

**THE GAMING REVENUE ACT OF 2004****SECTION 1. Title.**

This Act shall be known as and may be cited as "The Gaming Revenue Act of 2004." This Act may also be cited as "The Gaming Revenue Act" or the "Act."

**SECTION 2. Findings and Purpose.**

The People of the State of California hereby make the following findings and declare that their purpose in enacting this Act is as follows:

(a) California now faces an unprecedented budget deficit of billions of dollars that particularly threatens funding for education, police protection, and fire safety. As a result of California's budget crisis, the State needs to find new ways to generate revenues without raising taxes. In March 2000, Proposition 1A was enacted, which triggered an unprecedented expansion of Indian casino gaming, gave Indian tribes a monopoly on casino gaming, and has led to billions of dollars in profits for Indian tribes, but little or no taxes to the State. Moreover, local governments and communities have not been adequately protected, the State does not have sufficient regulation and oversight of tribal casino gaming, and tribal casinos have not complied with state laws applicable to other businesses and designed to protect California citizens, such as laws regarding the environment and political contributions. Gaming tribes also have failed to fully fund a trust fund to promote the welfare of Indian tribes that do not operate large casinos. Some Indian tribes have attempted to acquire land far away from their reservations or traditional lands to be used as casinos and not for use as traditional reservations. Tribes have expended over \$120 million dollars in political contributions but have refused to comply with disclosure requirements.

(b) California should request that all Indian gaming tribes voluntarily share some of their gaming profits with the State that can be used to support public education, and local police and fire services, and address other problems associated with tribal casino gaming, and in the event all Indian gaming tribes do not do so, California should grant gaming rights to other persons who will share substantial revenue with the State that can be used to support public education, and local police and fire services.

(c) The Governor should be authorized to negotiate amendments to all existing compacts with Indian tribes to allow these Indian tribes to continue to have the exclusive right to operate gaming devices in the State of California if the Indian tribes agree to pay twenty-five percent (25%) of their winnings from such devices to a gaming revenue trust fund and agree to comply with State laws, including laws governing environmental protection, gaming regulation and campaign contributions and their public disclosure.

(d) In the event all Indian tribes with existing compacts do not agree to these terms, five existing horseracing tracks and eleven existing gambling establishments, where forms of legal gambling and wagering already occur, should have the right to operate a limited number of gaming devices, provided they pay thirty-three percent (33%) of their winnings from the operation of such gaming devices to cities, counties, and a gaming revenue trust fund to be used for education, and police and fire services, and provided they comply with strict legal requirements on the operation and location of such gaming devices.

(e) In addition to paying substantial taxes, the owners of gambling establishments and horseracing tracks authorized to operate gaming devices would have to be licensed by the State Gambling Control Commission under the Gambling Control Act, which requires that they be persons of good character, honesty and integrity, and persons whose prior activities, reputation and associations entitle them to receive a license from the State.

(f) Permitting five existing horseracing tracks and eleven licensed gambling establishments to operate gaming devices and requiring them to pay thirty-three percent (33%) of their winnings from these gaming devices will generate revenues estimated to exceed \$1 billion annually. These funds will help alleviate California's dire fiscal crisis, which particularly threatens funding for education, police protection and fire safety, and will help mitigate the impact on cities and counties where gaming occurs.

(g) The Gaming Revenue Act will establish the Gaming Revenue Trust Fund, the sole purpose of which will be to ensure that the revenues raised by this Act are distributed in accordance with the Act. The Act will also establish a Board of Trustees consisting of individuals who are engaged in public school education, law enforcement, and fire protection.

(h) The Gaming Revenue Act will provide funding for the existing Division of Gambling Control and the existing California Gambling Control Commission for the purpose of regulating gaming authorized by this Act.

(i) The Gaming Revenue Act will increase the monies distributed to non-gaming Indian Tribes by guaranteeing that each such tribe will receive at least \$1.2 million annually, and will award \$3 million annually to responsible gambling programs.

(j) The Gaming Revenue Act Trust Fund will distribute fifty percent (50%) of the net revenues directly to county boards of education to be used to improve educational services for abused and neglected children and children in foster care.

