

April 29, 2002

Hon. Bill Lockyer
Attorney General
1300 I Street, 17th Floor
Sacramento, California 95814

Attention: Ms. Tricia Knight
Initiative Coordinator

Dear Attorney General Lockyer:

Pursuant to Elections Code Section 9005, we have reviewed the proposed initiative constitutional amendment entitled "The People's Gaming Act" (File No. SA2002RF0013).

Major Provisions of the Initiative

The initiative amends the State Constitution to provide Las Vegas- and Atlantic City-type gaming in Eureka, California exclusively for a period of 28 years. After that time, the Legislature could either extend Las Vegas- and Atlantic City-type gaming to all counties in California or eliminate it.

The initiative establishes the People's Gaming Act Commission, a three-member body appointed by the Governor. This state commission would regulate gaming and issue up to five gaming permits to the City of Eureka. Each permittee would be required to pay an annual fee in an amount to be determined by the Legislature. The fee revenue would be deposited in the state General Fund. The commission could appoint as many employees as necessary to carry out the provisions of the initiative.

The initiative also requires Eureka to appoint a local commission to screen, investigate, and license applicants for a gaming license, as well as supervise gaming within the city and establish licensing fees. All gaming establishments would be licensed by Eureka and granted a permit from the People's Gaming Act Commission.

Fiscal Effect

Effects on State Government

Impact on State Revenues. This initiative could result in additional state revenues, potentially up to the low millions of dollars annually, from income and sales taxes once

gaming facilities are established. The amount would depend on the increase in economic activity associated with the initiative, including the degree to which Californians shift their gaming activities from Nevada and tribal casinos to facilities in Eureka.

These increased revenues would be partially offset to the extent that increased Las Vegas- and Atlantic City-type gaming activities replace other forms of gaming currently available in California, such as the lottery and horse racing.

Impact on State Regulatory Costs. This initiative would result in costs to the state General Fund of less than \$1 million annually to support the regulatory activities of the People's Gaming Act Commission. Presumably, these costs would be offset by permit fees charged to gaming establishments.

Effects on Local Government

This initiative could significantly increase revenues for Eureka, potentially up to hundreds of thousands of dollars annually, primarily from locally imposed fees and taxes associated with Las Vegas- and Atlantic City-type gaming activities. These revenues could more than offset regulatory costs associated with the city commission.

In addition, surrounding local governments could receive increased revenues from taxes relating to secondary economic activity in their areas resulting from the gaming operations. The level of increase is unknown.

Summary

This initiative could result in revenues to the state and local governments—potentially up to the low millions of dollars annually—from fees and taxes associated with Las Vegas- and Atlantic City-type operations and other related economic activity.

Sincerely,

Elizabeth G. Hill
Legislative Analyst

B. Timothy Gage
Director of Finance