

California Department of Justice
Bureau of Gambling Control

Report to the Legislature

Fundraising Effectiveness and Regulation of
Remote Caller Bingo



January 2016

SUMMARY

Pursuant to section 326.3(y) of the California Penal Code, the California Department of Justice “Shall submit a report to the Legislature, on or before January 1, 2016, on the fundraising effectiveness and regulation of remote caller bingo, and other matters that are relevant to the public interest regarding remote caller bingo.”

BACKGROUND INFORMATION

Senate Bill (SB) 1369 (Cedillo, Chapter 748, Statutes of 2008) established the California Remote Caller Bingo Act to authorize remote caller bingo (RCB) as a game that would allow specific nonprofit and charitable organizations to use audio and video technology to remotely link designated in-state facilities to co-sponsor live bingo games, if authorized pursuant to a local bingo ordinance and approved by the California Gambling Control Commission (Commission). Pursuant to the provisions of SB 1369, the Commission was required to regulate RCB, including but not limited to, the development of regulations for approval of card-minding devices.

According to the author, the purpose of SB 1369 was to provide nonprofit organizations an opportunity to increase their fundraising ability by authorizing remote caller bingo, which will allow charities across the State to combine their games and offer larger prizes than allowed under current law. The author stated, “The demand for services from California charities is increasing due to the economy, unemployment and our state budget cuts. At the same time, charitable donations are down and charities are faced with turning away people for whom it is their mission to serve. Charities desperately need new tools to increase their ability to raise funds to keep up with the demand for their services.”

In addition to the foregoing, SB 1369 also required the Commission to approve equipment used for RCB, and administer mitigation payments to eligible non-profit organizations. The Commission enacted regulations establishing a process for granting approvals for work permits, licenses, and card minding devices and associated supplies. Pursuant to Penal Code section 326.3, the Commission issued a report to the Legislature in January 2012 on the Fundraising Effectiveness and Regulation of Remote Caller Bingo.

Governor's Reorganization Plan No. 2 (GRP No. 2), submitted to the Legislature on May 3, 2012, and effective on July 3, 2012, pursuant to Government Code section 12080.5, and substantively operative on July 1, 2013, eliminated duplicative administrative, investigative, and enforcement roles from the Commission and consolidated these activities within the Department of Justice, Division of Law Enforcement, Bureau of Gambling Control (BGC). Specifically, GRP No. 2 transferred the RCB program duties in Penal Code sections 326.3 and 326.5, from the Commission to the BGC. Authority to adopt regulations associated with the approval of card minding devices and associated software was vested in the Department's BGC with the enactment of Senate Bill 820 (Chapter 353, Statutes of 2013).

The California Remote Caller Bingo Act (Penal Code § 326.3) will become inoperative on July 1, 2016, and will be repealed on January 1, 2017, unless extended by subsequent legislation.

PROGRAM STATUS

Since July 1, 2013, the BGC has received 20 new RCB applications and 12 requests to abandon applications that were pending or previously approved. As of the date of this report, there are 35 RCB recognized organizations:

- American Legion, Post 112
- American Legion, Post 200
- American Legion, Post 208
- American Legion, Post 426
- American Legion, Post 79
- Atascadero Elks, Benevolent Protective Order of Elks #2733
- Brea Post No. 5384, Veterans of Foreign Wars
- Clearlake Oaks Moose Lodge #2284
- Comite Del Amor
- Corona Elks Lodge #2045
- Cri-Help, Inc.
- Desert Hot Springs Elks Lodge No. 2639
- Fraternal Order of Eagles #929
- Fullerton Elks Lodge, #1993
- General William Stark Rosecrans Post No. 3261, Veterans of Foreign Wars
- Herman Granados American Legion Post 739
- Knights of Columbus, Council 4438
- Montebello Elks Lodge #2051
- Mothers Against Sexual Abusers
- North Hollywood Sun Valley Post No. 10040, VFW
- Norwalk Lodge No. 1739 Loyal Order of Moose, Inc.
- Old Baldy Post No. 2085, Veterans of Foreign Wars
- Ontario FastPitch Softball Association
- Placentia Post No. 277, American Legion
- Pomona Charles P. Rowe Post No. 30, American Legion
- Saint Garabed Armenian Apostolic Church of the Desert
- San Clemente Lodge No. 2068, Benevolent and Protective Order of Elks
- Sportsman's Club of Joshua Tree
- St. Genevieve High School
- St. Joseph Catholic Church
- St. Luke the Evangelist
- St. Pius X Catholic Church
- The American Legion California Veterans Affairs and Rehabilitation Foundation.
- Yolo Post 77, American Legion
- Yucaipa Elks Lodge #2389

