

PROPOSITIONS 26 & 27

Prop 26: Allows In-Person Roulette, Dice Games, Sports Wagering on Tribal Lands

Prop 27: Allows Online and Mobile Sports Wagering Outside Tribal Lands

Question: Should California allow sports betting for people over 21 or older?

Background

The California Constitution generally prohibits gambling. However, over the years it has been amended to allow certain forms of gambling in certain locations.

Currently we have (a) the California Lottery, (b) card rooms in which card games like a form of poker are allowed, (c) betting on horse racing, and (d) some forms of gambling in American Indian owned casinos. Sports betting is also not currently legal. All forms of gambling are regulated under Federal, state, and/or local law.

Card rooms are more common in urban areas and have been in existence longer than tribal casinos. Both card rooms and tribal casinos offer card games. The card rooms offer card games like poker, but a specific type of poker that is not like the games played in Nevada.

American Indian tribes have a specific status under federal law as sovereign nations, and their commerce is subject to federal jurisdiction. So any state regulation of tribal activity is limited to what is allowed by federal law and negotiated agreements (compacts) between the state and each tribe, each of which must be approved by the federal government.

California has compacts with 79 tribes, which operate 66 casinos in 28 counties. The compacts determine such things as what payments are to be made by the tribal casinos to the state and relevant local governments. Last year, tribes paid around \$65 million to support state regulatory and gambling addiction program costs, and

tens of millions of dollars to local governments where they are located. Additionally, tribes operating larger casinos annually pay nearly \$150 million to tribes that either do not operate casinos or have casinos less than 350 slot machines.

The California Gambling Control Commission is the overall state regulatory body. It is responsible for setting policy, establishing regulations, making determinations of suitability for gaming employees and other individuals and entities, issuing licenses, acting as the administrator of gaming revenues deposited into the Indian Gaming Special Distribution Fund (SDF) and the trustee over the revenues deposited into the Indian Gaming Revenue Sharing Trust Fund (RSTF), and administering the provisions of the Gambling Control Act and the Tribal-State Gaming Compacts. The California Department of Justice, district attorneys and city attorneys enforce criminal laws related to gambling.

Revenue generated from tribal casinos goes to the General Fund and to the funds mentioned above. One is a revenue sharing fund that sends money to tribes that do not have compacts for gaming. Another trust fund is used to cover regulatory costs of the state, payments to local governments, and to gambling addiction programs.

A 2018 US Supreme Court decision struck down the federal law that banned sports betting in all states but Nevada. Since then approximately 35 states have legalized such betting in one form or another. Oregon has had onsite and online sports betting since 2019 with one company running the online sports betting. Arizona started in 2021 with 3 vendors.

The lack of legal sports betting does not mean that Californians do not engage in it. An unpublished study from 2019 cited by estimates that Californians were making billions of dollars in sports bets either through bookies or offshore companies.

<p>The Proposal: Prop 26 would:</p> <ul style="list-style-type: none"> ● Allow tribal casinos to run roulette and dice games like craps. ● Allow tribal casinos and four horse racetracks to offer <u>onsite</u> betting on sports events like football games. ● No betting would be allowed on California college sports. ● Impose 10% tax on <u>net</u> sports betting at racetracks. The tax revenue would go to a new fund created by this proposition. Any tax on net sports betting in casinos and whether it would be directed to the new fund would have to be determined through renegotiation of the tribal Compacts. ● Tax revenue left after deducting the costs of sports betting regulation would be divided to send 70% to the state General Fund, 15% for programs dealing with gaming, mental health research, and 15% to the Department of Justice for enforcing gaming laws. ● Allow a person or entity who is aware of violations of the gaming law to file a civil action if the California Attorney General declines to act. Any penalty assessed in a civil action goes to the new fund. 	<p>The Proposal: Prop 27 would:</p> <ul style="list-style-type: none"> ● Allow tribes with a state/tribe compact to offer online sports betting under the tribe’s name and branding. Tribes would have to pay an initial \$10 million licensing fee to the state and a \$1 million renewal fee every five years ● Allow gaming companies (with existing online sports betting license in at least ten US states or territories) to offer online sports betting if they strike a deal with a tribe to operate in California and pay an initial licensing fee of \$100 million plus a \$10 million renewal fee every five years. ● Impose a 10% tax on <u>net</u> sports betting at all companies or tribes offering sports betting. Initial licensing fees could be recouped against this tax liability. ● After paying the state’s regulatory costs, the revenue from the tax and the licensing fees would go into a new fund. Of the money in the fund 85% would be used for homelessness and related mental health programs. Fifteen percent of the fund would go to American Indian tribes that are not involved in sports betting. ● None of revenue or licensing fees would be included in the state’s General Fund for purposes of allocating money to programs such as public education.
<p>Both Props 26 & 27:</p> <ul style="list-style-type: none"> ● Limit sports betting to those 21 or more years old. ● Provides for regulation of new activities. ● No betting could occur on events such as high school sports or elections. ● Prop 26 and Prop 27 both legalize sports betting in some way. If both pass it is possible that both will take effect. If a court finds that parts of the propositions are in conflict, the provisions of the one that received the most yes votes will prevail. 	

