



CALIFORNIA TRIBAL
BUSINESS ALLIANCE

February 1, 2005

Honorable Dean Florez, Chair
Honorable Members
Senate Governmental Organization Committee
State Capitol
Sacramento, CA 95814

Dear Senator Florez and Members:

I am writing with information requested by your committee staff concerning the various payments made to the State under the terms of five amended Tribal-State gaming compacts that took effect September 2, 2004. These amended compacts are in effect until 2030. They are between the State and the Pala Band of Mission Indians, the Pauma Band of Luiseño Indians, the Rumsey Band of Wintun Indians, the United Auburn Indian Community, and the Viejas Band of Kumeyaay Indians.

These five tribes and the Paskenta Band of Nomlaki Indians are represented by the California Tribal Business Alliance for the purpose of establishing alliances and partnerships with other mainstream, non-gaming business organizations, taking an interest in issues that affect the quality of life in this State, and developing mutually respectful government-to-government relationships with State and local governments.

We believe that the foundation of a strong partnership between our tribes and the people of California is a willingness to work together to achieve common goals. That's why five of our tribes voluntarily signed new compact agreements last year providing the State with more than \$130 million per year to help it through the current budget crisis. The agreements also guarantee important and increased protections for casino patrons and workers, the environment, and local communities.

The payments to the State fall into three categories:

1. Payments to the Revenue Sharing Trust Fund.
2. Payments to the State's General Fund for additional gaming devices which were added after the compact amendments became effective on September 2, 2004.
3. A fixed annual payment commencing January 1, 2005 that is equivalent to at least



ten percent of the tribes' net win in 2003. This payment is commonly referred to as the "bond" payment because it is intended that at least \$100 million per year of the first 18 years of this payment will be securitized in the form of bonds for the purpose of repaying a portion of the State's General Fund debt to the Traffic Congestion Relief Fund and the Transportation Deferred Investment Fund, thus allowing stalled transportation project to proceed. After the 18-year period, we understand that it is the State's intention to deposit the bond payments into the General Fund.

The amounts of the Revenue Sharing Trust Fund (RSTF) payments and the bond payments are specified in the compacts. The RSTF payments currently are \$8,190,416 annually. They will increase to \$10,000,000 by March 2008 or when the new Pauma casino is complete, whichever occurs sooner. This is more than the five tribes annually paid collectively to the RSTF under the terms of the 1999 compacts. The additional device fee is an escalating payment between \$8,500 and \$25,000 per machine, per year, based on the highest number of machines the tribe had in operation at any point during each quarter. Obviously, the amount of the new machine fee payment depends on when and how many new machines are added, which is a business decision made by each tribe based on market conditions.

These three payments to the State are made in quarterly installments. The five tribes have made pro-rated payments for the first quarter in which the compact amendments became effective, and they have made full payments for the second quarterly period.

FIRST (PRO-RATED) QUARTER: SEPTEMBER 2, 2004 – SEPTEMBER 30, 2004

Tribe	RSTF	Additional Device Fees
Pala	\$157,609	\$ 238,536
Pauma	\$ 15,868	
Rumsey	\$157,609	\$ 425,386
United Auburn	\$157,608	\$ 788,546
Viejas	\$157,609	\$ 63,359
Quarter Total	\$646,303	\$1,515,827

SECOND QUARTER: SEPTEMBER 30, 2004 – DECEMBER 31, 2004

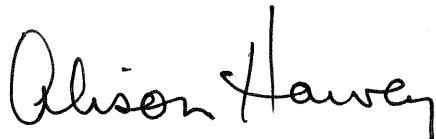
Tribe	RSTF	Additional Device Fees	¼ of Annual Bond Payment
Pala	\$ 500,000	\$ 750,000	\$ 4,715,000
Pauma	\$ 47,604		\$ 1,437,500
Rumsey	\$ 500,000	\$1,524,500	\$ 6,250,000
United Auburn	\$ 500,000	\$2,593,400	\$ 8,450,000
Viejas	\$ 500,000	\$ 705,000	\$ 4,350,000
Quarter Total	\$2,047,604	\$5,572,900	\$25,202,500

Keeping in mind that the second quarterly period was the first full three-month period under the amended compacts, a conservative estimate of annual payments to the State under the amended compacts would be \$130,000,000, or four times the payments made in this first full quarter.

However, we know that a couple of our member tribes plan to add another 540 new devices in the near future. The annual General Fund revenue from those additional machines would be \$5,430,000. We further anticipate that additional devices will be added incrementally based on market conditions, but at this time cannot predict exact numbers.

I hope this provides you with the information you need.

Sincerely,



Alison Harvey
Executive Director