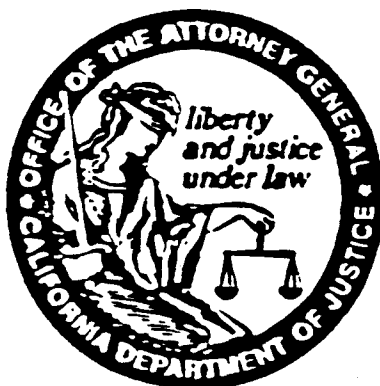


# GROWTH IN GAMBLING IN CALIFORNIA



California Department of Justice  
Daniel E. Lungren  
Attorney General

*February 1994*

## **GAMBLING AND ITS GROWTH IN AMERICA AND CALIFORNIA**

### **I. INTRODUCTION**

Gambling throughout the Nation has increased in the 1980s and 1990s. According to a recent report, legalized gambling throughout the Nation has reached \$300 billion.<sup>1/</sup> Just last month, the National Football League's Super Bowl was viewed or wagered on by an estimated 248 million people. Some analysts estimate that \$4 billion (both legally and illegally) was wagered on the Super Bowl. This amounts to roughly \$32 for every person watching the game. Of that amount, \$54.5 million was wagered legally in Nevada in which the casinos made approximately \$7.5 million in profit.<sup>2/</sup>

Gambling seems to have become a more widely accepted and utilized form of entertainment for many Americans. While the Super Bowl is considered one of the largest gambling events, the real growth in gambling has been in terms of legalized gambling. During the 1980s and 1990s several states expanded their

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1. Gaming & Wagering Business, July 15, 1993 - August 15, 1993.

2. USA Today, January 27, 1994.

gambling options by introducing lotteries, off-track betting, riverboat gambling and other legalized forms of gambling. Currently, only two states, Utah and Hawaii, do not have some form of gambling allowed in their state. This growth in legalized gambling in the United States has dramatically increased the amount being wagered in gambling every year, with no sign of abatement.

The purpose of this paper is to illustrate the current growth of gambling in America and California and to estimate the potential growth of gambling as it affects California.

## II. LEGALIZED GAMBLING IN OTHER STATES

According to industry analysts, gross wagering in the nation in 1992 was nearly \$330 billion. This represents an increase of more than \$200 billion (162.3%) over the past decade. The traditional venues for gaming, the casinos in Nevada and Atlantic City, have grown (134%) but at a slower rate than the entire gaming industry. Pari-mutuel betting and bingo have shown only slight growth as compared to the rest of the industry.<sup>3/</sup>

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3. Gaming & Wagering Business, July 15, 1993-August 15, 1993.

The real growth in the industry is in the expansion of state lotteries, cardrooms and Indian gaming, all of which have grown at an unprecedented rate. State lotteries are nearly five times larger than what they were in 1982, grossing over \$24 billion in 1992. Gross wagering at card rooms is almost eight times what it was in 1982. Gambling on Indian reservations has increased 179% in the past year alone to reach a total handle of over \$15 billion. Indian gaming is the fastest growing form of gambling in the United States.<sup>4/</sup>

**TRENDS IN GROSS WAGERING IN THE UNITED STATES**  
(In Billions)

<b>Wagering</b>	<b>Gross Wagering 1982</b>	<b>Gross Wagering 1992</b>	<b>Percent Increase</b>
Pari-Mutuels	\$ 14.529	\$ 17.841	22.8%
Bingo	\$ 3.000	\$ 4.306	43.5%
Casinos	\$101.400	\$252.893	149.4%
Charitable Games	\$ 1.200	\$ 4.775	297.9%
Lotteries	\$ 4.088	\$ 24.362	495.9%
Card Rooms	\$ 1.000	\$ 8.428	742.8%
Indian Gaming	—	\$ 15.174	N/A
<b>TOTAL</b>	<b>\$125.755</b>	<b>\$329.889</b>	<b>162.3%</b>

**SOURCE: Gaming & Wagering Business, July 15, 1993 - August 15, 1993.**

The table on the next page demonstrates just how prevalent some forms of legalized gambling are in the various states throughout the United States.

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4. Gaming & Wagering Business, July 15, 1993 - August 15, 1993.

