



Proposition 27

Allows Online and Mobile Sports Wagering

Research Assistant: Helen Bovington '24

Purpose

Prop. 27 would legalize and tax online sports gambling in California. After accounting for the state's administrative expenses, 85% of the tax revenue from sports gambling would go to a new California state fund focusing on preventing homelessness and addressing gambling addiction. The remaining 15% would be used to support California Native American tribes that do not participate in online sports wagering.¹

Background

In May 2018, the United States Supreme Court eliminated the federal prohibition on sports wagering in *Murphy vs. National Collegiate Athletic Association*.² States are now allowed to determine their own laws on sports wagering, including those related to online sports betting. Since 2018, 21 states have legalized some form of online sports wagering.³ Except for horse race betting, sports betting is currently illegal in California.⁴ Prop. 27 proposes to legalize and tax online sports betting, with the majority of the resulting tax revenues going to address homelessness.

California is facing an acute homelessness crisis, with over half of all unsheltered homeless people in America residing in California.⁵ In an effort to address the need for

¹ California Legislative Analyst's Office, "Proposition 27: Analysis of Measure (November 7, 2022 Election)," accessed August 22, 2022, [Proposition 27 \[Ballot\] \(ca.gov\)](https://www.ca.gov/leg/analysis/analysis-measures/proposition-27).

² *Murphy v. National Collegiate Athletic Association*, 138 S. Ct. 1461 (2018).

³ "Interactive U.S. Map: Sports Betting" *American Gaming Association*, September 1, 2022, accessed September 15, 2022, [Interactive U.S. Map: Sports Betting - American Gaming Association](https://www.americangaming.org/interactive-us-map-sports-betting).

⁴ Legislative Analyst's Office, "Proposition 27: Analysis."

⁵ Ned Resnikoff, "It's Hard to Have Faith in a State That Can't Even House Its People", *The New York Times*, July 26, 2021, accessed August 20, 2022, [Opinion | California's Homelessness Crisis Threatens Democracy - The New York Times \(nytimes.com\)](https://www.nytimes.com/2021/07/26/us/politics/california-homelessness-crisis.html).

services, the state passed a package of spending bills in 2021, creating over \$22 billion of investment into the housing crisis and homelessness.⁶

Pursuant to federal and state law, indigenous tribes operate 66 casinos across the state of California.⁷ A large wealth disparity exists between tribes that offer gambling and those that don't. Tribes with no casinos are often smaller or landless, and many of them have difficulty securing steady streams of revenue to support their communities.⁸

Proposal

Prop. 27 has three primary components. First, it amends the California Constitution to make online and mobile sports betting legal for people age 21 and older. Online sports betting could take place anywhere in California, except on tribal lands. Online sports betting licenses would be available only to Native American tribes or certain large gambling companies that partner with a Native American tribe.

Second, license holders must pay a licensing fee and a 10% tax on all sports bets, after accounting for payouts and other expenses. Tribes and large gambling companies would pay a one-time \$10 million and \$100 million licensing fee, respectively, and a \$1 million and \$10 million license renewal fee every five years, respectively.

Third, after deducting administrative expenses, 85% of tax revenue would go toward addressing California's homelessness problem by creating the California Solutions to Homelessness and Mental Health Account for the purpose of "delivering 'permanent and interim housing, including rental assistance [and] supportive services' for the homeless."⁹ Some of this money could also be used for gambling addiction programs. The remaining 15% of tax revenue from Prop. 27 would go to California tribes not participating in online sports wagering, often the same tribes that have historically not benefited from reservation casino revenue. The money would flow through the Tribal Economic Development Account.¹⁰

⁶ "Governor Newsom Signs Legislation to Address Homelessness and Mental Health Services, Highlights \$22 Billion Housing and Homelessness Package", *Office of Governor*, September 29, 2021, accessed July 18, 2022, [Governor Newsom Signs Legislation to Address Homelessness and Mental Health Services, Highlights \\$22 Billion Housing and Homelessness Package | California Governor](#).

⁷ California Legislative Analyst's Office, "Proposition 26: Analysis of Measure (November 7, 2022 Election)," accessed August 22, 2022, [Proposition 26 \[Ballot\] \(ca.gov\)](#).

⁸ James Dao, "In California, Indian Tribes with Casino Money Cast off Members" *The New York Times*, December 12, 2011, accessed August 15, 2022, [California Indian Tribes Eject Thousands of Members - The New York Times \(nytimes.com\)](#).

⁹ Legislative Analyst's Office, "Proposition 27: Text."

¹⁰ Legislative Analyst's Office, "Proposition 27: Analysis."

Possible Conflict

Prop. 27 is not the only measure on this year's ballot to expand legalized gambling in California. Prop. 26 would legalize *in-person* sports gambling at tribal casinos and at California's four racetracks, but would not allow online sports gambling. Its supporters are different from those who support Prop. 27.

