



STATE OF CALIFORNIA

Edmund G. Brown, Jr., Governor

GAMBLING CONTROL COMMISSION

JIM EVANS, CHAIRMAN
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May 11, 2018

Honorable Holly Mitchell, Chair
Senate Budget and Fiscal Review Committee

Attention: Mr. Joe Stephenshaw, Staff Director (2)

Honorable Philip Ting, Chair
Assembly Budget Committee

Attention: Mr. Christian Griffith, Chief Consultant (2)

Subject: Notification of Anticipated Indian Gaming Revenue Sharing Trust Fund Shortfalls for FY 2018-19

Dear Senator Mitchell and Assembly Member Ting:

Pursuant to Government Code section 12012.90(e)(1), the California Gambling Control Commission (Commission) hereby provides to the committee in the Senate and Assembly that considers the State Budget the anticipated total amount of shortfalls in payment likely to occur in the Indian Gaming Revenue Sharing Trust Fund (RSTF) to be transferred from the Indian Gaming Special Distribution Fund (SDF) for the upcoming fiscal year (FY). *In summary, the Commission does not anticipate any shortfalls to be transferred from the SDF to the RSTF for FY 2018-19, as RSTF revenues are, for the first time, sufficient to fully fund RSTF distributions to eligible recipient Indian tribes. RSTF revenues also exceed RSTF distributions.* Updated estimates on RSTF revenues and distributions are provided below. In addition, we provide information on the status of the new Tribal Nation Grant Fund (TNGF), as the RSTF is interconnected with the TNGF.

Pursuant to the various Tribal-State Gaming Compacts (Compacts), tribes are required to make payments to the RSTF. The Commission, as the trustee of the RSTF, is required to make quarterly distributions from the RSTF to eligible recipient Indian tribes that include Non-Compact Tribes or Non-Gaming and Limited-Gaming Tribes¹, as specified in the various Compacts and the Secretarial Procedures for the Rincon Band of Luiseño Indians, North Fork Rancheria of Mono Indians of

¹ A Non-Compact Tribe is a federally recognized tribe that is operating fewer than 350 Gaming Devices. A Non-Gaming Tribe is generally defined as a federally recognized tribe in California with or without a Class III gaming Compact that has not engaged in, or offered, Class II or Class III gaming in any location within or outside of California, as of the date of distribution to such Tribe from the RSTF or the Tribal Nation Grant Fund, or during the immediately preceding 365 days. A Limited-Gaming Tribe is generally defined as a federally recognized tribe in California that has a Class III gaming Compact with the State but is operating fewer than a combined total of 350 Gaming Devices in all of its gaming operations wherever located, or does not have a Class III gaming Compact but is engaged in Class II gaming, within or without California, during the immediately preceding 365 days.

Honorable Holly Mitchell, Chair
Honorable Philip Ting, Chair
May 11, 2018
Page 2 of 3

California, and the Enterprise Rancheria of Maidu Indians of California. Each eligible tribe receives \$275,000 quarterly, for an annual total distribution of \$1.1 million per eligible tribe.

As a result of renegotiated Compacts, RSTF revenues are, for the first time, sufficient to fully fund RSTF distributions to eligible recipient Indian tribes. The RSTF is expected to remain solvent in the long term. For FY 2017-18, the Commission estimates that the RSTF revenues will exceed RSTF distributions by approximately \$35.9 million. This is based on estimated *revenues* from Compact payments of approximately \$115.1 million and RSTF *distributions* of approximately \$79.2 million for 72 Tribes eligible for distributions of \$1.1 million each.

For FY 2018-19, the Commission estimates that RSTF revenues will exceed RSTF distributions by approximately \$41.4 million. This is based on estimated *revenues* from Compact payments of approximately \$120.6 million and RSTF *distributions* of approximately \$79.2 million for 72 Tribes eligible for distributions of \$1.1 million each. Accordingly, the Commission does not anticipate any shortfalls to be transferred from the SDF to the RSTF for FY 2018-19. For additional information on the status of the SDF, please refer to the Available Fund Balance in the Special Distribution Fund report issued by the Department of Finance in May, 2018.

The recent Compacts require tribes to make payments to the Commission for deposit into the RSTF or the TNGF. The TNGF was established to make discretionary distribution of funds to eligible tribes to facilitate self-governance and improve the quality of life of tribal people throughout the state. These Compacts also provide that if there are insufficient monies in the RSTF to distribute \$1.1 million per year to each eligible tribe, the Commission shall deposit all payments in the RSTF. This ensures that funding the RSTF is the first priority for these Compact payments. The recent Compacts require these Compact payments to be deposited into the RSTF and the TNGF in a *proportion to be determined by the Legislature*. We note that until legislation is enacted to specify this methodology and provide the Commission with the authority to transfer money into the TNGF, all excess funds will continue to be deposited into the RSTF and applied towards future RSTF distributions.

If you have questions or need additional information, please contact Anna Carr, Deputy Director of Legislation and Regulatory Affairs, at (916) 263-0494.

Sincerely,



STACEY LUNA BAXTER
Executive Director

cc: Honorable Richard Roth, Chair, Senate Budget and Fiscal Review Sub. No. 4
Honorable Jim Nielsen, Vice Chair, Senate Budget and Fiscal Review Committee
Honorable Jay Obernolte, Vice Chair, Assembly Budget Committee
Honorable Jim Cooper, Chair, Assembly Budget Subcommittee No. 4
Mr. Christopher Woods, Chief Fiscal Advisor, Office of Senate President pro Tempore (2)
Mr. Jason Sisney, Budget Director, Assembly Speaker's Office (2)
Ms. Renita Polk, Consultant, Senate Budget and Fiscal Review, Sub. No. 4

cc: (continued)

Ms. Genevieve Morelos, Consultant, Assembly Budget Committee, Sub. No. 4
Mr. Steve McCarthy, Director, Assembly Republican Office of Policy and Budget (2)
Mr. Kirk Feely, Budget/Fiscal Director, Senate Republican Fiscal Office (2)
Mr. Daniel Alvarez, Secretary of the Senate, Senate Rules Committee
Ms. Diane Boyer-Vine, Legislative Counsel, Office of Legislative Counsel
Mr. Bill Riddle, Senior Librarian, California State Library (3)
Mr. Mac Taylor, Legislative Analyst, Legislative Analyst's Office
Ms. Anita Lee, Senior Fiscal and Policy Analyst, Legislative Analyst's Office
Mr. Joe Dhillon, Senior Advisor for Tribal Negotiations, Office of the Governor
Ms. Camille Wagner, Legislative Affairs Secretary, Office of the Governor
Ms. Melinda Grant, Deputy Legislative Secretary, Office of the Governor
Mr. Todd Jerue, Chief Operating Officer, Department of Finance
Ms. Amy Jarvis, Program Budget Manager, Department of Finance
Mr. Josh Gauger, Assistant Program Budget Manager, Department of Finance
Ms. Emma Jungwirth, Principal Program Budget Analyst, Department of Finance
Ms. Morgan Peschko, Staff Finance Budget Analyst, Department of Finance