
SENATE COMMITTEE ON PUBLIC SAFETY

Senator Jesse Arreguin, Chair
2025 - 2026 Regular

Bill No: AB 831 **Hearing Date:** July 15, 2025
Author: Valencia
Version: June 23, 2025
Urgency: No **Fiscal:** Yes
Consultant: CA

Subject: *Gambling: operation of a contest or sweepstakes*

HISTORY

Source: Yuhaaviatam of San Manuel Nation

Prior Legislation: SB 549 (Newman), Ch. 860, Stats. of 2024
AB 1439 (Salas), Ch. 592, Stats. of 2014

Support: Agua Caliente Band of Cahuilla Indians; American Gaming Association; Big Valley Band of Pomo Indians; Blue Lake Rancheria Tribe of California; California Coalition Against Gambling Expansion; Elk Valley Rancheria, California; Highland Area Chamber of Commerce; Hispanic Coalition of Small Businesses; Light & Wonder; Morongo Band of Mission Indians; Riverside County District Attorney; Riverside Sheriffs' Association; San Bernardino County District Attorney's Office; San Bernardino County Sheriff's Department; San Pasqual Band of Mission Indians; Soboba Band of Luiseno Indians; Sports Betting Alliance; Table Mountain Rancheria; Tribal Alliance of Sovereign Indian Nations; Tribal Leadership Council, INC

Opposition: ACLU California Action; American Transaction Processors Coalition; Association of National Advertisers; Californians United for a Responsible Budget; Social and Promotional Games Association; Social Gaming Leadership Alliance; Virtual Gaming World

Assembly Floor Vote: 77 - 0

PURPOSE

The purpose of this bill is to create a misdemeanor punishable by up to one year imprisonment in the county jail and/or a fine of up to \$25,000, for any person or entity to operate, conduct, offer, or promote an online sweepstakes game, as defined, within this state. Additionally, this bill seeks to ban online "sweepstakes casinos" that mimic real money gambling by using a virtual gaming system.

Existing law provides:

- The Legislature has no power to authorize lotteries, and shall prohibit the sale of lottery tickets in the State;

- Notwithstanding this lack of authority, there is authorized the establishment of the California State Lottery;
- The Legislature has no power to authorize, and shall prohibit, casinos of the type currently operating in Nevada and New Jersey;
- Notwithstanding the lack of power to authorize 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. (Cal. Const., Art. IV, § 19; Proposition 1A, Gambling on Tribal Lands Amendments of 2000.)

Existing law provides, under the Indian Gaming Regulatory Act, a statutory basis for conducting licensed and regulated tribal government gaming on 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 subject to an agreement between a tribe and the state (Tribal-state gaming compacts). (25 U.S.C. § 2701 et seq.)

Existing law 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 establishments 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. (Bus. & Prof. Code, § 17539.1.)

Existing law 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 as specified. (Bus. & Prof. Code, § 17539.1 (b).)

Existing law provides that any person who engages in unfair competition shall be liable for a civil penalty not to exceed \$2,500 for each violation, which shall be assessed and recovered by a civil action brought in the name of the people in the State of California by the Attorney General, by any district attorney, by any county counsel, as specified, by any city attorney, or, with the consent of the district attorney, by a city prosecutor in any city having a full-time city prosecutor. (Bus. & Prof. Code, § 17206.)

Existing law 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 obtain 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. (Pen. Code, § 319.)

Existing law provides that a every person, who sells, gives, or in any manner whatever, furnishes or transfers to or for any other person any ticket, chance, share, or interest, or any paper, certificate, or instrument purporting or understood to be or to represent any ticket, chance, share, or interest in, or depending upon the event of any lottery, is guilty of a misdemeanor. (Pen. Code, § 321.)

Existing law makes it misdemeanor to own, manufacture, sell, rent, or possess any time of slot machine or device that operates by inserting money, tokens, or other objects and that offers prizes, money, or other valuables depending on chance. Makes the offense punishable as follows: provides:

- A first offense shall be punishable by a fine of not less than \$500 nor more than \$1,000, or by imprisonment in a county jail not exceeding six months, or by both that fine and imprisonment;
- A second offense shall be punishable by a fine of not less than \$1,000 nor more than \$10,000, or by imprisonment in a county jail not exceeding six months, or by both that fine and imprisonment;
- A third or subsequent offense shall be punishable by a fine of not less than \$10,000 nor more than \$25,000, or by imprisonment in a county jail not exceeding one year, or by both that fine and imprisonment; and,
- If the offense involved more than one machine or more than one location, an additional fine of not less than \$1,000 nor more than \$5,000 shall be imposed per machine and per location. (Pen. Code, § 330a.)

