

## SENATE THIRD READING

SB 451 (Archuleta)

As Amended May 23, 2025

Majority vote

**SUMMARY**

This bill clarifies the Department of Justice's (DOJ) existing authority to investigate suspected criminal violations of prohibited gambling activities.

**Major Provisions**

- 1) Clarifies that DOJ has the responsibility to investigate suspected violations of illegal gambling activities conducted outside of licensed cardrooms, irrespective of whether the suspected violation involves licensees.
- 2) Clarifies that DOJ may investigate, for purposes of prosecution, any suspected criminal violation of the Act.
- 3) States that DOJ may investigate, for purpose of prosecution any suspected criminal violation of specified laws pertaining to the illegal operation of lotteries and other gambling operations, irrespective of whether the suspected violation involves licensees.
- 4) Makes other technical and non-substantive changes.

**COMMENTS***Background.*

Gambling Control Act. Under the Gambling Control Act (Act), the California Gambling Control Commission (CGCC) is responsible for licensing and regulating various gambling activities and establishments. The Department of Justice's Bureau of Gambling Control (the Bureau) is tasked with investigating violations and enforcing laws related to controlled gambling. The efforts of both the CGCC and the Bureau are funded through appropriations from the Gambling Control Fund (Fund).

Rise of Illegal "Casitas" in California. In California, the term "casitas" refers to illegal, underground gambling operations, often set up in converted homes, garages, or small commercial spaces, particularly in low-income neighborhoods. These unregulated gambling venues typically offer games like poker, slot machines, and table games, and are often linked to other criminal activities. Casitas have become an increasingly prevalent issue in several cities, notably in Los Angeles, San Bernardino, and the Bay Area.

These establishments are often found in residential neighborhoods, warehouses, or storefronts with concealed entrances. Many operate covertly, employing lookouts, security cameras, and bouncers to deter law enforcement raids. According to reports from the Los Angeles Times, NBC News, and other outlets, these illegal casinos are frequently linked to gangs, including the Mexican Mafia, as well as activities such as drug trafficking, prostitution, and violent crime.

While California has strict gambling laws, illegal "casitas" continue to thrive in some communities due to high demand for unregulated gambling and the difficulty of shutting them

down permanently. Law enforcement agencies, including the FBI, have conducted many operations to dismantle these underground casinos. For example, in April 2021, a significant law enforcement operation targeted an illegal casino in San Diego that culminated in the indictment of 47 individuals. This extensive crackdown involved over 450 officers from agencies such as the FBI and the San Diego Police Department. The coordinated raids led to 35 arrests and the execution of 24 search warrants across various locations, primarily in East San Diego. The investigation, spanning two years, resulted in the seizure of 44 firearms, over 12 pounds of methamphetamine, approximately \$263,000 in cash, and 640 gambling machines.

*State Auditor Report.* On August 25, 2022, the California State Auditor released an audit of the management and use of the Indian Gaming Special Distribution Fund (SDF), concluding that the state has not effectively managed the Gambling Control Fund (Fund). Among other findings, the audit reported that the DOJ improperly charged the SDF for staff time unrelated to tribal gaming regulatory activities.

Although the report did not include findings related to the Bureau inappropriately using the Fund to investigate illegal gambling activities outside of licensed cardrooms, audit staff raised the possibility as an issue to the Bureau during the course of the audit. Prior to the audit, given the Bureau's expertise on state gambling law, the Bureau would routinely assist local law enforcement, especially smaller police departments, in their investigations of suspected illegal underground casinos and charge the Fund for the hours that agents spent on those investigations. However, after the audit, to avoid possible litigation stemming from the legal issue raised by audit staff, the Bureau no longer charges the Fund when assisting local law enforcement.

This bill clarifies DOJ's authority to investigate illegal gambling activities occurring outside a licensed cardroom, thus clarifying DOJ's authority to charge the Fund for such investigations.

### **According to the Author**

According to the author, "California has seen increased levels of unlicensed, illegal gaming. Often called casitas, these illegal operations operate in both residential and commercial areas, fueling violent crime, drug activity, and financial fraud. Local law enforcement currently lacks the necessary resources and jurisdictional authority to shut these illegal operations down permanently, necessitating state-level investigative authority for DOJ. This bill allows this by simply clarifying that DOJ's authority to investigate suspected criminal violations of prohibited gambling activities includes suspected violations that occur outside of a licensed gambling establishment."

### **Arguments in Support**

This bill is sponsored by the Communities for California Cardrooms (CCC) and supported by law enforcement organizations.

According to the CCC, "Illegal gambling operations, commonly known as casitas or 'slap houses,' have rapidly spread across California, particularly in Los Angeles County. According to a 2023 Los Angeles Times investigation, these establishments generate tens of thousands of dollars each week, with profits often funneled into organized crime networks. These illicit venues are frequently associated with severe criminal activities, including violence, drug trafficking, and financial fraud, posing significant threats to community safety and well-being. Local law enforcement agencies currently lack sufficient resources and jurisdictional authority to effectively combat this widespread and deeply entrenched issue. Given these limitations, there is a pressing need for state-level intervention to bolster enforcement efforts. The absence of robust

state-level enforcement exacerbates this problem, leaving communities vulnerable to criminal activities that thrive in the shadows."

### **Arguments in Opposition**

None received

## **FISCAL COMMENTS**

According to the Assembly Committee on Appropriations analysis, "DOJ and the California Gambling Control Commission (CGCC) report absorbable costs. However, this bill may result in cost pressures of an unknown amount, but potentially in excess of \$150,000, to the Gambling Control Fund, to the extent any additional DOJ enforcement workload is not absorbable within existing resources. The Gambling Control Fund is supported by regulatory fees the CGCC levies on license applicants, cardroom owners, and third-party providers of proposition player services. Increased DOJ investigations of illegal gambling activities will increase charges to the Gambling Control Fund, which may require the CGCC to increase annual fees to balance those costs."

## **VOTES**

### **SENATE FLOOR: 39-0-1**

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

**ABS, ABST OR NV:** Reyes

### **ASM GOVERNMENTAL ORGANIZATION: 22-0-0**

**YES:** Blanca Rubio, Davies, Alvarez, Berman, Bryan, Carrillo, Alanis, Fong, Gabriel, Gipson, Hoover, McKinnor, Nguyen, Pacheco, Ramos, Michelle Rodriguez, Sanchez, Solache, Soria, Ta, Valencia, Wallis

### **ASM APPROPRIATIONS: 15-0-0**

**YES:** Wicks, Sanchez, Arambula, Calderon, Caloza, Dixon, Elhawary, Fong, Mark González, Ahrens, Pacheco, Pellerin, Solache, Ta, Tangipa

## **UPDATED**

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