

March 24, 2003

Hon. Bill Lockyer  
Attorney General  
1300 I Street, 17<sup>th</sup> 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. SA2003RF0003).

### **Major Provisions of the Initiative**

The measure amends the State Constitution to allow Las Vegas- and Atlantic City-type gaming in the City of Adelanto for a period of 28 years. After that time, the Legislature could either extend such gaming to all counties in California or eliminate it. The establishment of gaming would be at the discretion of Adelanto.

The measure establishes the People's Gaming Act Commission, a three-member body appointed by the Governor. This state commission would regulate gaming and issue gaming permits to the City of Adelanto. The measure requires the state commission to issue as many permits as requested by Adelanto. 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 measure also requires Adelanto to appoint a local commission to screen, investigate, and license applicants for a gaming license. The commission would also supervise gaming within the city and establish licensing fees.

### **Fiscal Effect**

To the extent that Adelanto chose not to authorize gaming, this measure would have no fiscal effect (assuming the corresponding commissions were not appointed). If the city chose to authorize gaming, the measure would have the following fiscal effects.

## **Effects on State Government**

*Impact on State Revenues.* This initiative could result in additional state revenues from increased taxable economic activity in the state as a result of the measure. This impact would depend primarily on the degree to which Californians shifted their gaming activities from Nevada and tribal casinos to facilities in Adelanto. The state could also experience revenue increases from permit fees paid by gambling operations.

These increased revenues would be partially offset to the extent that gaming activities in Adelanto replaced other forms of gaming currently available in California, such as the lottery and horse racing.

The net impact on state revenues from these provisions is unknown but could be a revenue gain in the low millions of dollars annually.

*Impact on State Regulatory Costs.* This measure could 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, some or all of these costs would be offset by permit fees charged to gaming establishments.

## **Effects on Local Government**

*Impact on Local Government Revenues.* This measure could significantly increase local tax revenues (such as property and sales taxes) for Adelanto and surrounding communities as a result of gaming-related increases in economic activity. The level of increase is unknown but could potentially total more than \$1 million annually.

*Impact on Local Government Costs.* Any regulatory costs associated with the city commission would be offset to some degree by the increased local government revenues. In addition, the measure would result in unknown, but potentially significant, local government costs associated with an increased presence of gambling, such as for law enforcement and infrastructure.

## **Summary**

This measure would have the following major fiscal effects:

- Potential net increase in state revenues in the low millions of dollars annually from taxes and fees associated with gaming operations.

- Potential increase in revenues for particular local governments of more than \$1 million annually, offset in part by costs related to increased gaming.

Sincerely,

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Elizabeth G. Hill  
Legislative Analyst

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Steve Peace  
Director of Finance