Fiscal Effects

Predictions of the impact of this law on state and local revenue are difficult to determine because much depends on the terms of the agreements between the casinos and the state and on whether people's time on sports betting will be in addition to, or in lieu of, their current time spent on other forms of gambling.

Prop 26 could increase state revenues from tax payments made on sports betting at racetracks and civil penalties for violations of the law, potentially reaching the tens of millions of dollars each year.

There will also be increased costs to enforce and regulate the new betting potentially reaching the low tens of millions of dollars each year. This amount could be offset by increased revenue. There would also be increased state enforcement costs, not likely to exceed several million dollars each year related to a new civil enforcement tool for enforcing certain gaming laws.

The size of Prop 27's fiscal impacts depends on variables such as the number of entities that offer online betting, the renegotiation (if any) of compacts caused by offering online betting, and the number of people that engage in online betting.

There is a potential for increases in state revenue reaching from hundreds of millions of dollars up to \$500 million each year. There will be increased regulatory costs estimated to be in the mid tens of millions of dollars each year. Some or all of these costs would be offset by the payments sports betting operators must pay to the state for regulation.

Supporters Say:

- Prop 26 would continue the 20 year legacy of allowing closely regulated gaming to support American Indian economies.
- Prop 26 is the most responsible approach to authorizing sports wagering, and would promote Indian self-reliance.

Barona Band of Mission Indians

American Indian Chamber of Commerce

Federated Indians, Graton Rancheria

Santa Ynez Band of Chumash Indians

Yocha Dehe Wintun Nation

Olin Jones, Former Director Office of Native American Affairs at California Department of Justice

Operation Safe House

Gold Coast Veterans Foundation

NAACP

SEIU Local 280

Los Angeles Metropolitan Churches

Eleni Kounalakis, Lt. Governor

Fiona Ma, California State Treasurer

Opponents Say:

- Prop 26 would massively expand gambling in California for the benefit of large tribal casinos.
- Prop 26 would leave casino workers unprotected from worker safety, wage-and-hour, harassment, and anti-discrimination laws.

Society for the Prevention of Cruelty to Animals, Los Angeles

California Black Chamber of Commerce

National Veterans Foundation

California Senior Advocates League

American Federation of State, County, and Municipal Employees Local 36 Management Chapter

California Contract Cities Association

California Animal Welfare Association

Fresno Police Association

Black American Political Association of California

California Hispanic Chamber of Commerce

California Taxpayer Protection Committee

Compton Chamber of Commerce

YES on 26 - No on 27 Coalition for Safe, Responsible Gaming, Sponsored by California Indian Tribes (yeson26.com)

Total from top contributors as of 9/9/22: \$118.3 million All American Indian Tribes

No on 26 - No on Gambling Power Grab (tasimcoalition.org)

Total from top contributors as of 9/9/22: \$45.5 million Largely from card clubs

Supporters Say

- Prop 27 requires state of the art technology to ensure that minors do not place bets.
- Prop 27 requires strict auditing of the use of money in the Online Sports Betting Trust Fund to make sure the money is appropriately used for people who are homeless and tribes that are to receive funds.

San Diego Regional Task Force on Homelessness
Middletown Rancheria of Pomo Indians of California
Local Initiatives Support Corporation
Gloria Baxter, mental health nonprofit leader
Big Valley of Pomo Indians of the Big Valley Rancheria
Santa Rosa Rancheria Tachi Yokut Tribe
Major League Baseball
Sacramento Regional Coalition to End Homelessness
Bay Area Community Services
Darrell Steinberg, Sacramento mayor
Libby Shaaf, Oakland mayor
Jerry Dyer, Fresno mayor

Opponents Say

- Online sports betting will not generate jobs or create investment in the state because the sports betting operators will retain most of the profits.
- Allowing promotion offers to be deducted from the gross betting revenue under Prop 27 will reduce the revenue available to the state.

Tribal Alliance of Sovereign Indian Nations
Ione Band of Miwok Indians
Salvation Army of San Bernardino
California Nations Indian Gaming Association
Alpha Project for the Homeless
Blue Lake Rancheria California
California Coalition for Rural Housing
California Calls

League of California Cities
California Democratic Party
Assembly Speaker Anthony Rendon
Senate President Pro Tem Toni Atkins
California Teacher Association
Communication Workers of America
California Nations Indian Gaming Association

***Supporters:**

Yes on 27 - Solutions to Homelessness, Mental Health, and Addiction

<https://yestoprop27.com/>

Total from top contributors as of 9/9/22: \$157 million, largely from gaming companies

YES on 26 - No on 27 Coalition for Safe, Responsible Gaming (noon27.com)

**No on 27 - Protect Tribal Sovereignty and Safe Gaming
(noprop27.org)**

**Total from top contributors as of 9/9/22: \$184.5 million, largely American Indian Tribes,
including \$118 million from the Yes on 26/No on 27 campaign**