

The California State Auditor released the following report today:

## Indian Gaming Special Distribution Fund

*Counties' Benefit Committees Did Not Always Comply With State Laws  
for 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, that give federally recognized Indian tribes the authority to operate certain gaming devices on Indian lands in the State. The State eventually entered into 61 compacts (1999-model compacts) with California Indian tribes and during fiscal years 2003–04 through 2008–09, the governor negotiated and the Legislature ratified six more new compacts and amendments to 12 of the original compacts. The 1999-model compacts and more recently, the five post 1999-model compacts that were negotiated in fiscal years 2010–11 through 2012–13, 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 Indian Gaming Local Community Benefit Committees (benefit committees)—to local governments for projects intended to mitigate the adverse effects of casinos, such as increased traffic.

### KEY FINDINGS

In this third review of the allocation and expenditure of grants from the distribution fund, we noted the following:

- We reviewed 12 grants awarded by benefit committees in four counties—Butte, Lake, Riverside, and San Diego—and found that benefit committees did not always follow state laws for mitigation grants.
  - ✓ For seven grants, the four benefit committees awarded \$1.7 million in grant funds without sufficiently demonstrating how their projects would mitigate casino impacts or the funds requested did not represent a proportionate share of the costs attributable to the casino impacts as required by state law.
  - ✓ Butte County's benefit committee improperly awarded the city of Oroville \$57,500 less than it should have and instead awarded those funds to Butte County.
  - ✓ Butte and Lake counties benefit committees do not have a process to ensure that grant recipients place Indian gaming grant funds in interest-bearing accounts and use the interest earned to mitigate casino impacts as state law requires.
  - ✓ San Diego County's benefit committee directed the State Controller's Office to disburse funds directly to the county rather than directly to the grant recipients as required by law.
- Butte County's benefit committee has not established a conflict-of-interest code (conflict code) as required and some committee members in all four counties failed to meet filing requirements for their statements of economic interests.
- The balance of the distribution fund continues to decline—expenditures exceeded revenues by a total of \$95.6 million for fiscal years 2010–11 through 2012–13—and the fund may be nearly depleted by the end of fiscal year 2014–15.
- The legislation that established the mitigation grant program does not designate a state agency to provide oversight and technical assistance to the benefit committees.

### KEY RECOMMENDATIONS

We recommended to the Legislature that it consider designating an agency such as the California Gambling Control Commission or the Department of Justice to provide oversight and technical assistance to the benefit committees. Further, we made several recommendations to one or more of the four benefit committees we reviewed including that they ensure compliance with state law regarding obtaining sufficient documentation that demonstrates that proposed projects mitigate casino impacts and that they award the minimum funding to each local government jurisdiction consistent with certain determinations. Also, we recommended that certain benefit committees establish policies and procedures to verify that grant recipients use interest earned on grant funds to mitigate casino impacts and that they establish conflict codes and follow filing requirements.

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