



Elaine M. Howle State Auditor

CONTACT: Margarita Fernández | (916) 445-0255 x 343 | MargaritaF@auditor.ca.gov

Indian Gaming Special Distribution Fund

The Method Used to Mitigate Casino Impacts Has Changed, and Two Counties' Benefit Committees Did Not Ensure Compliance With State Law When Awarding Grants

Background

Since voters approved gambling on tribal lands in 2000, Indian tribes now operate more than 68,000 class III gaming devices—slot machines. The Governor can negotiate and enter into tribal-state gaming agreements (compacts), subject to ratification by the Legislature and federal approval. The majority of the tribal-state compacts require tribes operating gaming devices to pay a percentage of their average net wins into the Indian Gaming Special Distribution Fund (distribution fund). The Legislature can appropriate moneys in the distribution fund to address revenue sharing with tribes that do not have a compact or have few gaming devices, for problem gambling prevention programs, regulatory costs, and support of local governments affected by tribal gaming through mitigation grants. These grants are awarded by Indian Gaming Local Community Benefit Committees (benefit committees) for projects intended to mitigate the adverse effects of casinos, such as increased traffic.

Key Recommendation

- If the Legislature appropriates funding from the distribution fund for mitigation grants, benefit committees should ensure that grant applicants demonstrate that the funding requested represents the correct proportionate share of the cost of casino impacts.

Key Findings

- Expenditures and transfers from the distribution fund have generally outpaced revenue into the fund since fiscal year 2008-09 and the shortfalls have drastically reduced the distribution fund's balance. The State reduced and ultimately eliminated mitigation grant funding over the last five years.
 - Tribes in the three counties we reviewed have entered into direct agreements with the counties to pay for mitigating impacts of activities on tribal land.
 - Post-2014 compacts provide incentives for tribes to directly provide funding to local jurisdictions for mitigation.
- Two of the three benefit committees we reviewed did not ensure that grant applicants demonstrated that the funding requested was proportional to casino impacts as required by law.
 - In two of the six grants we reviewed, the respective benefit committees each awarded a grant without ensuring that the grant applicants properly demonstrated that the requested funding represents the correct proportionate share of the costs attributable to casino impacts.

Distribution Fund Expenditures Generally Still Estimated to Exceed Revenue Even Though Funding For Mitigation Grants Was Eliminated

