

REPORT OF THE CHIEF LEGISLATIVE ANALYST

DATE: July 29, 2014

TO: Honorable Members of the Rules, Elections and Intergovernmental Relations Committee

FROM: Gerry F. Miller *KEK for*
Chief Legislative Analyst

Council File No: 14-0002-S83
Assignment No: 14-07-0522

SUBJECT: Resolution (Parks - Englander) to support AB 1439

CLA RECOMMENDATION: Adopt the Resolution (Parks - Englander) to include in the City's 2013 - 2014 State Legislative Program SUPPORT for AB 1439 (Salas), which would prohibit any person, when conducting a contest or sweepstakes, from using an electronic video monitor to simulate gambling or play gambling-themed games that offer the opportunity to win sweepstakes cash, cash equivalent prizes, or other prizes of value.

SUMMARY

On July 2, 2014, a Resolution (Parks - Englander) was introduced in support of AB 1439 (Salas), which would prohibit any person, when conducting a contest or sweepstakes, from using an electronic video monitor to simulate gambling or play gambling-themed games that offer the opportunity to win sweepstakes cash or prizes. The Resolution states that a loophole in current law has permitted internet gambling sweepstakes to operate in a "gray area" and evade law enforcement efforts in internet cafes that hold sweepstakes that are thinly veiled gambling operations. The Resolution further states that illegal sweepstakes gambling cafes are a threat to both public safety and local businesses, which have experienced increased crime in areas near internet cafes that are operating illegal sweepstakes or gambling machines.

The Resolution states that AB 1439 would enhance the ability of law enforcement to curb illegal gambling activities and associated crimes by explicitly prohibiting a business from offering electronic video monitor gambling simulations or gambling themed games that utilize a sweepstakes prize experience. The Resolution, therefore, seeks an official position of the City of Los Angeles to support AB 1439, which would close the legal loophole that has permitted internet gambling sweepstakes to operate in a gray area and evade enforcement.

BACKGROUND

With the spread of internet access across the United States over the last decades, and with the spread of wireless broadband access, many internet cafes, which used to offer internet access for a fee while providing snacks and beverages, now promote their products (internet access, computer time, phone cards, etc.) through sweepstakes giveaways that allow customers to determine if they have won anything through specialized game programs on computer terminals. Oftentimes, these programs simulate casino slot machines or other gambling games. Law enforcement and business associations believe that many cafes with these gambling games are using them as illegal slot machines, and are in reality gambling operations, as opposed to internet access providers.

A loophole exists in current law that has permitted internet gambling sweepstakes to operate in a 'gray area' and evade law enforcement. Many business groups are increasingly concerned with these cafes, as they have been proliferating in many areas of the state. Businesses near internet cafes that offer sweepstakes have been steadily losing customers, as illegal gaming cafes have drawn crime to areas in which they operate.

To address this issue, AB 1439 would prohibit any person, when conducting a contest or sweepstakes, from using an electronic video monitor to simulate gambling or play gambling-themed games that offer the opportunity to win sweepstakes cash, cash equivalent prizes, or other prizes of value. AB 1439 would designate various practices unfair business practices, concisely defines "sweepstakes" in California law to limit gambling, and declares that its prohibitions shall not legalize any activity that is currently illegal pursuant to law prohibiting slot machines, lotteries, or unlicensed gambling.

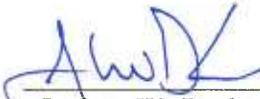
AB 1439 is supported by various law enforcement groups, business associations, and cities in California. This bill would address a growing issue in the state, and provide clear rules to prohibit illegal gambling in internet cafes.

DEPARTMENTS NOTIFIED

Police Department

BILL STATUS

01/06/2014	Bill introduced
05/27/2014	Passed in the Assembly, referred to the Senate
06/05/2014	Referred to the Senate Committee on Governmental Organization
06/24/2014	Passed in the Committee on Governmental Organization, referred to the Senate Committee on Appropriations



Joshua W. Drake
Analyst

GFM:MF:jwd

Attachment: Resolution (Parks - Englander)

14-0002-583

RULES, RESOLUTIONS & INTERGOVERNMENTAL AFFAIRS

RESOLUTION

WHEREAS, any official position of the City of Los Angeles with respect to legislation, rules, regulations, or policies proposed to or pending before a local, state, or federal governmental body or agency must first have been adopted in the form of a Resolution by the City Council with the concurrence of the Mayor; and

WHEREAS, a loophole in the law has permitted internet gambling sweepstakes to operate in a "gray area" and evade law enforcement in internet cafes that hold sweepstakes which are thinly veiled gambling operations; and

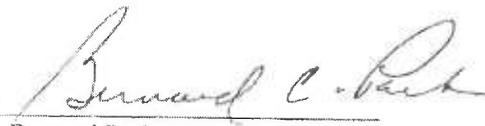
WHEREAS, some jurisdictions in the state have filed civil actions under the Unfair Competition law seeking to enjoin several Internet café businesses from continuing to engage in practices that allegedly violated the gambling prohibitions on unlawful lotteries and/or slot machines or devices and the Fifth Appellate Court of Appeals sided with Kern County public safety officials in finding that casino-style gambling cafes should be treated as gambling; and

WHEREAS, illegal sweepstakes gambling cafes are a threat to both public safety and local business, which have experienced increased crime associated with internet cafes that have exploited a loophole in the law that allows them to proliferate; and

WHEREAS, AB 1439 (Salas) enhance the ability of law enforcement to curb illegal gambling activities and associated crimes by explicitly prohibiting a business from offering electronic video monitor gambling simulations or gambling themed games that utilize a sweepstakes prize experience – without regard to whether or not the operations are using illegal slot.

NOW, THEREFORE, BE IT RESOLVED, with the concurrence of the Mayor, that by the adoption of this Resolution, the City of Los Angeles hereby includes in its 2013-2014 State Legislative Program SUPPORT AB 1439 which would prohibit any person, when conducting a contest or sweepstakes, from using an electronic video monitor to simulate gambling or play gambling-themed games that offers the opportunity to win sweepstakes cash, cash equivalent prizes or other prizes of value.

PRESENTED BY:



Bernard Parks
Councilmember, 8th District

SECONDED BY:



ORIGINAL



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