



CALIFORNIA STATE AUDITOR

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FACT SHEET

Date: February 15, 2011

Report: 2010-036

The California State Auditor released the following report today: Indian Gaming Special Distribution Fund

Local Governments Continue to Have Difficulty Justifying Distribution Fund Grants

BACKGROUND

In California, Indian tribes currently operate almost 65,000 class III gaming devices, such as slot machines. The passage of Proposition 1A in March 2000 authorized the governor to negotiate and enter into tribal-state gaming compacts, subject to ratification by the Legislature and federal approval, and give federally recognized Indian tribes the authority to operate certain gaming devices on Indian lands in the State. In anticipation of the passage of this proposition, the State eventually entered into 61 compacts (1999-model compacts) with California Indian tribes and has since entered into six more compacts and amended 12 of the original compacts. The 1999-model compacts require some tribes to deposit a percentage of their average net wins into the Indian Gaming Special Distribution Fund (distribution fund). Each year money from the distribution fund may be granted—by the Indian Gaming Local Community Benefit Committees (benefit committees)—to local governments for projects intended to mitigate the adverse effects of casinos.

KEY FINDINGS

In this second review of the allocation and expenditure of grants from the distribution fund, we identified the following key findings:

- We reviewed 20 grants awarded by benefit committees in seven counties and found that:
 - Three grants, totaling almost \$400,000, were used for projects that were unrelated to the casinos' impacts or not proportionally related to any adverse impacts.
 - Ten grants, worth \$3.2 million, were awarded to recipients that were unable to demonstrate the casinos' impacts.
 - One county granted all of its funds—almost \$336,000—to an entity that was not eligible to receive them.
- We identified five local governments that received \$1.2 million less than the amount the law set aside for them.
- In the seven counties we reviewed, nearly 25 percent of the benefit committee members failed to meet financial disclosure requirements by not providing a statement of economic interests.
- Because new and amended tribal-state gaming compacts require tribes to negotiate with local governments to mitigate casino impacts rather than contribute to the distribution fund, revenue for the distribution fund has fallen markedly—since fiscal year 2006-07, it has declined by more than \$100 million. However, the contributions to the Indian Gaming Revenue Sharing Trust Fund have increased by \$17 million.

KEY RECOMMENDATIONS

We recommended that the Legislature consider amending several sections of the law relating to benefit committees' grant approval process and the allocation of distribution fund money to counties. We also made numerous recommendations to counties to ensure that they meet the grant requirements established by state law, including conducting a more rigorous analysis of a casino's impact and of the proportion of funding for the project provided by the grant.