Existing law makes it a misdemeanor 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. Makes the offense punishable as follows: provides:

- A first offense shall be punishable by a fine of not less than \$500 nor more than \$1,000, or by imprisonment in a county jail not exceeding six months, or by both that fine and imprisonment;
- A second offense shall be punishable by a fine of not less than \$1,000 nor more than \$10,000, or by imprisonment in a county jail not exceeding six months, or by both that fine and imprisonment;
- A third or subsequent offense shall be punishable by a fine of not less than \$10,000 nor more than \$25,000, or by imprisonment in a county jail not exceeding one year, or by both that fine and imprisonment; and,
- If the offense involved more than one machine or more than one location, an additional fine of not less than \$1,000 nor more than \$5,000 shall be imposed per machine and per location. (Pen. Code, § 330b.)

This bill makes it unlawful for any person or entity to operate, conduct, offer, or promote an online sweepstake game within this state.

This bill makes it unlawful for any person, entity, financial institution, payment processor, geolocation provider, gaming content supplier, platform provider, or media affiliate to support directly or indirectly the operation, conduct, or promotion of an online sweepstakes game within the state.

This bill provides that a person who violates the above-mentioned provisions is guilty of a misdemeanor and shall be punishable by a fine not less than \$1,000 nor more than \$25,000, by imprisonment in the county jail up to one year, or by both that fine and imprisonment.

This bill defines “online sweepstake game” to mean a game, contest, or promotion that meets all of the following conditions:

- Is available on the internet or accessible on a mobile phone, computer terminal, or similar device;
- 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; and,
- Simulates casino-style gambling, including, but not limited to, any of the following:
 - Slot machines;
 - Video Poker;
 - Table games, including, but not limited to, blackjack, roulette, craps, and poker;
 - Lotteries, as defined; or,
 - Sports wagering.

This bill defines “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 online sweepstakes game.

This bill defines “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. A related product, service, or activity, includes a coin, token, or other representation of value that may be used for direct consideration.

This bill also bans online “sweepstakes casinos” that mimic real-money gambling by using a dual virtual system.

COMMENTS

1. Need for This Bill

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. AB 831 upholds the will of California voters and ensures gaming loopholes are no longer exploited.

2. 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). (Pen. Code, § 319.) To avoid being considered a lottery, sweepstakes must eliminate “consideration” by offering a free alternative method of entry (AMOE). California Business and Professions Code, particularly Section 17539.15, imposes strict disclosure requirements on sweepstakes operators. In short, sweepstakes are allowed in California but are heavily regulated to protect consumers from deceptive practices and ensure fairness and transparency in prize promotions.

- **Lotteries in California**

In California, and as stated above, 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 California 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, §§ 319-326.)

3. Dual-Currency Online Sweepstakes

Dual-Currency online sweepstakes platforms generally operate by allowing users to purchase virtual currency, often referred to as “gold coins.” These coins are used to play casino-style games for entertainment. Some of these platforms also offer a second virtual currency, often called “sweepstakes coins.” These sweepstakes coins are awarded to users free of charge, and can potentially be redeemed for cash or prizes. 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 to conduct gaming by using “no purchase necessary” disclaimers. (<https://sbcamericas.com/2025/06/24/california-bill-online-sweepstakes/> [as of July 5, 2025]; <https://www.yogonet.com/international/news/2025/06/25/109339-california-bill-targets-online-sweepstakes-casinos-drawing-tribal-support> [as of July 5, 2025].)

This legal strategy remains a gray area, as this is a complex and evolving area of law. Whether a particular sweepstakes or game violates California’s gambling laws likely depends on how the contest is structured and whether it genuinely removes the element of consideration. “The legal standard has long rested on whether users are required to pay to play, and whether the games offered are primarily based on chance or skill.” (<https://sccgmanagement.com/sccg-articles/2025/5/29/why-stake-us-survived-its-latest-legal-test-in-california/#:~:text=Understanding%20Sweepstakes%20Gambling%20Laws%20in,public%20courtrrooms%20and%20public%20precedent> [as of July 6, 2025].)

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. 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 consideration requirement was not satisfied because customers received something of value, Internet or phone time, in exchange for their payment. The Court affirmed the judgments of the lower courts concluding that the Internet café sweepstakes systems were illegal slot machines within the meaning of section 330b, subdivision (d). That subdivision 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 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. Moreover, the Court rejected the argument that purchasing Internet or phone time rendered the consideration element moot. The Court held that the sweepstakes entries were the primary inducement for many customers and that the sale of Internet time was essentially a subterfuge to mask the illegal gambling activity. 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. (*Id.* at p. 562.)