## LEGALIZED GAMBLING THROUGHOUT THE UNITED STATES

States	Bingo	Card Rooms	Casinos	Indian Gaming	Lottery	Pari-Mutuel Betting
Alabama	X			X		X
Alaska	X					
Arizona	X		X	X	X	X
Arkansas						X
California	X	X		X	X	X
Colorado	X	X	X		X	X
Connecticut	X		X	X	X	X
Delaware	X				X	X
Florida	X			X	X	X
Georgia	X				X	
Hawaii						
Idaho	X			X	X	X
Illinois	X	X	X		X	X
Indiana	X		X		X	X
Iowa	X	X	X		X	X
Kansas	X			X	X	X
Kentucky	X				X	X
Louisiana	X		X	X	X	X
Maine	X				X	X
Maryland	X	X			X	X
Massachusetts	X				X	X
Michigan	X	X	X	X	X	X
Minnesota	X	X	X	X	X	X
Mississippi	X		X	X		
Missouri	X		X		X	X
Montana	X	X	X	X	X	X
Nebraska	X		X	X	X	X
Nevada	X	X	X	X		X
New Hampshire	X				X	X
New Jersey	X	X	X		X	X
New Mexico	X		X			
New York	X			X	X	X
North Carolina	X					
North Dakota	X	X	X	X		X
Ohio	X					X
Oklahoma	X			X	X	X
Oregon	X	X	X	X	X	X
Pennsylvania	X				X	X
Rhode Island	X				X	X
South Carolina	X					
South Dakota	X	X	X	X	X	X
Tennessee						X
Texas	X				X	X
Utah						
Vermont	X				X	X
Virginia	X				X	X
Washington	X	X	X	X	X	X
Washington, DC	X				X	
West Virginia	X				X	X
Wisconsin	X		X	X	X	X
Wyoming	X				X	X

Note: Casinos may also include some riverboat gambling and Indian gaming.  
 SOURCES: Gaming & Wagering Business, Boston Globe.

Many states are even turning to gambling to ease their economic problems by establishing casino style gambling. Currently, six states have riverboat gambling and seventeen other states are proposing to establish a similar form of riverboat gambling.<sup>5/</sup>

Some states are turning to Indian reservations to receive additional funding during these tight fiscal times. Foxwoods Casino in Connecticut opened two years ago by the Mashantucket Pequot Tribe. Today it is considered the world's best gambling cash register as 50% of the total casino revenues go to the tribe as straight profit. The tribe and its 230 members are believed to be making a profit of over \$1 million per day and compensating the state with at least \$100 million this year. Connecticut, in turn, has agreed to allow the casino to expand and purchase more slot machines at Foxwood Casinos.<sup>6/</sup>

Foxwoods is just one of many casinos on tribal lands. There are now 73 Indian tribes in 19 different states that either offer or will soon offer full-scale gambling.<sup>7/</sup> The Seminole Indians in Florida have offered their state

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5. Wall Street Journal, September 9, 1993.

6. Boston Globe, September 23, 1993.

7. U.S. News and World Report, August 23, 1993.

**\$100 million per year in order to have the right to high stakes gambling on their reservation.<sup>8/</sup>**

**The growth in the entire Indian gaming industry is quite amazing when you consider that less than ten years ago, Indian gaming was virtually non-existent. If various state and Indian tribes continue to make compacts similar to Foxwoods or the Seminole Indian proposal, then the potential for growth in Indian gaming is potentially unlimited.**

**The map on the next page illustrates all of the Indian reservations in the United States, the number of members in each tribe and which reservation have gambling.**

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**8. Governing, July, 1993.**



360 Immigrant Stampede



1890 The Vanquished



2090 Indian Land?

### Tribes

There are 570 Indian Tribes located in the continental United States and in the Hawaiian Islands. The vast majority are different from each other in language, customs, and culture. A list of 570 tribes is provided in this book. Each tribe is listed with its name, location, and status. Some tribes have been recognized by the federal government, while others have not.

### Demographic Perspective

The concept of the map is to present a demographic picture of Indian America. It is not the purpose of this map to provide a detailed demographic study of Indian tribes. The map is designed to provide a general overview of the distribution of Indian tribes in the United States. It is not intended to be a substitute for a detailed demographic study.

