

CONCURRENCE IN SENATE AMENDMENTS

AB 831 (Valencia)

As Amended September 3, 2025

Majority vote

SUMMARY

Original Committee of Reference: AGO

This bill would prohibit an online sweepstakes game (game, contest, or promotion), as described, that simulates or mimics casino-style gambling or a gambling-themed games, as defined, by utilizing a dual-currency system of payment that allows a person to play or participate with direct or indirect consideration, and for which the person playing or participating may become eligible for a prize, award, cash, or cash equivalents or a chance to win a prize, award, cash, or cash equivalents. This bill would make it unlawful for any person or entity to operate, conduct, or offer an online sweepstakes game, as defined, in this state.

The Senate Amendments delete the Assembly version of the bill, and instead:

Current Committee Recommendation: Concur

1) Include intent language that states *"it is the intent of the Legislature that this act apply to persons or entities who knowingly and intentionally engage in, promote, or facilitate online sweepstakes games that utilize a dual-currency system, and not to ancillary or publicly available services, platforms, or infrastructure providers that may be unknowingly or unintentionally used in connection with those online sweepstakes games, provided they are not acting with the intent to further those online sweepstakes games."*

2) Provide that using or offering for use any method, including an internet website or an online application, intended to be used by a person to simulate gambling, or any game that mimics or simulates similar gambling is prohibited in the operation of any contest or sweepstakes.

3) Make it an unfair practice using or offering games of the types, as defined, that use a dual-currency system of payment that allows a person to play or participate in a simulated gambling program for direct or indirect consideration, as specified, and for which a person playing the simulated gambling program may become eligible for a prize or award, cash or cash equivalents, or a chance to win a prize or award, or cash or cash equivalents, in a business establishment, on the internet, or using an online application.

4) Provide that the provisions of this bill do not make a game that does not award cash prizes or cash equivalents unlawful.

5) Provide that it is unlawful for any person or entity to operate, conduct, or offer an online sweepstakes game in this state.

6) Provide it is unlawful for any entity, financial institution, payment processor, geolocation provider, gaming content supplier, platform provider, or media affiliate to knowingly and willfully support directly or indirectly the operation, conduct, or promotion of an online sweepstakes game within this state.

7) Define "Online sweepstakes game" to mean a game, contest, or promotion that meets all of the following conditions:

- a) Available on the internet or accessible on a mobile phone, computer terminal, or similar device.
- b) Utilizes a dual-currency system of payment that allows a person to play or participate with direct consideration or indirect consideration, and for which the person playing or participating may become eligible for a prize, award, cash, or cash equivalents or a chance to win a prize, award, cash, or cash equivalents.
- c) Awards cash or cash equivalents.
- d) Simulates gambling, which, for these purposes, includes, but is not limited to, any of the following:
 - i. Slot machines.
 - ii. Video poker.
 - iii. Table games, including, but not limited to, blackjack, roulette, craps, and poker.
 - iv. Lotteries, as defined.
 - v. Bingo.
 - vi. Sports wagering.

8) Provide that a person who violates the above-mentioned provisions is guilty of a misdemeanor punishable by a fine not less than \$1,000 nor more than \$25,000, or by imprisonment in the county jail not exceeding one year, or by both the fine and imprisonment.

9) Provide the added Penal Code Section does not make unlawful or otherwise restrict lawful games and methods used by a gambling enterprise licensed under the Gambling Control Act or operations of the California State Lottery.

10) Provide the added Penal Code Section does not make unlawful game promotions or sweepstakes conducted by for-profit commercial entities on a limited and occasional basis as an advertising and marketing tool that are incidental to substantial bona fide sales of consumer products or services and that are not intended to provide a vehicle for the establishment of ongoing gambling or gaming.

11) Define, for the purpose of this bill, "Direct consideration" to mean a coin, token, or other representation of value that may be purchased by a player or received through a bonus or promotion and that is used for playing or participating in the online sweepstakes game.