(k) The Gaming Revenue Act Trust Fund will distribute thirty-five percent (35%) of the net revenues directly to local governments for additional neighborhood sheriffs and police officers.

(l) The Gaming Revenue Act Trust Fund will distribute fifteen percent (15%) of the net revenues directly to local governments for additional firefighters.

(m) The revenues generated for county offices of education for improving the educational outcomes of abused and neglected children and children in foster care and local governments for police protection and fire safety by this Act are not to be used as substitute funds but rather shall supplement the total amount of money allocated for county offices of education and local governments.

(n) Indian tribes have attempted to acquire land at locations off of their reservations or distant from their traditional Indian lands to be used solely as casinos and not for use as traditional reservations. Gaming on these newly acquired lands would be detrimental to the surrounding communities. Therefore, the Gaming Revenue Act prohibits the location of gaming establishments by Indian tribes on newly or recently acquired lands.

(o) In order to reasonably restrict the growth of non-Indian gaming, non-Indian gaming authorized by this Act will be limited to the sites of five existing horseracing tracks located in the counties of Alameda, Los Angeles, Orange and San Mateo, and the sites of eleven existing gambling establishments located in the Counties of Los Angeles, San Diego, Contra Costa, and San Mateo. To insure that there are no new gambling establishments other than those in existence as of the enactment of the Act, the current limitation on the issuance of new

gambling licenses, which expires in 2007, will be made permanent. The purpose of such restrictions is to exercise control over the proliferation of gambling.

(p) The expansion of Indian gaming has led to conflicts between tribes and local governments. In some cases, tribes have failed to take sufficient steps to address local concerns and impacts. Therefore, this Act will authorize the Governor to negotiate amendments to all existing compacts pursuant to which all tribes agree to enter into good faith negotiations with county and city governments to address and mitigate community impacts.

(q) To clarify legal jurisdiction over Indian casinos, state courts should have jurisdiction over any criminal or civil proceeding arising under this Act, under a compact, or related to a tribal casino. Therefore, this Act will authorize the Governor to negotiate amendments to all existing compacts pursuant to which all tribes agree that state courts will have jurisdiction over such disputes.

(r) Indian tribes have used their gambling profits to spend well over \$120 million on campaign contributions and political activities in California. But some Indian tribes maintain that they are sovereign nations and do not have to comply with California's laws and regulations relating to political contributions and reporting. Because these tribal political expenditures result substantially from, and often concern, gaming activities in California, this Act will authorize the Governor to negotiate amendments to all existing compacts pursuant to which all tribes agree to comply with the California Political Reform Act.

(s) While some terms of this Act concern conditions tribal casinos must meet if Indian tribes are to retain a monopoly over slot machines, it is the express intent of the voters to raise revenues immediately through this initiative to help solve California's current fiscal crisis, regardless of whether those revenues come from tribal or non-tribal gaming, regardless of court decisions regarding Indian gaming, regardless of changes in federal law, or regardless of any challenges or efforts by the Indian tribes or others to delay or circumvent this Act. Therefore, if all Indian tribes with existing compacts do not agree to share with the State twenty-five percent (25%) of their winnings from gaming devices and do not agree to the other conditions on tribal gaming set forth in this Act within the time limits provided in this Act, it is the express intent of the voters to immediately allow licensed gambling establishments and authorized horseracing tracks to operate a limited number of gaming devices, provided they pay thirty-three percent (33%) of their winnings from the operation of such gaming devices to cities, counties, and the Gaming Revenue Trust Fund.

**SECTION 3. Section 19 of Article IV of the California Constitution is amended to read:**

**SEC. 19**

(a) The Legislature has no power to authorize lotteries and shall prohibit the sale of lottery tickets in the State.

(b) The Legislature may provide for the regulation of horse races and horse race meetings and wagering on the results.

(c) Notwithstanding subdivision (a), the Legislature by statute may authorize cities and counties to provide for bingo games, but only for charitable purposes.

(d) Notwithstanding subdivision (a), there is authorized the establishment of a California State Lottery.