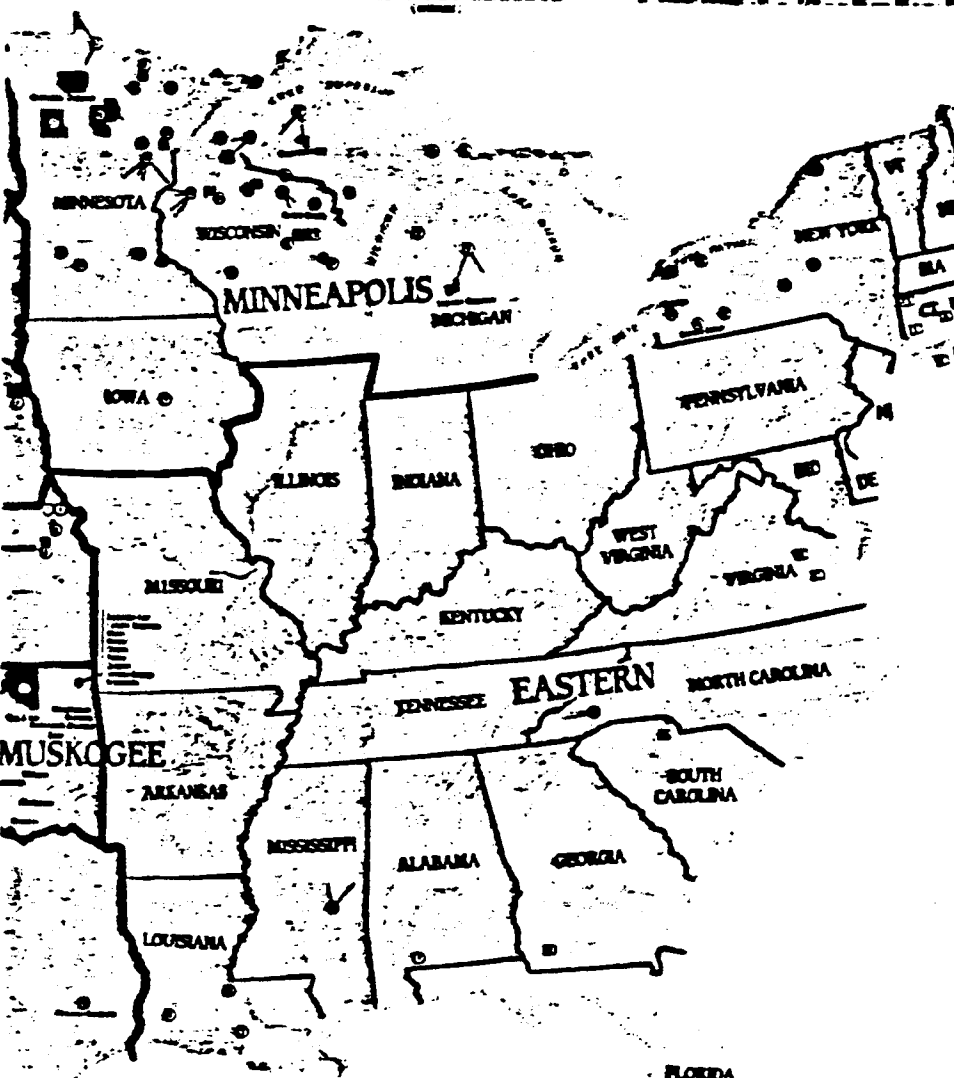
Office

Alaska	1
Arizona	2
California	3
Colorado	4
Connecticut	5
Delaware	6
District of Columbia	7
Florida	8
Georgia	9
Idaho	10
Illinois	11
Indiana	12
Iowa	13
Kansas	14
Kentucky	15
Louisiana	16
Maine	17
Maryland	18
Massachusetts	19
Michigan	20
Minnesota	21
Mississippi	22
Missouri	23
Montana	24
Nebraska	25
Nevada	26
New Hampshire	27
New Jersey	28
New Mexico	29
New York	30
North Carolina	31
North Dakota	32
Ohio	33
Oklahoma	34
Oregon	35
Pennsylvania	36
Rhode Island	37
South Carolina	38
South Dakota	39
Tennessee	40
Texas	41
Vermont	42
Virginia	43
Washington	44
West Virginia	45
Wisconsin	46
Wyoming	47

Minneapolis Area Office

Minnesota	1
Wisconsin	2
Michigan	3
Illinois	4
Indiana	5
Iowa	6
Kansas	7
Kentucky	8
Louisiana	9
Maine	10
Maryland	11
Massachusetts	12
Michigan	13
Minnesota	14
Mississippi	15
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South Dakota	32
Tennessee	33
Texas	34
Vermont	35
Virginia	36
Washington	37
West Virginia	38
Wisconsin	39
Wyoming	40

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New Jersey	30
New Mexico	31
New York	32
North Carolina	33
North Dakota	34
Ohio	35
Oklahoma	36
Oregon	37
Pennsylvania	38
Rhode Island	39
South Carolina	40
South Dakota	41
Tennessee	42
Texas	43
Vermont	44
Virginia	45
Washington	46
West Virginia	47
Wisconsin	48
Wyoming	49



### Eastern Area Office

Alabama	1
Alaska	2
Arizona	3
Arkansas	4
California	5
Colorado	6
Connecticut	7
Delaware	8
District of Columbia	9
Florida	10
Georgia	11
Idaho	12
Illinois	13
Indiana	14
Iowa	15
Kansas	16
Kentucky	17
Louisiana	18
Maine	19
Maryland	20
Massachusetts	21
Michigan	22
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Mississippi	24
Missouri	25
Montana	26
Nebraska	27
Nevada	28
New Hampshire	29
New Jersey	30
New Mexico	31
New York	32
North Carolina	33
North Dakota	34
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Oklahoma	36
Oregon	37
Pennsylvania	38
Rhode Island	39
South Carolina	40
South Dakota	41
Tennessee	42
Texas	43
Vermont	44
Virginia	45
Washington	46
West Virginia	47
Wisconsin	48
Wyoming	49

### State Recognized Tribes

Alabama	1
Alaska	2
Arizona	3
Arkansas	4
California	5
Colorado	6
Connecticut	7
Delaware	8
District of Columbia	9
Florida	10
Georgia	11
Idaho	12
Illinois	13
Indiana	14
Iowa	15
Kansas	16
Kentucky	17
Louisiana	18
Maine	19
Maryland	20
Massachusetts	21
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South Carolina	40
South Dakota	41
Tennessee	42
Texas	43
Vermont	44
Virginia	45
Washington	46
West Virginia	47
Wisconsin	48
Wyoming	49