12) Define, for the purpose of this bill, "Indirect consideration" to mean a coin, token, or other representation of value that may be exchanged for a prize, award, cash, or cash equivalents or a chance to win a prize, award, cash, or cash equivalents. Indirect consideration is provided for free through a promotion, bonus, or with the purchase of a related product, service, or activity. As used in this bill, "related product, service, or activity" includes a coin, token, or other representation of value that may be used for direct consideration.

EXISTING LAW:

1) The State Constitution and various other state laws limit the types of legal gambling that can occur in California. Specifically, related to provisions in this bill, the California Constitution Article IV – Section 19, law states: a) The Legislature has no power to authorize lotteries, and

shall prohibit the sale of lottery tickets in the State; b) The Legislature may provide for the regulation of horse races and horse race meetings and wagering on the results; c) Notwithstanding subdivision (a), the Legislature by statute may authorize cities and counties to provide for bingo games, but only for charitable purposes; d) Notwithstanding subdivision (a), there is authorized the establishment of a California State Lottery; e) The Legislature has no power to authorize, and shall prohibit, casinos of the type currently operating in Nevada and New Jersey; and f) Notwithstanding subdivisions (a) and (e), and any other provision of state law, the Governor is authorized to negotiate and conclude compacts, subject to ratification by the Legislature, for the operation of slot machines and for 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. Accordingly, slot machines, lottery games, and banking and percentage card games are hereby permitted to be conducted and operated on tribal lands subject to those compacts.

2) Prohibits specified unfair acts or practices undertaken or committed by any person in the operation of any contest or sweepstakes including, among other things, using or offering for use any method intended to be used by a person interacting with an electronic video monitor to simulate gambling or play gambling-themed games in a business establishment that directly or indirectly implements the predetermination of sweepstakes cash, cash equivalent prizes, or other prizes of value, or otherwise connects a sweepstakes player or participant with sweepstakes case, cash-equivalent prizes, or other prizes of value. (California Business and Profession Code 17539.1)

3) Defines "sweepstakes" to mean a procedure, activity, or event, for the distribution, donation, or sale of anything of value by lot, chance, predetermined selection, or random selection that is not unlawful under other provisions of law, including, but not limited to Chapter 9 (commencing with Section 319) and Chapter 10 (commencing with Section 330) of Title 9 of Part 1 of the Penal Code. (California Business and Professions Code 17539.1 (b))

4) Defines a lottery as a scheme for the disposal or distribution of property by chance, among persons who have paid or promised to pay any valuable consideration for the chance to obtaining such a property or a portion of it, or for any share or any interest in such property, upon any agreement, understanding, or expectation that it is to be distributed or disposed of by lot or chance, whether called a lottery, raffle, or gift enterprise, or by whatever name the same may be known. (California Penal Code Section 319)

5) Makes it misdemeanor to own, manufacture, sell, rent, or possess any slot machine or device that operates by inserting money, tokens, or other objects and that offers prizes, money, or other valuables depending on chance. (California Penal Code Section 330(a))

6) Makes it unlawful to, among other things, manufacture, repair, own, store, possess, sell, rent, lease, lend, or permit the operation of any slot machine or device. Defines "slot machine or device" to mean a machine, apparatus, or device, that as a result of the insertion of any piece of money or coin or other object, the machine or device is caused to operate, and by reason of any element of change the user may receive any money, credit, allowance, or thing of value. (California Penal Code Section 330(b))

7) Finds that federal law (The Indian Gaming Regulatory Act (25 U.S.C. Sec. 2701 et seq.) was enacted by the United States Congress on October 17, 1988) provides a statutory basis for conducting licensed and regulated tribal government gaming on, and limited to, qualified Indian

lands, as a means of strengthening tribal self-sufficiency through the creation of jobs and tribal economic development, and provides that certain forms of gaming, known as class III gaming, "will be the subject of an agreement between a tribe and the state, a "tribal-state compact," pursuant to which that gaming will be governed. Upon receiving such a request, the State shall negotiate with the Indian tribe in good faith to enter into such a compact.

COMMENTS

Background.

