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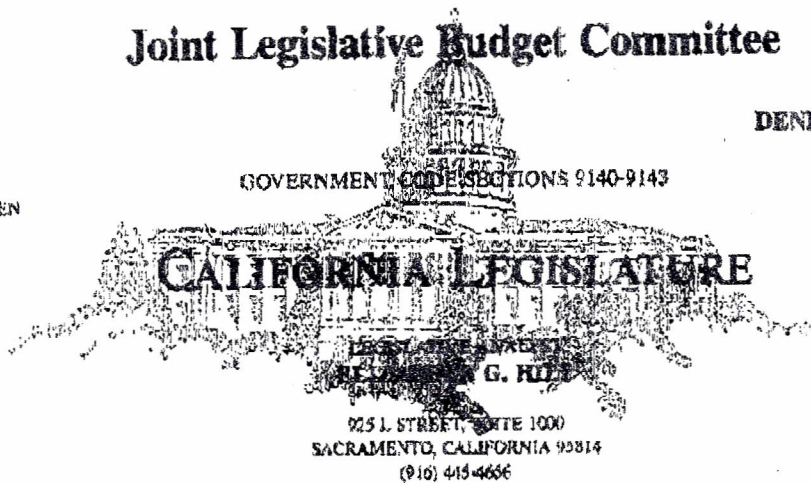
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CALIFORNIA LEGISLATURE

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November 9, 1999

Hon. Bruce Thompson
Assembly Member, 66th District
Room 2160, State Capitol
Sacramento, California 95814

Dear Assembly Member Thompson:

You requested that my office provide some information regarding the recently signed gambling compacts between the state and several Indian tribes. These compacts were ratified by the Legislature in Chapter 874, Statutes of 1999 (AB 1385, Battin). The compacts ratified by Chapter 874 will become effective only if (1) SCA 11 (Proposition 1A) receives voter approval at the March 2000 election and (2) the compacts are approved by the federal Department of the Interior.

Specifically you asked the following:

1. *How many slot machines does the signed compact allow (statewide)?*

The maximum number of slot machines allowed is determined by adding: (1) the number of machines authorized for operation, *plus* (2) the number of machines which can be *licensed* (that is, machines subsequently acquired by tribes through a "pool" system).

Authorized for Operation. Section 4.3.1 of the compact permits each tribe to operate the larger of: (1) the number of machines operated by the tribe as of September 1, 1999 or (2) three hundred fifty (350) machines. To calculate the number of machines allowed by these sections the number of machines each tribe was

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operating as of September 1, 1999 must be known. We have not been able to obtain verifiable information on the number of machines. According to Professor I. Nelson Rose, however, there were 21,000 machines operating in California in September 1999. Using this figure, we estimate there are roughly 53,000 slot machines authorized for operation.

Number of Licensed Machines. Section 4.3.2.2 (a) (1) sets a statewide total for the number of machines that could be licensed and is *in addition* to the number authorized by Section 4.3.1. The formula under this section is ambiguous and subject to several interpretations. It appears, however, that this section authorizes an additional 60,000 machines.

Total Number. Thus, our best estimate is that the compact would *allow* about 113,000 machines statewide. We would caution you, however, that different interpretations of the language in the compact could result in significantly different totals.

2. *Are the formulas for the number of slots and the revenue distributions workable, as currently drafted in the compact?*

As mentioned above, there are two formulas for determining the total number of machines. Both of these formulas require knowing the total number of machines operating in the state as of September 1, 1999. However, should that data become available, the formula in Section 4.3.1 could be easily worked out. The formula in Section 4.3.2.2 (a) (1) is less straightforward because the second half of the formula is ambiguous and subject to several interpretations.

The revenue distribution formulas are found in Section 4.3.2.2. (a) (2) and Section 5.0. Although the total revenue distribution depends on the number of machines, once those numbers are known, the formulas can be used to determine the revenue.

We have not had time to discuss the merits of these formulas with other parties.

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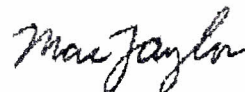
3. *Although Section 4.1 (c) seems to preclude lotteries conducted on the Internet, is there anything in the compact that may open this issue up again during the 2003 renegotiation process?*

Section 12 of the compact, and related subsections, permit the compact to be amended and renegotiated 12 months after the effective date of the compact. Presumably, the compact and state law could be amended to permit gambling over the Internet. However, it is not clear that this would be permissible under federal law. Further, it is our understanding that a bill currently before Congress would prohibit Internet gambling, including Internet gambling offered by an Indian tribe.

4. *Can you offer a short summary of the labor agreement that was supposed to be reached by October 13, 1999?*

Our office has not received a copy of the labor agreement referenced in Section 10.7.

Sincerely,

Elizabeth G. Hill
Legislative Analyst