### LEGEND

Legend symbols:
- Dotted line: State Recognized Tribes
- Solid line: Non-Recognized Tribes
- Dashed line: Not Available
- Star: State Capital
- Square: State Boundary
- Circle: State Office
- Triangle: State Capital
- Star: State Capital
- Circle: State Office
- Square: State Boundary

# A Map of AMERICAN INDIAN NATIONS

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### III. LEGAL GAMBLING IN CALIFORNIA

California is the third largest state in terms of gross wagering at \$12.523 billion. Only Nevada and New Jersey have more money wagered in their states. Illinois ranks fourth but is at least \$5 billion less than California as far as gross wagering. While this estimate may seem extraordinarily high, it does not even include the monies wagered through Indian gaming establishments in our state.<sup>9/</sup>

#### CALIFORNIA TRENDS IN GROSS WAGERING (In Billions)

<u>Wagering</u>	<u>Gross Wagering 1992</u>
Pari-Mutuels	\$ 2.660
Bingo	\$ .330
Charitable Games	\$ .535
Lotteries	\$ 1.496
Card Rooms	\$ 7.500
Indian Gaming	N/A
<b>TOTAL</b>	<b>\$ 12.523</b>

SOURCE: Gaming & Wagering Business, July 15, 1993 - August 15, 1993.

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9. Gaming and Wagering Business, July 15, 1993 - August 15, 1993.

While the entire Nation has seen gambling grow in all aspects, California's growth and potential growth in legalized gambling is primarily limited to card rooms and Indian reservations. Other forms of legalized gambling in the state have shown little or no change in the amount being wagered.

California ranks sixth in the nation in gross sale of lottery tickets.<sup>10/</sup> According to the state lottery, the sale of lottery tickets, scratchers and keno increased 2.9% between the 1991-92 fiscal year and the 1992-93 fiscal year to reach a total of \$1.759 billion. However, total sales are down slightly as compared to when the state lottery was first introduced in 1985-86. The number of lottery sales decreased by one-third from their 1988-89 high of \$2.628 billion.

California is the second largest pari-mutuel betting state, next to New York.<sup>11/</sup> However, horse racing in California has seen similar industry-wide stagnation as the state lottery. According to the California Horse Racing Board, since the inception of off-track betting in 1985, the total handle for horse racing in California has increased only 28.5% to \$2.873 billion in 1993. Since 1989, the total handle in California horse racing has increased by less than one percent in the past four years. In fact, the total handle has dropped 1.7% from its high in 1991 of \$2.924 billion.

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10. Gaming and Wagering Business, July 15, 1993 - August 15, 1993.

11. Gaming and Wagering Business, July 15, 1993 - August 15, 1993.

While there are no exact numbers of bingo receipts in California, one industry trade magazine has reported that total revenues from non-Indian bingo in California exceed \$330 million.<sup>12/</sup> According to the California Attorney General's Registry of Charitable Trusts, bingo revenues for non-profit organizations has increased to \$144 million as of March of 1993. This represents an increase of 71.9% over a three and a half year time period. Even though the Registry of Charitable Trusts does not monitor all bingo games, their statistics illustrate an interesting fact. While the bingo revenues increased, the amount of charities reporting bingo to the Registry of Charitable Trusts decreased by over 20% to 333 charities. This implies that bigger bingo parlors and halls are being established and attracting the business of many smaller charities.

### **INDIAN GAMING**

While there are no exact numbers of gross wagering at California's Indian gaming sites, it is believed that a significant portion of the \$15 billion wagered nationally on Indian gaming was wagered in California. In addition to bingo, casino style gambling on Indian reservations has escalated in recent years and is a rapidly growing sector of the gambling industry in this state.

The map on the next page illustrates all of the Indian reservations in California that allow gambling on the reservation.