Sweepstakes legality in California. In California, sweepstakes are legal as long as they comply with consumer protection laws, avoid becoming an illegal lottery, and avoid violating other anti-gambling laws. A lottery is defined by having three elements: prize, chance, and consideration (i.e., requiring payment or significant effort to enter). (Penal Code, Section 319) To avoid being considered a lottery, sweepstakes must eliminate "consideration" by offering a free alternative method of entry (AMOE).

Under California Business and Professions Code, particularly Section 17539.15, sweepstakes operators are subject to strict disclosure requirements. Promoters must clearly and conspicuously disclose key details, including the odds of winning, the number and value of prizes, the name and address of the sponsor, the start and end dates, eligibility rules, and a statement that no purchase is necessary to enter or win. These disclosures must appear in both promotional materials and the official rules.

Sweepstakes or business promotions are commonly used by companies to boost sales and engage customers. Notable examples include McDonald's Monopoly game, Burger King's "Be the King" sweepstakes, and the My Coke Rewards program. Under California law, such promotions are legal provided they offer a genuine free method of entry for both customers and non-customers. The key distinction between a contest or sweepstakes and an illegal lottery are that, in a lottery, there is a disposition of money or other property on a contingency determined by chance to a person who has paid money for the chance of winning a prize.

Sweepstakes must treat all entrants equally, regardless of whether they entered through a purchase or a free method, and may not use deceptive or misleading advertising. For example, businesses cannot falsely tell consumers they have won or imply they must act urgently to claim a non-existent prize. Promoters must retain records of sweepstakes materials and results for several years.

Lotteries in California. In California, a lottery is defined as any scheme or promotion that involves three essential elements: a prize, chance, and consideration. A prize is anything of value awarded to participants, such as cash, merchandise, or services. Chance refers to the winner being determined by luck or randomness rather than skill or merit. Consideration involves participants giving something of value, which could be money, a purchase, or even a significant amount of effort or time. According to Penal Code, Section 319, when all three elements are present, the activity constitutes a lottery. Unless it is specifically permitted by law, such as the California State Lottery, which was authorized by voters in 1984, lotteries are considered illegal in California.

The prohibition on unauthorized lotteries is further supported by the California Constitution, Article IV, Section 19, which states that the Legislature cannot authorize lotteries, except for those explicitly allowed, like the state lottery. Additional Penal Code sections make it a crime to conduct, promote, advertise, or sell tickets for an unlawful lottery. (See Pen. Code, Sections 319-326.)

What are online sweepstake casinos? While the specifics of each dual-currency online sweepstakes casino may vary, the standard model generally includes two distinct types of virtual currency that are generally used to play casino-like games or those that mimic or simulate similar gambling. The first is gold coins, which are used exclusively for entertainment purposes in free-to-play games and have no cash redemption value. The second is sweepstakes coins, which may be awarded as a "bonus" with the purchase of gold coins, through promotional activities, or as complimentary rewards. Sweepstake coins may be used to participate in sweepstakes entries and are potentially redeemable for real-world prizes or cash. Redeeming sweeps coins is generally simple.

The legal rationale behind this model relies on a two-pronged theory. First, since gold coins cannot be exchanged for monetary value, operators of these platforms argue that gold coins do not constitute a "thing of value" under various gambling statutes. As such, operators argue that playing for or winning gold coins does not meet the definition of gambling because there is no prize of real-world value. Second, they argue that sweepstake coins are not available for direct purchase, and their use to enter sweepstakes does not involve monetary risk. Therefore, there is no "consideration" involved—a key element required to be satisfied in the legal definition of what constitutes a lottery in California.

To the extent that sweepstakes are provided as a bonus in connection with the purchase of gold coins, operators generally offer an AMOE, such as submitting a request by mail, to obtain sweepstake coins without a purchase. This approach is designed to comply with the legal requirement that participation in a sweepstakes must not be contingent on payment, consistent with the "no purchase necessary" standard under applicable sweepstakes laws.