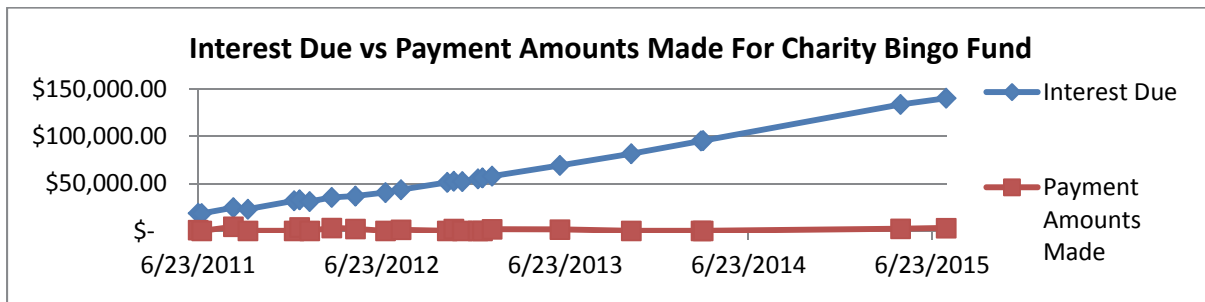
The BGC's Audit staff conducted a comparison of the reported RCB gross revenues from April 1, 2014, through September 30, 2015. The verified gross revenue for the last three quarters of 2014 was \$90,964.17, and the verified gross revenue for the first three quarters of 2015 was \$136,825.73. This represents a 50% increase from 2014 to 2015. The actual amounts contributed to charities is unknown as the recognized organizations are not required to report their expenses with their gross revenues which prevented Audit staff from determining the actual monetary benefit for the charities.

LOAN STATUS

As discussed in the previous report to the Legislature prepared by the Commission, the RCB program was funded through a series of loans. A total of two loans in the amounts of \$500,000 and \$457,000 were made from the Gambling Control Fund the California Bingo Fund to support administration and operation costs associated with functions and the Commission to implement the program. From its inception to date, a total of \$400,000 was spent from the California Bingo Fund¹.

SB 1369 established the Charity Bingo Mitigation Fund to make mitigation payments to eligible organizations, and in order to make the fund immediately operable, authorized a loan of \$5,000,000 from the Indian Gaming Special Distribution Fund. Penal Code section 326.4 (d)(2) requires organizations conducting RCB games to pay five percent of the gross revenues of each game until the loan, plus accrued interest, has been reimbursed. The payments received from the RCB recognized organizations since the inception of RCB have not been sufficient to cover the accruing interest. No payments have been applied to the principal loan amount.

As of Fiscal Year 2010/2011, the unexpended \$3,467,000 balance reverted to the Indian Gaming Special Distribution Fund. Below is a line chart comparing the RCB recognized organizations' payments to the Charity Bingo Fund with the interest that has accrued on the loan. As of the date of this report, more than \$140,000 in interest has accumulated over the last five years while less than \$26,000 has been received in payments. Based on this trend, the BGC does not anticipate the Indian Gaming Special Distribution Fund will be repaid.



CONCLUSION

The RCB Program does not appear fiscally viable. The interest on the loan to the Charity Bingo Mitigation Fund consistently exceeds its five percent share of the revenue from RCB games; as a result, \$1.8 million is now owed to the Indian Gaming Special Distribution Fund. The license fees generated by the RCB program are insufficient to sustain the program or repay the loans to the California Bingo Fund. Further, the program appears to have generated only minimal revenue for charitable purposes. An alternative for nonprofit organizations to continue the program in a more cost-effective manner would be to regulate it at the local level.

¹ Expenditures in the amount of \$184,000 (FY 08-09), \$76,000 (FY 09-10), \$1,000 (FY 11-12), and \$139,000 (FY 12-13) were made by the Commission from the California Bingo Fund.