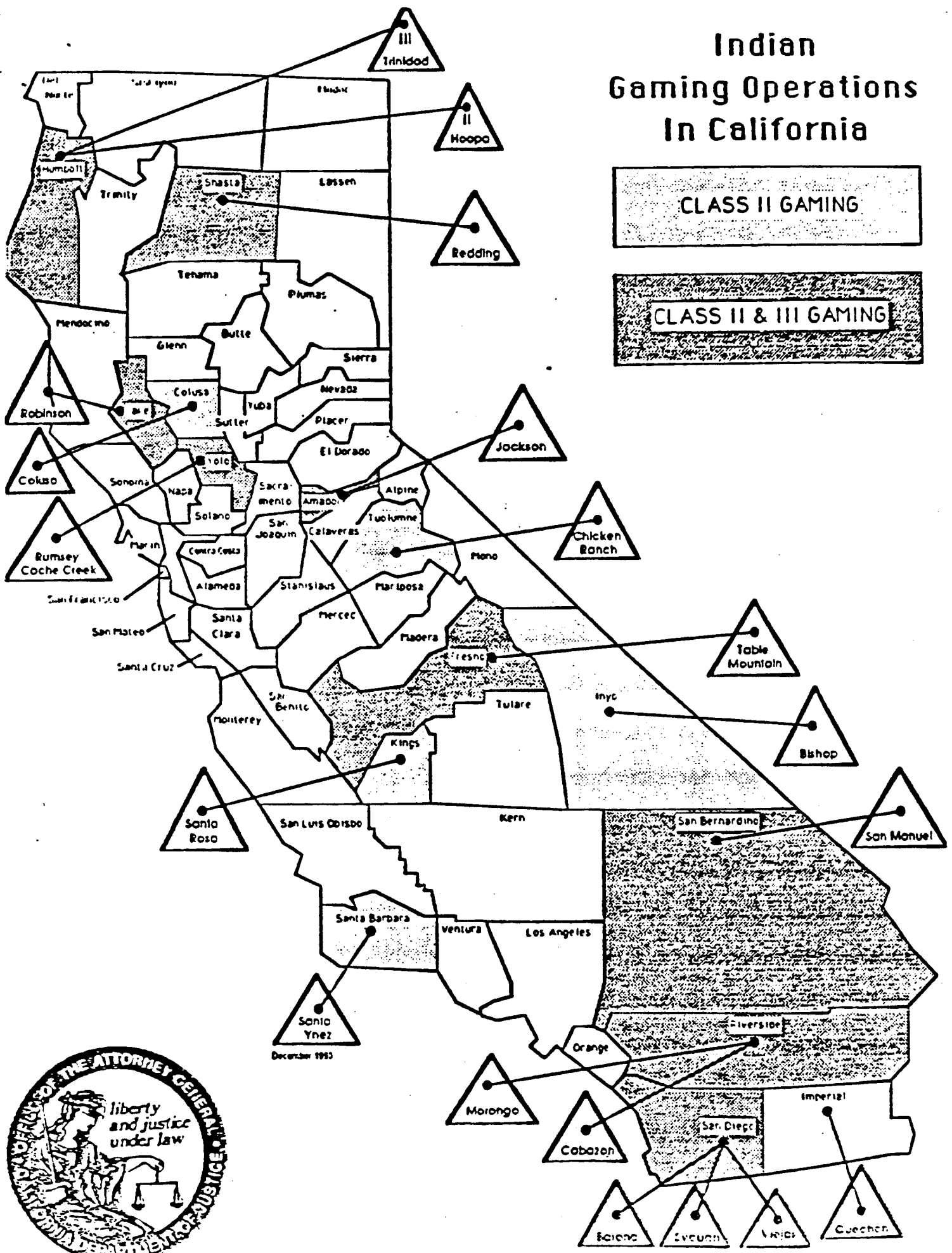
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12. Gaming & Wagering Business, July 15, 1993 - August 15, 1993.

# Indian Gaming Operations In California

CLASS II GAMING

CLASS II & III GAMING



December 1983



**According to the National Indian Gaming Commission, there are currently 104 Indian tribes and bands in California.**

- **Nineteen of these tribes are now operating various forms of gaming.**
  - **Seven tribes have only high stakes bingo.**
  - **Twelve tribes have class II (bingo and non-banked cards) and class III (casino-style, pari-mutuel, lottery) gaming.**
    - **Four of the twelve tribes that have class II and III gaming have off-track betting.**
- **Over thirty tribes have requested class III gaming.**

**California's Indian tribes are looking for new avenues to expand their gaming. In October of 1993, it was reported by the National Indian Gaming Commission that there were 1,437 slot machines on Indian reservations in California. Today, it is estimated that there are over 3,100 slot machines, based on advertisements in trade publications by the various Indian reservations. That is an increase in slot machines of over 115% in a four month period.**

**The profits to the Indian reservations are substantial. For example, three Indian tribes in San Diego County, the Sycuan, Viejas and Barona bands of Indians, are generating over \$200 million in revenue from gambling ventures on their Indian**

reservations.<sup>13/</sup> Because of the potential profit from gaming, several tribes in this state plan to expand or build new gaming facilities on tribal land.

- The Morongo Indians in Riverside County plan to renovate their existing 60,000 square foot casino to house a 2,400 seat bingo hall, slot machines, off-track betting services and card tables. They plan to open a \$7 million, 33,000 square foot addition, plus construct a five-story, 150 room hotel.
- The Agua-Caliente Indians in Palm Springs recently came to an agreement with Caesar's World, Inc. of Las Vegas to construct an 80,000 square-foot gambling casino in downtown Palm Springs.
- The Cabazon Indians in Indio have plans to expand their existing casino.
- The Twenty-nine Palms Band of Mission Indians have contracted with Elsinore Corporation to build a casino.<sup>14/</sup>

These are just some of the examples of the potential growth in Indian gaming. With the potential for greater profits, it can only be presumed that Indian gaming will continue to expand at a rapid rate.

