
MEMORANDUM

TO: AGUA CALIENTE TRIBAL COUNCIL
FROM: MIKE SCANLON
SUBJECT: UPDATE
DATE: 11-24-03

As you may have seen in *The Los Angeles Times* on the 22nd of November, there has been a recent push for expanded card rooms and racinos in the state of California. This push, on track to be on the ballot next November and funded by commercial gaming interests, would allow for expanded gaming operations at card clubs and slot machines at current horse-racing facilities. I do not believe this push will go very far, but the timing of their push for such an initiative is not coincidental.

The 2003 re-call election allowed for the perfect opportunity for card rooms to propose a change in the way gambling is done within the state of California. Throughout the re-call campaign, many tribes showed continued support of Lt. Governor Bustamante, and the subsequent political backlash has had two effects. One is that groups, such as the card room lobby, have opined that the California public is in favor of the Governor taking a firm stance on the compact issue. Secondly, the perception among these groups is that the governor would be inclined to entertain such an initiative in response to a lack of support from the tribes during his campaign. It appears that these groups may have, at the very least, underestimated the governor. Additionally, it is important to note that your decision to stay out of the campaign may benefit you in the negotiation process.

Schwarzenegger's communications director, Rob Stutzman, recently hinted that the governor would oppose an initiative planned by card clubs and horse-racing tracks, should the measure be on the ballot next year. Although the governor's opposition is a positive sign, the initiative will no doubt have the ability to complicate compact negotiations.

As for the details of the proposed initiative, the measure as currently drafted would require tribes to pay 25% of their net casino revenue to the state (the definition of net revenue is undetermined). That could be as much as \$1.25 billion of the roughly \$5 billion that tribes take in annually from gambling. If the tribes refuse to agree, five horse-tracks and 11 card rooms in California would be allowed up to 30,000 slot machines and would give 35% of the revenue to the local government. Although the governor has not shown interest in this proposal, it could give him leverage in talks with tribes.

We were pleased that the governor's initial response was to oppose such an initiative because we believe this is the first step in repairing the relationship that was badly damaged during the campaign. However, as you have heard throughout his campaign, Governor Schwarzenegger would like tribes to give 25% of their revenue to the local government with the goal of helping California's struggling economy. Obviously, this number is ridiculous, and we will continue to work closely with our team to ensure that he begins to understand the realities of the gaming compact.

Please feel free to call me with any questions.

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