While sweepstakes casinos have been around for some time, their popularity has surged in recent years. According to research by Eilers & Krejci Gaming, LLC, sweepstakes casinos have seen considerable increases in revenue and popularity in recent times, including yearly revenue growth of 89% between 2019-2022. With a reported revenue of \$3.1 billion in 2022, the sweepstakes casino market is projected to surpass \$8 billion by the end of 2024. However, as sweepstakes casinos grow in popularity, concerns about their legal status have intensified—sparking ongoing debate over how, and whether, they comply with existing laws and regulations.

Some argue that these platforms are essentially functioning as unlicensed gambling businesses. They contend these platforms circumvent California's legal gambling laws and tribal government's sovereign right under the California Constitution to operate casinos (e.g., slot machines) of the type currently operating in Nevada and New Jersey by using "no purchase necessary" disclaimers.

An online survey conducted by the American Gaming Association in June 2025, titled *"Motivations and Perceptions of Sweepstakes Casino Players,"* found that among users who spend money on these platforms, 67% said that their sweepstakes casino spend is driven by real value "Sweep Coins," Not Free to play "Gold Coins".

Sweepstakes casinos do not contribute directly to California's tax revenue in the same way traditional brick-and-mortar gaming establishments—such as cardrooms, horse racing venues, and tribal casinos—do. These physical operations generate substantial economic activity, create jobs, and yield significant tax revenue through established regulatory oversight. In contrast, sweepstakes platforms operate outside a regulatory framework.

States across the country respond with action. It's important to note that online sweepstakes casinos continue to operate in most U.S. states, including California. However, as of August 2025, several states have taken legislative, legal or regulatory action (legislation, cease and desist letters, subpoenas) to ban or significantly restrict these platforms, particularly those employing a dual-currency system. Authorities in these states often classify sweepstakes casinos as a form of illegal gambling, citing their slot-like gameplay and the potential to win real cash prizes—even when framed within a sweepstakes model. Typically, online sweepstakes casinos operate in jurisdictions where no specific laws prohibit sweepstakes-based gameplay, provided they adhere to sweepstakes laws—such as the requirement for "no purchase necessary" and AMOEs.

Below is a general overview of how different U.S. states are responding to the rising popularity of online sweepstakes casinos, particularly in terms of their legality and regulatory status.

- 1) Arizona – In April 2025, the Arizona Department of Gaming issued multiple cease-and-desist orders to multiple unregulated gambling operators, including sweepstakes platforms.
- 2) New Jersey – This year, New Jersey is the sixth state to pass legislation affecting online casinos that offer sweepstakes. On August 15th, 2025, Governor Phil Murphy signed A5447 into law. The bill targets sweepstakes platforms that offer "gold coins" and a secondary currency called "sweeps coins," redeemable for real prizes.
- 3) Connecticut – On June 11, 2025, Governor Lamont, signed legislation, which criminalizes real or simulated online casino gaming by sweepstakes operators.
- 4) Louisiana – Governor Landy vetoed legislation that would have explicitly banned online sweepstakes casinos. However, in his veto message he cited that the Louisiana Gaming Control Board (LGCB) already has the necessary regulatory authority to address unlicensed operators. The LGCB has issued over 40 cease-and-desist orders to various sweepstakes and offshore betting sites.
- 5) Maryland – The Lottery and Gaming Control Agency has sent a number of cease-and-desist letters to several operators.
- 6) Mississippi – The Mississippi Gaming Commission issued cease-and-desist letters to multiple online gambling sites, along with sweepstakes casinos, describing the platforms collectively as "online gambling sites" operating in violation of Mississippi gaming law
- 7) Montana – On May 12, 2025, Governor Gianforte signed legislation, which bans online sweepstakes platforms that allow wagers and cash payouts. Penalties include up to 10 years in prison and \$50,000 fines.
- 8) Nevada – In June 2025, Governor Joe Lombardo signed Senate Bill 256 into law, significantly increasing the penalties for illegal gambling operators, which includes sweepstakes casinos. Nevada has long had strict laws prohibiting unregulated gambling.
- 9) New York – On June 6, 2025, the Attorney General issued cease-and-desist letters to 26 sweepstakes sites offering cashable virtual coins, effectively shutting down online sweepstakes casino in the state. SB 5935, which seeks to prohibit the operation of sweepstakes casinos, has passed the New York State Assembly and is currently awaiting the governor's signature. The bill clarifies that online real money "sweepstakes casinos"

constitute illegal gambling and establishes penalties for operating or facilitating unregulated online gambling.