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13. San Diego Union-Tribune, November 22, 1993.

14. Riverside Press-Enterprise, November 28, 1993.

## **CARDROOMS**

During the past 10 years, the number of tables as well as the annual profits in cardrooms have increased dramatically in the state. While there is no exact estimate in terms of the amount being wagered in cardrooms in California in 1982, the national total was \$1 billion in 1982. In 1992, the California cardrooms' handle was \$7.5 billion which is approximately 89% of the entire cardroom gaming market.<sup>15/</sup> According to the Department of Justice's Gaming Registration Unit, these cardrooms in California had a gross revenue of \$301 million in 1992.

Part of the increase in revenue is due to Asian games. The cardroom industry has experienced a major change after Asian games were introduced to the California cardroom industry in 1985. Because Asian games, like Pai Gow and Super Pan, are high-stakes games that are played rapidly, the cardroom can play more games and increase revenues since they collect a flat fee from each game.

While the amount being wagered has increased, the number of cardrooms has stayed relatively stagnant. However, the number of large cardrooms and tables has increased. A large percentage of the "mom and pop" type cardrooms are

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15. Gaming & Wagering Business, July 15, 1993 - August 15, 1993.



being absorbed through the formation of larger ventures and partnerships. Currently ten of the 256 cardrooms in California are considered large cardrooms (21 tables or more). These cardrooms account for over 45% of the card tables in California.

These large cardrooms generate enormous revenues. The following are examples of club revenues:

- The Bicycle Club in Bell Gardens reported \$97 million in gross revenues in 1992.
- The Commerce Club in the City of Commerce earned an estimated \$88.3 million in gross revenues in 1992.
- The Garden City Card Club in San Jose had an estimated \$38.3 million in gross revenues in 1992.

Other gaming interests are attempting to align themselves with the cardrooms. Recently, both the Los Alamitos and Hollywood Park racing tracks attempted to obtain card clubs. While neither one has obtained a cardroom operating permit at this time, other gaming interests that have seen a decline in their handle may also attempt to establish a multi-marketed gaming facilities.

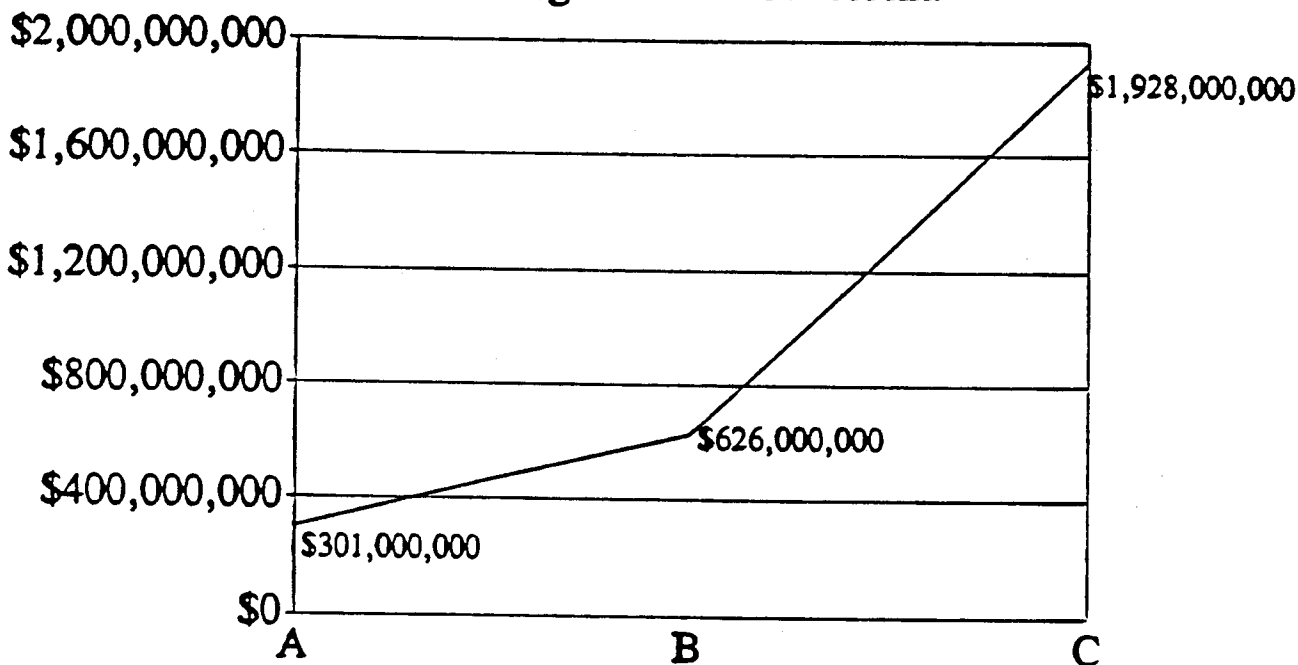
**With the potential for enormous profit, other groups are proposing large cardrooms. There are currently 7 large card clubs under development (with applications pending) and an additional 27 are being proposed (planned by the industry but no formal applications have been filed). Some of the proposals include:**

