottery games, and banking and percentage card games on tribal lands in California. A tribe can open a casino with these games if (1) the Governor and the tribe reach an agreement on a tribal-state compact, (2) the Legislature approves the compact, and (3) the federal government approves the compact.
- Size of Industry.** The Legislature has ratified tribal-state gaming compacts with 73 of California's 110 federally recognized tribes. Of these tribes, 58 tribes currently operate 60 casinos in 26 counties. The industry generates about \$7 billion in revenue after winnings.
- State Revenue.** In accordance with the terms of various tribal-state compacts, the state General Fund is projected to receive \$330 million in revenue in 2014-15. An additional \$30 million in revenue will support state regulatory and problem gaming costs.
- Regulation.** Each tribe with a casino maintains a gaming agency to provide on-site regulation of gaming operations. The California Gambling Control Commission (CGCC) and the Bureau of Gambling Control (BGC) within the Department of Justice (DOJ) share responsibility for ensuring that tribes comply with the terms of their tribal-state compacts.



California State Lottery

- Authorizing Statute.** Proposition 37 (1984) amended the State Constitution to authorize a statewide lottery in California.
- Games Offered.** Authorized games can provide opportunities to instantly win (such as Scratcher games) or win by selecting numbers (such as SuperLotto Plus). Some games (such as Powerball) are multistate lottery games.
- Size of Industry.** Approximately 21,000 retailers in all 58 counties currently sell lottery products. The industry generated roughly \$2 billion in revenue after winnings in 2014-15.
- State Revenue.** In 2014-15, nearly \$1.4 billion in lottery revenue will be used to support education. Additionally, about \$700,000 in lottery revenue will be used to support administrative, regulatory, and problem gaming costs.
- Regulation.** Proposition 37 also created a five-member Lottery Commission to oversee the operations (including authorization of games and regulatory activities) of the State Lottery. Commission members are appointed by the Governor and confirmed by the Senate.



Cardrooms

- Authorizing Statute.** State law permits cardrooms to operate in those cities or counties that have adopted ordinances that authorize them. In addition, cardrooms must also comply with additional state regulatory requirements, such as licensing. Currently, there is a moratorium on new cardrooms through January 1, 2020. Moratoriums on new cardrooms have generally been in place since 1995.
- Games Offered.** Cardrooms offer certain card games (such as poker and pai-gow) that are approved by the BGC. These games must also comply with state law and local gaming ordinances.
- Size of Industry.** Currently, there are 89 cardrooms that operate in 32 counties in California. The industry generates about \$850 million in revenue after winnings.
- State Revenue.** Cardrooms and their owners are subject to state business and income taxes. Additionally, \$19.5 million in fees are projected to be collected from the industry in 2014-15 to support state regulatory and problem gaming costs.
- Regulation.** The BGC and the CGCC share responsibility for regulating cardrooms. Such regulation includes licensing as well as approval of games and gaming activities (such as jackpots or tournaments). Local governments also have limited oversight of cardrooms, including the ability to increase the number of gaming tables at cardrooms within their jurisdiction under specified circumstances.



Horse Racing

- ☑ **Authorizing Statute.** Proposition 3 (1933) amended the State Constitution to legalize wagering on horse racing. State law authorizes wagering to occur on-site at the track, off-site at satellite facilities in California, online through advance deposit wagering, or at out-of-state locations that collect wagers on California horse races.

- ☑ **Size of Industry.** Currently, 38 tracks, fairs, and satellite facilities operate in 19 counties in California. The industry generated nearly \$660 million in revenue after winnings in 2013-14.

- ☑ **Major Source of State Revenue.** The horse racing industry is subject to state business and income tax requirements. The state General Fund also received about \$1 million in revenue directly in 2013-14. Additionally, \$12 million was spent in fees collected from the industry to support state regulatory and administrative costs.

- ☑ **Regulation.** Proposition 3 also created a seven-member California Horse Racing Board to oversee and regulate the industry in California. Board members are appointed by the Governor.



Gambling by Charitable Organizations

- Card Night Fundraisers.** State law authorizes certain nonprofit organizations to host one “card night” fundraiser per year. Only specific card games approved by BGC (such as poker) may be played at such events. Statute also requires that 90 percent of the gross revenue from the fundraiser go to the nonprofit organization. These events are regulated by BGC and DOJ’s Charitable Trusts Section, as well as local ordinances.

- Bingo.** Proposition 9 (1976) amended the State Constitution to authorize cities and counties to allow bingo games to be conducted for charitable purposes. Additionally, state law authorizes remote caller bingo—the live calling of a bingo game broadcasted to multiple locations within the state. A local ordinance must be adopted before bingo or remote caller bingo can be conducted. The BGC, CGCC, and local governments regulate bingo activities.

- Raffles.** Proposition 17 (2000) amended the State Constitution to authorize certain nonprofit organizations to conduct raffles to raise funds for beneficial or charitable purposes in California. The measure requires that at least 90 percent of the gross revenue from the fundraiser go to beneficial or charitable purposes in California. Raffles are regulated by DOJ’s Charitable Trusts Section.