
SENATE COMMITTEE ON APPROPRIATIONS

Senator Anna Caballero, Chair
2025 - 2026 Regular Session

AB 831 (Valencia) - Gambling: operation of a contest or sweepstakes

Version: July 16, 2025

Policy Vote: G.O. 14 - 0, G.O. 15 - 0,
PUB. S. 6 - 0

Urgency: No

Mandate: Yes

Hearing Date: August 18, 2025

Consultant: Janelle Miyashiro

Bill Summary: AB 831 makes it unlawful for a person or entity to operate, conduct, or offer an online sweepstakes game that utilizes a dual-currency system of payment in California, as specified.

Fiscal Impact:

- 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.
- 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.
- 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).
- The Gambling Control Commission does not anticipate a fiscal impact.

Background: 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 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.

In California, sweepstakes are legal so long as they comply with consumer protection laws, avoid becoming an illegal lottery, and avoid violating other anti-gambling laws. To avoid being classified as illegal lotteries, many sweepstakes contests are carefully designed to remove one of the three key elements constituting a lottery, usually consideration. For example, companies may offer a free alternative method of entry (AMOE), such as mailing in a request or using free daily credits. This legal workaround is commonly used in online sweepstakes casinos, which allow users to play games with “sweepstakes coins” that can be acquired for free, thereby claiming to comply with California law. However, this legal strategy remains a gray area.

While the specifics of each online sweepstakes casino offering may differ, the general model typically involves two distinct types of virtual currency. 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.

Proposed Law:

- Provides 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 play a gambling themed game, or any game that mimics or simulates similar gambling themed games is prohibited in the operation of any contest or sweepstakes.
- Revises the description of “gambling themed games.”
- Makes it an unfair practice using or offering games of the types described above that use a 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.
- Provides that the provisions of this bill do not make a game that does not award cash prizes or cash equivalents unlawful.

- Makes it unlawful for any person or entity to operate, conduct, or offer an online sweepstakes game in California.
- Makes it unlawful for any entity, financial institution, payment processor, geolocation provider, gaming content supplier, platform provider, or media affiliate to knowingly support the operation, conduct, or promotion of an online sweepstakes game within California.
- Defines an “online sweepstakes game” to mean a game, contest, or promotion that meets all of the following:
 - 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.
 - Simulates casino-style gambling, such as slot machines, video poker, table games (i.e. blackjack, roulette, craps, and poker), lotteries, bingo, and sports wagering.
 - Awards cash or cash equivalents.
- Provides that a person who violates the above prohibitions is guilty of a misdemeanor, punishable by a fine between \$1,000 to \$25,000, by imprisonment in a county jail up to one year, or by both fine and imprisonment.

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