- Hollywood Park has proposed to open a cardroom with 140 tables.**
- Bay 101 has proposed a 40 table cardroom.**
- A Monterey Bay project that would establish 50 tables by 1995.**
- A San Francisco Casino with 200 tables that would be developed by 1995.**

**With the growth in revenues in cardrooms it can only be assumed that the growth of large cardrooms will continue. The two tables on the next two pages demonstrates the potential growth in the number of card tables and the gross revenues if all of the proposed cardrooms were built. The third page is a map illustrating the location of all of the large cardrooms, the cardrooms under development and proposed cardrooms.**

California Attorney General's Office  
Department of Justice  
Division of Law Enforcement  
Bureau of Investigation, Gaming Registration Program

The Estimated Gross Revenues  
of Gaming Clubs in California



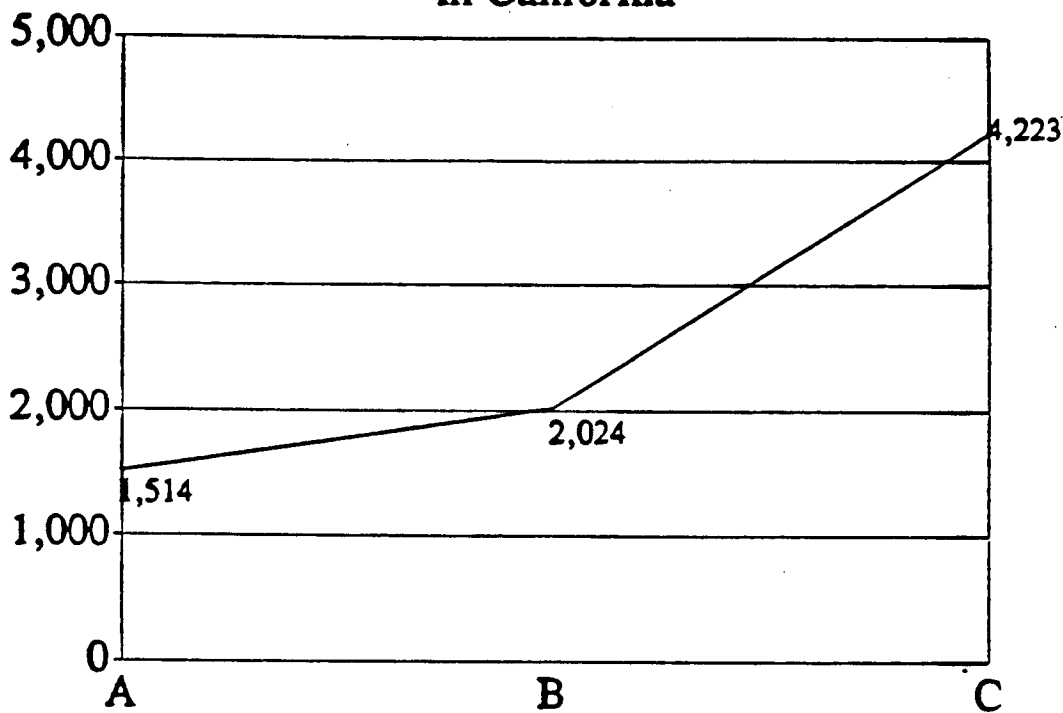
A = Existing Clubs  
B = Existing and Under Development Clubs  
C = Existing, Under Development, and Proposed Clubs

The Percent of Increase  
in Gross Revenues

107.9% A to B  
540.5% A to C

California Attorney General's Office  
Department of Justice  
Division of Law Enforcement  
Bureau of Investigation, Gaming Registration Program

