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## SENATE COMMITTEE ON APPROPRIATIONS

Senator Anthony Portantino, Chair  
2019 - 2020 Regular Session

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### SCA 6 (Dodd) - Gambling: sports wagering

**Version:** May 28, 2020

**Urgency:**

**Hearing Date:** June 9, 2020

**Policy Vote:** G.O. 9 - 3

**Mandate:** No

**Consultant:** Janelle Miyashiro

**Bill Summary:** SCA 6 establishes the California Sports Wagering and Consumer Protection Act (Act) and authorizes sports betting, including online or mobile sports betting, by horse race tracks and federally recognized Indian tribes, as specified. The bill also incorporates the authority of a licensed gambling establishment to offer games with cards or tiles in which participants wager against each other, as specified, and makes other clarifications around these games.

**Fiscal Impact:** This bill would result in one-time General Fund costs to the Secretary of State (SOS) in the range of \$438,000 to \$584,000, likely in 2020-21, for printing and mailing costs to place the measure on the ballot in a statewide election. Actual costs may be higher or lower, depending on the length of required elements and the overall size of the ballot.

The Department of Justice (DOJ) anticipates significant costs in the millions of dollars one time and ongoing for additional workload to enforce the provisions of the Act (California Sports Wagering Fund).

The amount of revenues collected pursuant to the Act is indeterminate but likely significant. Revenues may offset administrative and enforcement costs to the regulatory entities responsible for administering the Act.

**Background:** In 1992, Congress passed the Professional and Amateur Sports Protection Act (PASPA), effectively outlawing sports betting in most of the United States. Existing sports lotteries in Oregon, Delaware, and Montana were exempted from PASPA, as well as sports betting in Nevada.

The California Constitution prohibits various gaming activities within the state, including casino-style gambling. However, it authorizes the Governor, subject to ratification by the Legislature, to negotiate and conclude compacts for the operation of slot machines and the conduct of lottery games and banking and percentage card games by federally recognized Indian tribes on Indian lands in California in accordance with federal law. Additionally, the California Constitution also authorizes the Legislature to provide for the regulation of horseracing, charitable bingo games, the California State Lottery, and charitable raffles.

**Proposed Law:** This bill:

- Establishes the California Sports Wagering and Consumer Protection Act (Act).

- Additionally authorizes the Governor to negotiate and conclude compacts, subject to ratification by the Legislature, for onsite sports wagering and banking and percentage games by a federally recognized Indian tribe on Indian lands in California.
- Authorizes onsite sports wagering and banking and percentage games to be conducted and operated on tribal lands subject to compacts pursuant to this Act.
- Requires all amendments to tribal-state gaming compacts to permit onsite sport wagering to include provisions for compensation for actual regulatory costs incurred by the state related to sports wagering, as specified.
- Authorizes a federally recognized Indian tribe to offer online sports wagering if offered through an independent online sports wagering platform that provides sports wagering on behalf of the tribe, as specified.
- Authorizes a licensed gambling establishment to offer games played with cards or tiles in which participants wager against each other, including games in which a participant known as the player-dealer wagers against the other participants, and would clarify that games played in this manner at a licensed gambling establishment are not banking or percentage games.
- Commencing January 1, 2021, authorizes an approved racetrack to offer sports wagering, as specified.
- Prohibits:
  - Persons under 21 years of age to place or collect a win from a sports wager.
  - Sports wagering to be displayed or represented in a manner that mimics a slot machine or any other casino-style game.
  - Wagering on the officiating of any sport event or whether injuries may or may not occur during any sporting event.
  - Marketing or advertising of sports wagering that is attractive to children or intends to encourage persons under 21 years of age to engage in sports wagering.
- Requires official league or association data be used for the purposes of live betting, as specified.
- Requires providers to cooperate with leagues and associations in barring any individual from participating in sports wagering whose participation the league or association believes may harm the integrity of the sport or be unfair to consumers.
- Requires the Bureau of Gambling Control within the Department of Justice to perform all investigatory and auditing functions over facilities that operate sports wagering, as specified.

- Provides that on-site sports wagering shall be taxed at a rate of 10% of gross gaming revenue, and online sports wagering shall be taxed at a rate of 15% of gross gaming revenue.
- Requires each approved race track operator to remit 1% of their gross gaming revenue from all sports wagering, and each federally recognized Indian tribe to remit 1% of their gross gaming revenue from online sports wagering, to fund problem gambling programs, as specified. The total amount collected from all operators shall not exceed \$10 million dollars.
- Requires each online sports wagering platform to pay an annual fee of \$1 million dollars, as well as a one-time fee of \$5 million dollars for each entity for which it provides online sports wagering.
- Establishes the California Sports Wagering Fund, and requires that all monies collected pursuant to this bill be deposited in the Fund for appropriation by the Legislature to assist the state in recovering from the health and economic damage caused by the COVID-19 pandemic and to fund priorities related to education, public health, and public safety, as specified.
- Authorizes the Legislature to enact those statutes necessary to implement sports wagering pursuant to this bill, including consumer protection and anticorruption measures.
- Establishes definitions for purposes of the Act.
- Includes legislative findings and declarations.

**Related Legislation:** ACA 16 (Gray, 2019) would, if approved by a vote of the people, authorize the Legislature by statute to authorize and provide for the regulation of sports wagering. (Pending referral in Assembly Rules)

**Staff Comments:** SOS indicates that printing and mailing costs associated with placing a measure on the statewide ballot are approximately \$73,000 per page, depending on the length of the ballot. The fiscal estimates noted above reflect the addition of 6-8 pages in the Voter Information Guide. Actual costs would depend upon the length of the title and summary, analysis by the Legislative Analyst's Office, proponent and opponent arguments, and text of the proposal.

The Bureau of Gambling Control (BGC) within the DOJ anticipates significant new workload to conduct all investigatory and auditing functions over facilities that operate sports wagering, unless otherwise provided in a tribal-state compact. Additionally the Indian and Gaming Law Section within DOJ's Public Rights Division anticipates an increase in workload to negotiate and interpret tribal compacts for the BGC and the Governor's Office, assist the California Horse Racing Board and the BGC with opinion and licensing workloads, and implement regulations for providers and affiliates. DOJ estimates enforcement costs to total up to \$2.6 million in 2020-21, and \$4.3 million ongoing.