- 10) Ohio – Legislation has been introduced to prohibit sweepstakes-style dual current gaming.
- 11) Washington – Has maintained its prohibition on online sweepstakes casinos, with no new carve-outs or exceptions. The law prohibits any online sweepstakes game that simulates casino-style gambling or uses virtual currencies redeemable for cash or prizes.
- 12) West Virginia – Attorney General McCuskey has issued subpoenas and cease-and-desist letters to various operators.

Additionally, a wide range of specific allegations have been made against online sweepstakes casino operators in dozens of consumer lawsuits. A central claim is that these platforms function as illegal, unregulated gambling sites by employing a "dual-currency system" that allegedly violates state laws.

Legality of online sweepstakes casinos in California. As of September 2025, the Assembly Governmental Organization Committee is not aware of any published judicial decision that directly addresses the legality of "online sweepstakes" under California law. However, in *People ex rel. Green v. Grewal* (2015) 61 Cal. 4th 544, the California Supreme Court addressed whether computerized sweepstakes systems operated in Internet cafés constituted unlawful "slot machines or devices" under California Penal Code section 330b.

The case originated from five civil enforcement actions filed in 2012 by the Kern County District Attorney against the owners and operators of Internet cafés. These businesses offered sweepstakes entries with the purchase of Internet time or phone cards. Customers received sweepstakes points, which could be used to play simulated games on computer terminals—games that closely resembled traditional slot machines. The outcomes of these sweepstakes, which awarded cash prizes, were predetermined by a centralized server.

The Defendants contended that their operations did not fall within the statutory definition of illegal gambling devices because the prize results were predetermined and not influenced by the player's action at the terminal. They further argued that the devices are not slot machines because the element of consideration is lacking. Nonetheless, both the trial courts and the Court of Appeal rejected these defenses, holding that the systems fell within the broad language of Penal Code Section 330b(d), which defines a slot machine or device as any machine or apparatus that "may be operated, either by ... the insertion of a coin or other object, or by any other means, and by reason of any element of hazard or chance or of other outcome of operation unpredictable by [the user], the user may receive or become entitled to receive any piece of money ... or other thing of value."

The Court affirmed the judgments of the lower courts, concluding that the Internet café sweepstakes systems were illegal slot machines within the meaning of Penal Code Section 330b(d). The Court emphasized that the statutory definition does not require the prize outcome to be generated at the moment of play; it is sufficient if the machine's operation involves an element of chance and a possibility of receiving something of value. The Court reasoned that although the sweepstakes results were determined in advance by a central server, the outcome was still unknown to the user and revealed only upon operation of the terminal. Therefore, the terminals engaged users in an activity that closely resembled traditional slot machine gambling.

The Court held that it is clear defendants' customers were not merely buying the product that made them eligible to play the sweepstakes games — Internet or telephone time — but also, and

perhaps primarily, for the opportunity to play the sweepstakes games to win cash prizes. The Court also clarified that the system as a whole—including software, server, and terminals—constituted a "slot machine or device" under the statute, and that disaggregating the components to avoid the statutory definition was not permissible.

Although the case did not directly address online sweepstakes casinos, the decision in *Grewal* reaffirmed California's longstanding prohibition on slot machine-style gambling devices—including those that attempt to circumvent regulation through digital or networked formats. It serves as a significant precedent, affirming that courts will evaluate a device's functional characteristics—and the roles of chance and consideration in its operation—rather than its specific technological mechanisms, to determine its legality under California gambling laws.