Grewal reinforces that courts will look to the functional characteristics of a device and the role of chance and consideration in its operation, rather than the specific technological mechanism used, to determine its legality under California gambling laws. (See also, <https://www.forbes.com/sites/danielwallach/2024/12/11/sweepstakes-casinos-face-long-legal-odds-to-survive-substance-over-form-court-scrutiny/> [as of July 8, 2025].)

In a somewhat related area of the law, the California Attorney General recently released a legal opinion declaring daily fantasy sports (DFS) illegal in this state. The opinion argues these games are akin to sports betting, which is prohibited under California law. The “opinion states that both ‘pick’em’ and ‘draft-style’ DFS games fall under the definition of sports wagering. In pick’em contests, players predict individual athletes’ performances, while draft-style games involve assembling a roster of athletes to compete for cash prizes based on real-world performance. [The Attorney General] emphasized that these activities are illegal regardless of whether they are operated from within or outside California, as long as participants are in the state....The opinion does not immediately change state law or force operators to cease activity, but it sets a significant precedent for potential enforcement actions by local prosecutors.” (<https://kfiam640.iheart.com/content/2025-07-08-california-ag-declares-daily-fantasy-sports-illegal/> [as of July 8, 2025].) Governor Newsom publicly disagreed with this interpretation, hoping for a collaborative approach among stakeholders to address the issue. (*Ibid.*)

4. Misdemeanor Provision of the Bill

This bill creates a new misdemeanor offense directed at any person or entity that operates, conducts, offers, or promotes an online sweepstakes game, as defined, in this state. The bill defines “online sweepstakes game” as a game, contest, or promotion that [1] is available on the internet or accessible on a mobile phone, computer terminal, or similar device; [2] 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; and [3] simulates casino-style gambling, as specified. The criminal offense created by this bill is also directed at any person, entity, financial institution, payment processor, geolocation provider, gaming content supplier, platform provider, or media affiliate that supports directly or indirectly the operation, conduct, or promotion of an online sweepstakes game, as defined, within this state. This new criminal offense is punishable by imprisonment up to one year in the county jail, a fine of up to \$25,000, or both the fine and imprisonment.

Is this criminal offense necessary? Or are there currently sufficient ways to combat the proliferation of online sweepstakes casinos through the vast civil enforcement powers of the state Attorney General?

For example, in California, Sections 1703, 1704, and 1706 of the Business & Professions Code (commonly referred to as the “Unfair Competition Law”) authorize the Attorney General and other law enforcement officials (such as a district attorney, county attorney, or city attorney under specified circumstances) to sue in the name of the People of the State of California for injunctive relief, restitution, and mandatory civil penalties of up to \$2,500 per violation to address unlawful business practices such as violations of the state’s anti-gambling laws.

The California Attorney General’s Office has used this civil enforcement mechanism on numerous occasions to combat illegal sweepstakes gambling, with

one recent case culminating in a multi-million dollar judgment and an injunction against a Canadian-based software supplier which provided slot machine-style gambling games to Internet sweepstakes cafés throughout California. (Also included in the stipulated final judgment were two Florida corporations, a Nevada limited liability company, and the principals of all three entities — all of whom were sued by the California AG under a state-law aiding and abetting theory).

(<https://www.forbes.com/sites/danielwallach/2025/02/24/legality-in-doubt-sweepstakes-casinos-could-be-targeted-by-state-attorneys-general/> [as of July 8, 2025].)

Additionally, does the Unlawful Internet Gambling Enforcement Act of 2006 (UIGEA) already provide a national framework sufficient to address unlawful online gambling? Rather than directly outlawing online gambling, UIGEA targets the financial side of the industry. It prohibits businesses involved in betting or wagering from knowingly accepting payments—such as credit card transactions, electronic fund transfers, or checks—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. (See e.g., <https://www.bettingusa.com/laws/uigea/#:~:text=As%20written%2C%20the%20UIGEA%20makes,such%20State's%20laws%20and%20regulations> [as of July 9, 2025].)

Moreover, the criminal offense in this bill can be interpreted quite broadly and could lead to unintended consequences and unfair penalties. For example, the bill makes it a misdemeanor for either the *operation* of an online sweepstakes casino or simply for the *promotion* of an online sweepstakes casino. This seems to suggest that an individual who simply posts on social media a video/photo *promoting* such an entity could face the same exact punishment as someone who *operates* an online sweepstakes casino within this state.