The Total Number of Gaming Tables  
in California

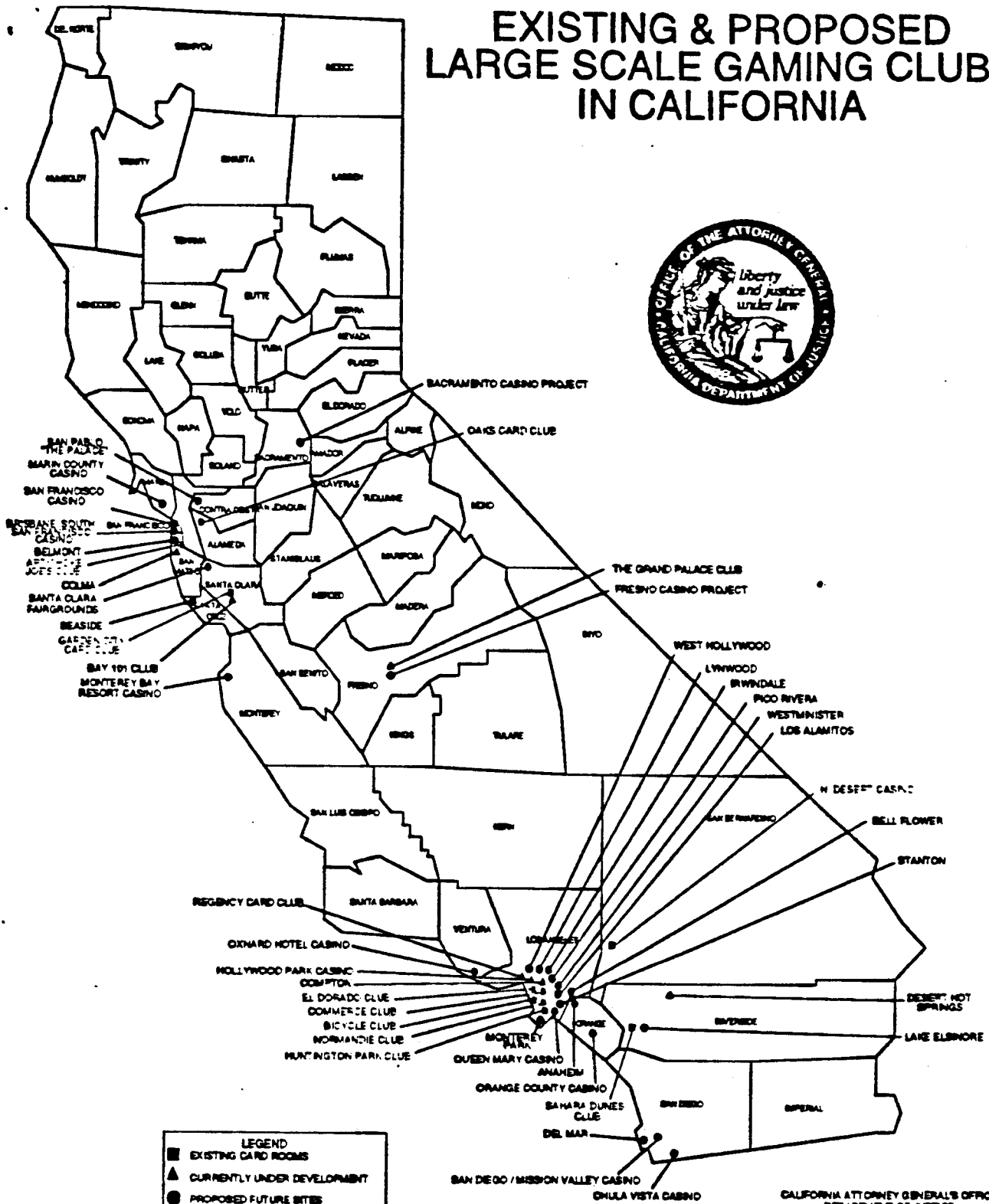


A = Existing Clubs  
B = Existing and Under Development Clubs  
C = Existing, Under Development, and Proposed Clubs

The Percent of Increase  
in the Number of Tables

33.6% A to B  
178.9% A to C

# EXISTING & PROPOSED LARGE SCALE GAMING CLUBS IN CALIFORNIA



#### **IV. SUMMARY**

**California has seen its gross wagering increase in the past decade. While horse racing and the lottery have shown growth in the 1980s, they have become fairly stagnant in the 1990s. Only two forms of gaming, cardrooms and Indian gaming, have illustrated any substantial growth in the 1990s. Both forms of gaming are showing little sign of a deceleration.**

**The concern with this growth is that there is virtually no regulatory power over these gaming industries, as compared to other gaming interests in the state. The California Horse Racing Board currently has fifty-eight employees and 25 investigators to oversee 14 racetracks and \$2.873 billion in gross wagering. The state lottery has approximately 800 employees and 30 agents to oversee the \$1.79 billion in gross sales of lottery products. Cardrooms facilitate approximately \$7.5 billion in gross wagering with signs of accelerated growth in the future. Yet, there are only three permanent positions assigned to the Gaming Registration Unit within the Department of Justice. This figure represents roughly one person for every 2.5 billion dollars in total gross wagering in our state. Currently, there is no state government regulatory agency assigned to oversee Indian gaming in California, even though there are several proposals for high stakes gaming on California Indian reservations.**

## **V. RECOMMENDATIONS**

- **Adopt a comprehensive gaming control statute which provides the following features:**
  - **State-level licensing of cardroom casinos by a commission with the power to grant, renew, and revoke licenses;**
  - **Investigatory and enforcement powers vested in the Division of Gambling Control within the Department of Justice;**
  - **Authority for commission to issue regulations and minimum internal control standards for all casinos, including customer identification, cash transaction recording, and reporting requirements;**
  - **A mechanism for the joint regulation, with tribal governments, of tribal class III gaming;**
- **Increase state and local law enforcement participation in monitoring casino activity, gathering intelligence and targeting of criminal groups and individuals.**