The *Grewal* decision followed a December 2012 advisory from the California Bureau of Gambling Control, which classified internet sweepstakes cafés as illegal gambling operations under state law (Penal Code Sections 330a and 330b). The Bureau stated that they will assist California law enforcement agencies working toward prosecution or pursuing civil or administrative actions in connection with Internet café gambling operations. The advisory stated that it is for informational purposes only and is not intended to be legal advice.

Additionally, in 2014, the California Legislature passed and the governor signed AB 1439 (Salas, Chapter 592, Statutes of 2014) that prohibits using or offering to use any method intended to be used by a person interacting with an electronic video monitor to simulate gambling or play gambling-themed games in a business establishment, as defined, that directly or indirectly implements the predetermination of sweepstakes cash, cash-equivalent prizes, or other prizes of value, or otherwise connects a sweepstakes player or participant with sweepstakes cash, cash-equivalent prizes, or other prizes of value. The bill exempted from this prohibition game promotions and sweepstakes conducted on a limited basis as an advertising and marketing tool incidental to substantial bona fide sales of consumer products or services, as specified. According to the author, the bill was intended to close a loophole in law that has permitted internet gambling sweepstakes to operate in a "gray area" and evade law enforcement.

Los Angeles City Attorney's Office Files Lawsuit. On September 4, 2025, the Los Angeles City Attorney announced that a lawsuit had been "filed against the owners, operators and aiders and abettors of Stake.us. The lawsuit alleges that the entity is unlicensed and is operating in violation of State law." The lawsuit, according to the DA's press release states, "Although promoted as a "safe and free gaming experience," or as a "social casino" that does not permit "real money gambling," Stake.us operates like a traditional casino, offering more than 1,900 games, including slots, table games, and live dealer games that provide prizes that can be redeemed for cryptocurrency or digital gift cards. These activities are in violation of California's strict anti-gambling laws. The lawsuit was filed for violations of California's Unfair Competition Law and the False Advertising Law. The lawsuit aims to recover funds lost by Californians since Stake.us started offering online gambling to California residents, and to impose civil penalties to deter future misconduct."

The content of the lawsuit is similar to that of other lawsuits filed against sweepstakes gaming companies in other states.

Unlawful Internet Gambling Enforcement Act of 2006. The Unlawful Internet Gambling Enforcement Act of 2006 (UIGEA) is a U.S. federal law enacted as part of the SAFE Port Act

that aims to restrict online gambling by targeting the financial transactions that support it. The law prohibits financial institutions (like banks and credit card companies) from knowingly processing payments related to "unlawful internet gambling." What constitutes "unlawful" is determined by other applicable federal or state laws, meaning the act essentially reinforces existing gambling restrictions by choking off the flow of money used for placing illegal bets online. The law does not make online gambling illegal per se — instead, it focuses on the financial infrastructure used to fund or pay for such gambling. Banks and payment networks are required to establish and maintain procedures to identify and block restricted transactions associated with illegal online gambling activity.

Operators, not individual players, were the main targets. Penalties can include criminal charges and civil penalties for violators. The new law caused major disruptions in online gambling, especially poker sites. Some of largest companies exited the U.S. market. In April 2011, the FBI shut down several major online poker sites.

There are exceptions to the law. It does not apply to online gambling that is lawful under state or tribal law, such as intrastate online betting systems or gaming on tribal land. In other words, UIGEA does not apply to gambling that is legally authorized under laws of one state as long as it's conducted entirely within that state's borders. Additionally, fantasy sports contests and some skill-based games are excluded, provided they meet specific conditions outlined in the statute. The law remains a central mechanism through which the federal government regulates online gambling in the absence of broader national legalization.

Enforcement under AB 831 does not only apply to the operator. The bill extends beyond operators, encompassing financial institutions, payment processors, geolocation providers, platform providers, gaming content suppliers, and other related entities. Specifically, the bill would make it unlawful for any entity, financial institution, payment processor, geolocation provider, gaming content supplier, platform provider, or media affiliate to knowingly and willfully support directly or indirectly the operation, conduct, or promotion of an online sweepstakes game within this state. AB 831 would make a person who violates these provisions guilty of a misdemeanor punishable by a fine not less than \$1,000 nor more than \$25,000, or by imprisonment in the county jail not exceeding one year, or by both the fine and imprisonment.

