

Title 11. DEPARTMENT OF JUSTICE  
FINAL STATEMENT OF REASONS

MAJOR LEAGUE SPORTS RAFFLE PROGRAM  
Z-2019-0514-03

UPDATE OF INITIAL STATEMENT OF REASONS

There are no additional changes to the proposed regulatory action from what was noticed on May 24, 2019. The Bureau of Gambling Control (Bureau) incorporates by this reference the Initial Statement of Reasons and the Notice of Proposed Rulemaking Action (dated May 24, 2019) prepared for this rulemaking.

Also, section 2097 (n) establishes that the posting be within 31 days of the conclusion of a registered event. The Department determined that the 31 days requirement is necessary to provide eligible organizations a reasonable timeline for the posting of information required pursuant to subdivision (o)(12) of Penal Code section 320.6. Thirty-one days provides the eligible organization adequate time to make distributions to each eligible recipient organization as well as compile and post the information required by statute. Thirty-one days was selected because it is close in time to the 30-day requirement established in subdivision (n) of Penal Code section 320.6 for the distribution of unclaimed prizes to the designated private, nonprofit organization for which a raffle was conducted.

Lastly, regarding the impact of the proposed changes on the creation and elimination of jobs within California, the Department concludes that the proposed changes will not have an impact on the creation of jobs within the State.

LOCAL MANDATE DETERMINATION

The Department determined that this regulatory action will not impose a mandate on local agencies or school districts, nor does it require reimbursement by the State pursuant to Part 7 (commencing with Section 17500) of Division 4 of the Government Code. The Department has also determined that no nondiscretionary costs or savings to local agencies or school districts will result from this regulatory action.

ALTERNATIVES DETERMINATION

There were no alternatives suggested in comments for the Department to consider. The Department determined that there are no alternatives which would be more effective in carrying out the purpose for which the regulation is proposed, would be as effective as and less burdensome to affected persons than the adopted regulation, or would be more cost effective to affected persons and equally effective in implementing the statutory policy or other provision of law.

ALTERNATIVES THAT WOULD LESSEN ADVERSE ECONOMIC IMPACT ON SMALL BUSINESSES

The Department determined that there are no alternatives which would be more effective to affected small businesses and equally effective in implementing the statutory policy or other provisions of law. There were no alternatives suggested in comments for the Department to consider.

DOCUMENTS INCORPORATED BY REFERENCE

The following forms are incorporated by reference:

- Major League Sports Raffle Eligible Organization Annual Registration Form (BGC 200; Rev. 10/2018)

- Major League Sports Raffle Manufacturer and Distributor of Products or Services Annual Registration Form (BGC 201; Rev. 10/2018)
- Major League Sports Raffle Manual Draw Supervisor Annual Registration Form (BGC 202; Rev. 10/2018)
- Major League Sports Raffle Eligible Organization Raffle Report (BGC 203; Rev. 10/2018)
- Major League Sports Raffle Eligible Organization Registered Event Registration Form (BGC 204; Rev. 10/2018)

#### PUBLICATION OF PROGRAM FORMS

It would be unnecessarily expensive and impractical to print the forms attached to the regulation text in the California Code of Regulations. Electronic versions of the forms in fill-and-print format and compatible with the Americans with Disabilities Act are available on the Department's website at: [www.oag.ca.gov/gambling/sportsraffle](http://www.oag.ca.gov/gambling/sportsraffle). All forms were available from the Department upon request during the course of this rulemaking.

#### SUMMARY AND RESPONSE TO COMMENTS

The Department received three comment letters during the 45-day public comment period, which ended on July 10, 2019. The commenters, Mr. Andrew Koehler, representing the San Jose Sharks and Mr. Andrew Govenar, Lobbyist, with Governmental Associates, on behalf of the San Francisco 49ers, and on behalf of the Los Angeles Dodgers, the Oakland A's, the San Diego Padres, and the San Francisco Giants, requested that the Department reconcile the current and proposed fees with the Governor's newly adopted budget which provides funding for the Major League Sports Raffle Program positions.

#### Response:

As discussed in the "Updated Informative Digest" for this rulemaking, Item 0820-001-3297 of Assembly Bill 74 (Stats. 2019, ch. 23, effective June 27, 2019), the Budget Act of 2019, appropriated funding in the amount of \$667,000 for Fiscal Year 2019-2020 from the Major League Sporting Event Raffle Fund, which was allocated to two positions within the Department's Division of Legal Services and one and a half positions within the Division of Law Enforcement, Bureau of Gambling Control. This appropriation was not allocated for the repayment of the loan from the General Fund.

