



CALIFORNIA TRIBAL
BUSINESS ALLIANCE

January 17, 2006

Governor Arnold Schwarzenegger
State Capitol
Sacramento, CA 95814

Dear Governor Schwarzenegger:

I am writing on behalf of the California Tribal Business Alliance to raise our concern with the proliferation of electronic gaming machines in compacted tribal casinos that may be beyond those authorized by the tribal-state gaming compacts. The expanding use of these electronic devices threatens the integrity of the compacts and invites tribes to ignore their responsibilities to the greater community in which they operate.

The Indian Gaming Regulatory Act (IGRA) provides a bifurcated framework for the regulation of Indian gaming. Class II games consist of bingo and games with similar elements of play, which may be enhanced through the use of “electronic, computer or other technologic aids.” Tribes may operate Class II games without reaching a tribal-state compact, and the state has no jurisdiction over their operation. Class II games are subject to the exclusive authority of the National Indian Gaming Commission (NIGC) and the tribe.

Class III games include slot machines and require the negotiation of a tribal-state gaming compact. Tribes that operate Class III games in California gain great economic value from the exclusive right under the California Constitution to operate slot machines free of non-Indian competition. In return, these tribes have agreed in their compacts to limit the total number of slot machines they may operate; to provide a revenue share from the slot machines to the state and non-gaming tribes; to provide a regulatory role for the State Gaming Agency in regulating Class III games; and to mitigate off-reservation environmental impacts resulting from Class III casino development.

Rapidly advancing technology has now led to the development of electronic “Class II bingo” machines very close in appearance and play to the Class III slot machines that are subject to the limits and regulations of the compacts. Tribes operating under the compacts have a powerful incentive to operate devices that push and may exceed the definition of a Class II game to avoid revenue share payments, increase the number of



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machines beyond those authorized by their compacts, and avoid the mitigation of environmental impacts and other protections afforded by the compacts.

We are aware of several thousand purported Class II machines being operated by tribes with compacts, which may, in fact, not be Class II electronically-aided bingo games and which do not have the approval of the NIGC. We believe that tribes with compacts purporting to operate electronic Class II gaming devices should provide to the state a written determination by the NIGC that such games are Class II. In the absence of such written NIGC determination, such games should be considered Class III slot machines subject to the terms of the compacts.

Sincerely,

A handwritten signature in black ink, appearing to read 'Paula Lorenzo', with a stylized flourish extending to the right.

Paula Lorenzo, Chair
California Tribal Business Alliance
Board of Directors

cc: Andrea Hoch, Legal Affairs Secretary