Amendments taken to avoid unintended consequences. To avoid adversely affecting legally regulated in-state gaming enterprises—such as licensed cardrooms and the California State Lottery—as well as for-profit commercial entities that conduct game promotions or sweepstakes, as described, the bill was recently amended to include clarifying language. The newly added Penal Code section explicitly states that it "does not make unlawful or otherwise restrict lawful games and methods used by a gambling enterprise licensed under the Gambling Control Act or operations of the California State Lottery." Furthermore, the section affirms that it "*does not make unlawful game promotions or sweepstakes conducted by for-profit commercial entities on a limited and occasional basis as an advertising and marketing tool that are incidental to substantial bona fide sales of consumer products or services and that are not intended to provide a vehicle for the establishment of ongoing gambling or gaming.*"

It should be noted that Advance Deposit Wagering (online horse racing wagering) is the only form of online gambling that is explicitly legal and regulated (California Horse Racing Board) in California.

According to the Author

According to the author, "AB 831 would protect Californians from unregulated online gambling by prohibiting online sweepstakes games that use a 'dual currency' model to mimic casino-style wagering. By exploiting 'No Purchase Necessary' disclaimers, these illegal operators sidestep California's regulatory framework and evade the state's voter-approved proposition related to Tribal-State gaming. Many of these 'sweepstakes' operators are based offshore and function without proper oversight, avoiding requirements like consumer protections, responsible gaming safeguards, background checks, and tax compliance."

Arguments in Support

The California Nations Indian Gaming Association states that, "with few exceptions, Article IV of the California Constitution prohibits gambling in the state. Article IV, Section 19(f) of the California Constitution authorizes the governor to negotiate and conclude compacts with federally recognized tribes for lottery games and the exclusive operation of slot machines, and banking and percentage card games, subject to legislative ratification and to the requirements of the federal Indian Gaming Regulatory Act. This exception does not apply to non-tribal operators in the state and the Constitution provides no exceptions for sports betting. Tribal gaming exclusivity, as granted by the voters of California must be honored. Allowing unregulated and predatory sweepstakes operators to bypass these regulations undermines that trust and the integrity of California's gaming policies."

The Yuhaviatam of San Manuel Nation states, "certain companies are exploiting loopholes in existing state law to offer online games that closely mimic casino-style games – such as slot machines – and sports betting allowing users to wager with coins that can ultimately be exchanged for cash or prizes. These sweepstakes coins are 'given' to a player when they purchase non-monetary 'coins' that cannot be redeemed. This 'dual currency' model cannot disguise the fact that users are able to purchase and wager with coins that have real-world value, thus making the games illegal gambling. AB 831 aims to close this loophole by amending the California Business and Professions Code to strengthen existing sweepstakes laws. It clarifies the illegality of internet-based sweepstakes that use the dual currency model and reinforces California's stance against such unregulated gambling."

Arguments in Opposition

According to the Social and Promotional Games Association, "AB 831 seeks to outlaw an entire category of digital promotions and entertainment, which have existed and operated legally for many years, using language so broad that its full impact is impossible to predict. AB 831 was amended at the last minute, without stakeholder input, without supporting data, and without clear evidence of harm. Before California creates new crimes, restricts speech, and disrupts legitimate businesses, the Legislature should take a more thoughtful and transparent approach and make this a two year bill. Disrupting an entire legal industry in less than two months without adequate debate, education, public outreach, and evidence supporting the proponent's arguments seems extremely short-sighted and irresponsible."

According to VGW, "rather than an outright prohibition, VGW and the social online games industry are asking that you park this rushed, gut-and-amend legislation and hear our side of the story. We want to work collaboratively with the California Legislature on sensible legislation that creates a robust regulatory framework prioritizing consumer protection while simultaneously offering a new revenue stream for the state. The economic opportunity is significant. Based on industry projections by Eilers & Krejcik, California could generate annual revenue of \$149

million through sale tax alone. Currently, there is no method for us to pay sales tax in California because ours is a digital product, but this is something we would be happy to do under an appropriate framework. We are also open to other potential sensible taxation frameworks and/or revenue stream to benefit the people of California."

