

Agenda Report

DATE: September 13, 2004

TO: CITY COUNCIL

THROUGH: LEGISLATIVE COMMITTEE (9/7/04)

FROM: CITY MANAGER

SUBJECT: OPPOSE PROPOSITIONS 68 – Non-Tribal Commercial Gambling Expansion, Tribal Gaming Amendments

RECOMMENDATION

It is recommended that City Council Oppose Proposition 68 – Non-Tribal Commercial Gambling Expansion, Tribal Gaming Compact Amendments.

BACKGROUND

The California Constitution and state statutes specify the types of legal gambling that can occur in California. For instance, current law allows wagering on horse races and certain games in licensed card rooms. In addition, Indian tribes with tribal-state gambling compacts can operate slot machines and certain other casino-style gambling in California.

PROPOSAL

This measure, which amends the State Constitution and state statutes, sets up two possible scenarios regarding new state gambling revenues.

- The first scenario would occur only if all Indian tribes with compacts agree to specified revisions to their existing compacts.
- The second scenario would be triggered if the tribes do not agree to the revisions. In this case, 5 existing racetracks and 11 existing card rooms would be allowed to operate slot machines.

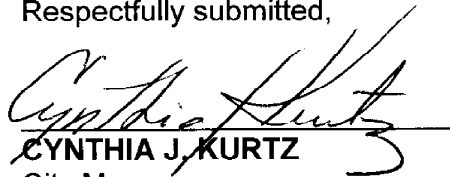
Proponents claim the measure will force Indian gaming tribes to pay their fair share to the state, however Proposition 68 is not a guaranteed source of revenues for California from Indian gaming tribes. Instead it authorizes 16 new Las Vegas-style casinos to be built in urban areas throughout California.

The 16 new casinos authorized by Proposition 68 are located in urban areas of California. They will be near 200 schools and major streets and freeways in Los Angeles, the San Francisco Bay Area and San Diego, further congesting our crowded roads.

FISCAL IMPACT

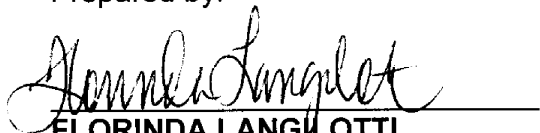
Proposition 68 exempts promoters from paying any future state and local tax increases and revenues from this initiative cannot be used to help balance the state budget. Under the 1999 and 2004 compacts tribes pay hundreds of millions of dollars annually to the state for both specific and general fund purposes. This measure does not specifically address whether these payments would continue or cease under the compact revision process. As a result, it appears that the continuation of the payments would be subject to negotiations between the tribes and the Governor. If the revised compacts do not include a continuation of these payments, the state would experience a reduction of payment, potentially totaling hundreds of millions of dollars.

Respectfully submitted,



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