#### *Original Fee Structure*

Penal Code section 320.6 contains three types of annual registration fees. To cover the reasonable costs of the Department to administer and enforce section 320.6, the Department may require minimum annual registration fees from: (1) an eligible organization; (2) a manufacturer or distributor of raffle-related products or services; and (3) a person affiliated with an eligible organization who conducts the manual draw. A fourth source of fees is the individual raffle event fees, which are now set at \$200 by statute. These fees are deposited in the Major League Sporting Event Raffle Fund and available for appropriation by the Legislature each year. (Pen. Code, § 320.6 (o)(5)(A), (6).)

As discussed in the "Finding of Emergency" the Department was provided a loan from the General Fund in the amount of \$1,005,000, which must be repaid. (Pen. Code, § 320.6 (o)(5)(B).) The loan was to fund the workload costs of the Indian and Gaming Law Section related to the initial implementation of the program. Of the \$1,005,000 loaned to the Raffle Fund, no more than \$335,000 may be provided annually to the Department. (Pen. Code, § 320.6, subd. (o)(5)(B)(i).) The Department has used the loan as follows: \$298,000, for fiscal year 2016-2017 and \$309,000 for fiscal year 2017-2018. It is anticipated that the Department will use an additional \$335,000 of the loan for the current fiscal year, and that at the end of the current fiscal year, the available loan amount will be \$63,000. Repayment of the loan to

the General Fund is required as soon as there is sufficient money in the Raffle Fund to repay the loan, but no later than December 31, 2023. (Pen. Code, § 320.6, subd. (o)(5)(B)(ii).) Interest on the loan is required to be paid from the Raffle Fund at the rate accruing to moneys in the Pooled Money Investment Account. (Pen. Code, § 320.6, subd. (o)(5)(B)(iii).)

Under the original fee structure, the revenue received by the Department from the statutory event fee, and the regulatory registration fees have not fully offset the Department's costs to administer and enforce the charitable raffle program, or to repay the General Fund loan. Under that fee structure, the revenues generated were \$260,000 in FY 2016-17, and, \$186,000 in FY 2017-18. In contrast, the Department's costs to simply administer the program were \$298,000 in FY 2016-17, and \$309,000 in FY 2017-18.

To cover total cost estimates of the positions required to administer the Major League Sports Raffle Program and pay back the General Fund loan, the Department will need to collect annual registration and raffle event fees to meet its cost estimates of generating \$1,334,000 per year, divided over the 4.5 years of the program.

#### *Current Fee Structure*

Under the fee structure outlined in this rulemaking, the Department has collected \$1,209,000 since January 2019, registering 16 organizations to conduct over 560 registered events in 2019. Although the amount raised in fees is less than the projected amount needed, the Department does not believe it necessary to increase fees at this point in the program's operation based on the number of registrants in the program. The Department anticipates that a request for additional positions and spending authority will be approved for the next fiscal year and the duration of the program's term based on the revenue generated under the fee structure outlined in this rulemaking. The request submitted is for position and spending authority, as well as loan repayment, in amounts just above what is currently collected under the new fee structure provided in this regulatory action. The Department is actively collecting data documenting workload associated with the audit, compliance, enforcement, and administration functions associated with the Major League Sports Raffle Program to substantiate the request.

#### Comment:

There was a request from a commenter that the Department provide an explanation of its costs and fees calculation as part of the public rulemaking file.

#### Response:

The justification and explanations for the fee increased were provided in the Initial Statement of Reasons for this Certificate of Compliance rulemaking, which was distributed along with the Notice of this rulemaking and also available from the Department upon request.

The Department did not conduct a public hearing concerning this regulation.

#### NONDUPLICATION STATEMENT

The Department has determined that these regulations are not duplicative in whole or in part of a state or federal statute or regulation.

#### AVAILABILITY OF DOCUMENTS ON THE INTERNET

Copies of the Notice of Proposed Rulemaking Action, the Initial Statement of Reasons, , and the text of the regulations in underline and strikethrough were available on the Attorney General's website

throughout the rulemaking process. Copies of the final text of the amended regulations can be accessed on the Attorney General's website at: [www.oag.ca.gov/gambling](http://www.oag.ca.gov/gambling).

#### AVAILABILITY OF THE FINAL STATEMENT OF REASONS

Copies of the Final Statement of Reasons may be obtained by contacting:

Susanne George  
California Department of Justice  
Bureau of Gambling Control  
2450 Del Paso Road, Suite 100  
Sacramento, CA 95834  
E-mail: [Susanne.George@doj.ca.gov](mailto:Susanne.George@doj.ca.gov)  
916-830-9032

Copies of the Notice of Proposed Rulemaking Action, the Initial Statement of Reasons, and the text of the regulations in underline and strikeout format, as well as the Final Statement of Reasons, once completed, can be accessed through the Department's website at: <http://oag.ca.gov/gambling>.