Online sweepstakes casinos still operate in the majority of U.S. States. With the example given above, the bill appears to criminalize individuals for possibly promoting an entity that is legal in another state. While the intent of the bill might be to only criminalize individuals that promote the playing of online sweepstakes casinos in California, even then the language appears to be written so broadly that it appears to capture instances where individuals simply promote out of state online sweepstakes casinos.

The bill also makes it a misdemeanor to *support directly or indirectly* the operation, conduct, or promotion of an online sweepstakes game within this state. This applies to any person, entity, financial institution, payment processor, geolocation provider, gaming content supplier, platform provider, or media affiliate. There is no requirement that this person or entity even know that they are directly or indirectly supporting this conduct.

It’s also unclear whether this broadly written criminal offense applies to individuals who are simply playing the game.

Should this misdemeanor offense, at the very least, be more narrowly focused to apply only to those operating or conducting online casinos? Should the language be amended to specify that the conduct must be knowing and purposeful (or willfully and knowingly)?

For example, Montana was the first state to officially ban sweepstakes casinos. The criminal provisions of that law are directed at purposeful and knowing conduct.

([file:///C:/Users/anderscr/Downloads/Montana-2025-SB555-Enrolled%20\(1\).pdf](file:///C:/Users/anderscr/Downloads/Montana-2025-SB555-Enrolled%20(1).pdf) [as of July 5, 2025]; <https://esportsinsider.com/2025/05/montana-becomes-first-state-to-ban-sweepstakes-casinos> [as of July 5, 2025].)

Further, some current gaming law misdemeanors (see Pen. Code, §§ 330a & 330b) provide penalties up to six months in jail, a fine up to \$1,000, or both for a first offense. A second offense is punishable by up to 6 months in jail, a fine up to \$10,000, or both. A third or subsequent offense is punishable by up to one year in jail, a fine up to \$25,000, or both. This bill makes even a first offense punishable by up to a year in the county jail, a fine up to \$25,000, or both. Should the criminal punishment in this bill be amended to be more in line with current provisions of law?

5. Double Referral

This bill was double referred to the Senate Committee on Governmental Organizations. The bill's ban on online "sweepstakes casinos" that mimic real-money gambling by using a dual virtual system was addressed by that Committee.

6. Argument in Support

According to the Yuhaaviatam of San Manuel Nation, the sponsor of this bill:

This legislation seeks to expressly prohibit and clarify the illegality of online sweepstakes games that use a "dual currency" model. These games allow players to purchase coins that can be wagered and exchanged for prizes or cash.

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 by 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.

These online sweepstakes games are largely unregulated. Most of the companies offering them are based outside of the United States, meaning essential consumer protections—including age verification and responsible gambling safeguards—are often ignored. In California, this lack of regulation allows both player winnings and corporate profits to go untaxed. Furthermore, without a licensing framework, these operators, their payment processing services, and other vendors in this business vertical are not subject to background checks or accountability, leaving the door open to criminal enterprises and bad actors.

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.

With a 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, granted by the voters of California, must be honored. The state's voters have consistently shown their trust in Native American tribes to operate gaming facilities responsibly and ethically. Allowing unregulated and predatory sweepstakes operators to bypass these regulations undermines that trust and integrity of California's gaming policies

7. Argument in Opposition

According to the Social Gaming Leadership Alliance:

Section (b) of AB 831 creates sweeping criminal liability for "any person, entity, financial institution, payment processor, geolocation provider, gaming content supplier, platform provider, or media affiliate" that supports online sweepstakes games. This provision is more punitive than existing criminal gambling statutes and requires service providers to act as law enforcement agencies, monitoring clients' promotional activities. Payment processors are designed to facilitate transactions, not monitor promotional campaigns. Marketing companies work across industries where legitimate sweepstakes are common. Technology platforms cannot reasonably monitor every client's activities in real-time. The legislation would create criminal liability for major companies – including Google, Facebook, Meta, and YouTube – simply for being associated with businesses conducting sweepstakes. This unprecedented approach imposes strict liability based on association rather than intent, while failing to provide clear definitions, safe harbor provisions, or reasonable compliance standards.

According to the American Civil Liberties Union California Action:

AB 831 would ratchet up existing punishments for gambling. Penal Code Section 330 generally prohibits individuals from gambling, punishable by up to six months of incarceration and a \$1000 fine. Because of how broadly AB 831's language sweeps, prosecutors may argue that anyone who participates in an online sweepstakes is directly or indirectly supporting the gambling platform. In essence, AB 831 would double the term of incarceration and increase the maximum fine by 2500% for anyone engaging in online sweepstakes. As affirmed by the Federal Department of Justice, these increased punishments will not deter crime. [Footnotes omitted.]

– END –