The Sherwood Valley Band of Pomo Indians writes, "This bill lacks the alleged unanimous support among California tribes, has advanced without meaningful consultation of broader tribal interests, and threatens our inherent right to create legitimate revenue streams to support our people. For tribes like ours operating in rural Northern California communities, traditional economic development faces significant challenges. While we have established gaming operations, smaller tribal enterprises like ours often lack the scale and resources of large, well-established gaming operations that dominate prime markets. Policies such as those proposed in AB 831 restrict emerging digital commerce opportunities that could provide essential supplemental revenue streams, effectively limiting the economic diversification options available to tribes like ours to the advantage of wealthier tribes aligned with powerful gaming interests."

FISCAL COMMENTS

According to the Senate Committee on Appropriations analysis:

- 1) Unknown, potentially significant fiscal impact to the Department of Justice (DOJ) to the extent any online sweepstakes game providers continue to operate unlawfully in California and the department pursues enforcement actions to shut down these providers (General Fund). DOJ notes that online sweepstakes providers may choose to cease their operations in the State, which would alleviate the department's enforcement workload. However, to the extent that enforcement action is necessary, DOJ notes these costs will likely be significant because enforcement actions against these providers are complex with difficult jurisdictional issues.
- 2) Unknown, potentially significant cost pressures to the state funded trial court system to adjudicate alleged violations of this measure (Trial Court Trust Fund, General Fund). The fiscal impact of this bill to the courts will depend on many unknowns, including the number of cases filed and the factors unique to each case. An eight-hour court day costs approximately \$10,500 in staff in workload. If court days exceed 10, costs to the trial courts could reach hundreds of thousands of dollars. While the courts are not funded on a workload basis, an increase in workload could result in delayed court services and would put pressure on the General Fund to fund additional staff and resources and to increase the amount appropriated to backfill for trial court operations.
- 3) Unknown, potentially significant costs (local funds) to the counties to incarcerate people for the crimes created by this bill. The average annual cost to incarcerate one person in county jail varies by county, but likely ranges from \$70,000 to \$90,000 per year. The average annual cost to incarcerate one person in county jail varies by county, but likely ranges from \$70,000 to \$90,000 per year. Actual incarceration costs to counties will depend on the number of convictions and the length of each sentence. Generally, county incarceration costs are not reimbursable state mandates pursuant to Proposition 30 (2012).
- 4) The Gambling Control Commission does not anticipate a fiscal impact.

VOTES

ASM GOVERNMENTAL ORGANIZATION: Votes not relevant

YES:

ABS, ABST OR NV:

ASSEMBLY FLOOR: Votes not relevant

YES:

ABS, ABST OR NV:

SENATE FLOOR: 36-0-4

YES: Alvarado-Gil, Archuleta, Arreguín, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Choi, Cortese, Dahle, Durazo, Gonzalez, Grayson, Grove, Hurtado, Jones, Laird, Limón, McGuire, Menjivar, Niello, Ochoa Bogh, Padilla, Pérez, Reyes, Richardson, Rubio, Seyarto, Smallwood-Cuevas, Strickland, Umberg, Valladares, Wahab, Weber Pierson, Wiener

ABS, ABST OR NV: Allen, Ashby, McNerney, Stern

ASM GOVERNMENTAL ORGANIZATION: 20-0-2

YES: Blanca Rubio, Davies, Alvarez, Berman, Bryan, Carrillo, Dixon, Fong, Gabriel, Gipson, Macedo, McKinnor, Nguyen, Pacheco, Michelle Rodriguez, Sanchez, Soria, Ta, Valencia, Wallis

ABS, ABST OR NV: Ramos, Solache

UPDATED

VERSION: September 3, 2025

CONSULTANT: Eric Johnson / G.O. / (916) 319-2531

FN: 0002067