Under the California Constitution, if voters approve two or more ballot measures at the same election that conflict, the one that receives the most "yes" votes goes into effect. Prop. 27 includes a finding that Prop. 27 complements and does not conflict with Prop. 26; however, it is up to the courts to determine whether the two measures conflict.¹¹

Fiscal Impact

According to the Legislative Analyst's Office (LAO), if Prop. 27 is approved, it would have three main fiscal impacts.¹² First, the law would increase state revenues, potentially reaching the mid-hundreds of millions of dollars, but likely not more than \$500 million dollars annually. The revenue would come from online sports wagering-related taxes, licensing fees, and penalty fees. Some portion of these revenues would reflect a shift from other existing state and local revenues. Second, the law would create a Division of Online Sports Betting Control that would receive a \$30 million general fund loan from the Department of Justice to aid with start-up costs; the loan would need to be repaid from the new tax proceeds within five years. Finally, Prop. 27 would increase state regulatory costs, potentially reaching the mid-tens of millions of dollars annually, that would be fully or partially offset by increased revenues.

Supporters

Prominent supporters include:¹³

- Online sports betting companies, including Penn National Gaming, Inc, BetMGM, and DraftKings
- Homeless advocates and service providers such as: Bay Area Community Services, San Diego Regional Task Force on Homelessness, People's Self-Help Housing, and Rainbow Services
- Some Native American tribes, including the Middletown Rancheria Pomo Indians and the Big Valley Band of Pomo Indians

¹¹ Brittany Johnson, "CA's Two Sports Betting Propositions Could Face-Off In Court if Both Pass. Here's why," *KCRA 3 News*, July 21, 2022, accessed August 25th, 2022, <https://www.kcra.com/article/cas-sports-betting-propositions-could-face-off-court-both-pass/40683974#>.

¹² "Prop 27: Fiscal Impact Estimate Report", October 20, 2021, accessed August 2, 2022, [fiscal-impact-estimate-report\(21-0017A1\).pdf](https://www.lao.ca.gov/wp-content/uploads/2021/10/Prop-27-Fiscal-Impact-Estimate-Report(21-0017A1).pdf).

¹³ "California Solutions to Homelessness and Mental Health", *vestoprop27.com*, accessed July 30, 2022 [Yes on Prop 27 - Homelessness Funding Backed by CA Tribes \(vestoprop27.com\)](https://vestoprop27.com).

- Elected officials, including mayors Darrell Steinberg (Sacramento), Libby Schaaf (Oakland), Robert Garcia (Long Beach), and Jerry Dyer (Fresno)

A longer list of supporters for Prop. 27 can be found at the official campaign website, https://yestoprop27.com/#supporter-block_62b16becfb5af.

As of September 15, 2022, proponents raised \$169.2 million.¹⁴ The largest donor was FanDuel Sportsbook, which contributed \$35 million, followed by DraftKings, which donated \$34.2 million.¹⁵

Arguments of Supporters

Supporters argue that:¹⁶

- Prop. 27 provides a guaranteed funding source of significant, ongoing funding to address homelessness in California. It will generate hundreds of millions of dollars each year to address this crisis.
- Unlike Prop. 26 (the competing gambling measure), Prop. 27 requires that 15% of all of its tax revenue specifically go to disadvantaged, non-gaming tribes that don't own casinos.
- Prop. 27 would allow safe and responsible sports betting, with strict measures to prevent underage gambling, a ban on betting on youth sports, and a mandate that the California Department of Justice strictly regulate online betting.

Opponents

Prominent opponents include:¹⁷

- More than 50 Native American Tribes, including the San Manuel Band of Mission Indians and the Agua Caliente Band of Cahuilla Indians, as well as the California Nations Indian Gaming Association
- Law enforcement officials, including the California District Attorneys Association
- Education groups, including the California Teachers Association (CTA)
- The California Democratic Party and the California Republican Party

A longer list of opponents for Prop. 27 can be found at the official campaign website, <https://www.noprop27.org/support>.

¹⁴ California Secretary of State, Powersearch: Amount Raised for November 8, 2022 Ballot Measures, available at <https://powersearch.sos.ca.gov/quick-search.php> (accessed Sep. 15, 2022).

¹⁵ California Secretary of State, "Quick Search: Amount Raised for Ballot Measures."

¹⁶ "Proposition 27 - The California Solutions to Homelessness and Mental Health Act", yestoprop27.com.

¹⁷ "Get the Facts on Prop 27", noprop27.com, accessed August 15, 2022, [Get the Facts on Prop 27 | Vote NO on 27 \(noprop27.com\)](https://noprop27.com).

As of September 15, 2022, opponents have raised \$200.7 million.¹⁸ The San Manuel Band of Mission Indians was the largest donor, contributing \$78.1 million.¹⁹

Arguments of Opponents

Opponents argue that:²⁰

- Prop. 27 would greatly expand legalized gambling in California, allowing virtually any device to become a mechanism for gambling.
- Online sports gambling features accelerated speed of play, easy access, and instant gratification, which are especially attractive to young people and those prone to a gambling addiction. People who use devices to participate in online sports wagering are five times more likely to develop a gambling addiction than other types of gamblers.
- Prop. 27 lacks sufficient safeguards to prevent underage gambling and provides no guarantee that youth won't have access to online sports betting.

Conclusion

A YES vote on Prop. 27 would legalize and tax online and mobile sports betting, with most of the tax revenue going to a new California state fund focused on the problems of homelessness. The remaining 15% would go to California native tribes not involved in sports gambling.

A NO vote on Prop. 27 would leave in place existing laws prohibiting online sports betting in California.

Date: October 4, 2022

¹⁸ California Secretary of State, "Quick Search: Amount Raised for Ballot Measures."

¹⁹ California Secretary of State, "Quick Search: Amount Raised for Ballot Measures."

²⁰ "Get the Facts on Prop 27", noprop27.com.