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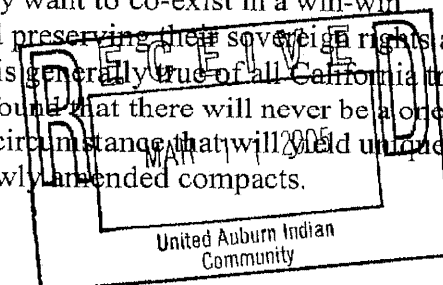
The California Nations Indian Gaming Association (CNIGA) granted me an opportunity to speak to the tribes on February 24, 2005. Following that meeting, it was brought to my attention that there may have been some misunderstanding of my views regarding the newly amended Tribal-State Gaming Compacts (compacts). We discussed a multitude of issues with various interactions at the CNIGA meeting, and I can appreciate how one discussion or debate could have been commingled with another or simply misinterpreted. In my quest to ensure clarity and consistency, I offer my views as they pertain specifically to the following issues:

- Whether the newly amended compacts had any negative impacts on the non-compact tribes receipt of Revenue Sharing Trust Funds (RSTF) monies;
- Whether the newly amended compacts are responsible for the Governor's proposed increase of 45 additional positions at the Gambling Control Commission; and
- Whether the discrepancy between the Governor's budget projections and the amount of revenues actually received into state's General Fund is attributable to the newly amended compacts.

I believe the answer to all three questions is no. However, before I address those issues, I would like to share some thoughts as it pertains to Indian gaming. These thoughts were first formed when I worked as a spokesperson for Propositions 5 and 1A in 1998 and 2000, respectively. That is, I fundamentally believe that Indian governments have the sovereign right to govern themselves. Although, many Californians view the 107 federally recognized Indian tribes in California as one Indian Nation with a centralized government, I know and respect the fact that each tribe is a distinct independent government with a unique geographic location, culture, and history.

I have also come to realize that the members of each tribe have a love for a higher being, reverence of the land and the life on that land, as well as, a supreme respect of their culture and ancestral heritage. These common beliefs combined with the determination for self-reliance and stronger tribal governments, provide for a common bond that makes them all sisters and brothers.

In regards to the newly amended compacts, I have worked with many of the tribal leaders who negotiated these compacts. I know that in their heart of hearts they want to co-exist in a win-win environment that promotes their self-reliance while protecting and preserving their sovereign rights and the rights of others. Whereas, the methodologies may differ, this is generally true of all California tribal leaders. Visiting tribal governments throughout the state, I have found that there will never be a one-size fits all compact. There will always be a multitude of unique circumstances that will yield unique compacts amenable to the signatory parties. This is true of the newly amended compacts.



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Based on my analysis, these newly amended compacts are structured to continue to contribute to the RSTF; therefore, there will be no negative impact on the RSTF. As it pertains to the Special Distribution Fund (SDF) and the expansion of the Gambling Control Commission, I see no evidence that 45 additional positions are necessary to address the marginal increase in gaming attributable to the newly amended compacts. It does appear that additional resources are needed at the Gambling Control Commission and the Division of Gambling Control; however, that increase is based primarily on existing workloads. Therefore, any new positions should first be justified with facts and data, and thereafter, should be funded by the SDF. The SDF currently has an \$88 million reserve and it could accommodate any justified increase of the Gambling Control Commission's or the Division of Gambling Control's oversight functions.

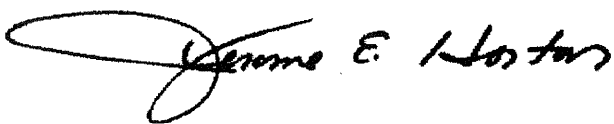
During the CNIGA meeting, I sought to express my concerns with the Governor's perceived lack of understanding of the uniqueness of each tribe and the long-term impacts his future negotiations could have on the revenue streams created by the RSTF and the SDF. Further, I sought to convey that in future compacts, it is extremely important for the Governor to consider the delicate balance between, and allowable uses of the two funds. This could be the area where there might be some confusion; therefore, let me share my thoughts on this matter.

To the extent that any future compacts disrupt this balance, I argue that the State must be prepared to compensate the obligations created by the Governor's negotiations. For example, if the Governor negotiates compacts with all of the SDF paying tribes redirecting their contributions from the SDF to the General Fund without supplanting their contributions into the SDF, the State would have to assume those responsibilities and pay for those obligations out of the General Fund.

Finally, as it pertains to the discrepancy between the Governor's projections and the amount actually realized in the state's budget, it is my understanding that the newly amended compacts currently contribute more than \$130 million annually to the state, of which, \$100 million of those annual contributions are designated to securitize up to \$1.2 billion in bonds. The actual revenues received by the state are consistent with the estimates made during compact negotiations. At that time, it was articulated that the growth in gaming at their casinos would occur gradually and would be based on market forces and other economic factors. Therefore, the corresponding increase in revenues to the state's General Fund would be significant but gradual. At no time was it projected by me or the tribes that their initial contributions to the state would equate to the \$300 million as projected by the Governor. Those unrealistic estimates made by the Governor's Administration which grew from \$150 million to \$300 million appear to be consistent with the Budget deficit.

In closing, I thank you for your time and consideration. I welcome your input and advice on my views as these issues continue to evolve.

Respectfully,

A handwritten signature in black ink that reads "Jerome E. Horton". The signature is written in a cursive style with a large, sweeping initial "J".

Jerome E. Horton  
Chair