



July 19, 2006

Virginia Carmelo
Councilperson
Gabrielino-Tongva Tribal Council
501 Santa Monica Blvd., Ste. 500
Santa Monica, California 90401-2490

Re: Research and Analysis on State Issues

Dear Councilperson Carmelo:

Recently, the Gabrielino-Tongva Tribe (“Tribe”) commissioned Analysis Group to conduct research and analysis on California Indian gaming and potential revenue sharing with the State. Set forth below are summaries of our findings.

Issue #1: Compare the number of slot machines and amount of slot machine revenue generated by California Indian casinos to commercial casinos in Las Vegas, Nevada.

There were 59,670 slot machines in California Indian casinos at the end of 2005. This compares to 76,321 slot machines in Las Vegas at that time. California Indian gaming generated approximately \$5.9 billion in slot machine revenue in calendar year 2005. Over this same time period, Las Vegas generated much less – \$3.9 billion. Thus, while there were fewer slot machines in California relative to Las Vegas in 2005, they generated more revenue (approximately one and a half times more).

Casinos	Number of Machines	Machine Revenue
All California Indian casinos	59,670	\$5.9 billion
All of Las Vegas	76,321	\$3.9 billion

Issue #2: The Tribe has proposed sharing 20% of Net Win from slot machines with State, county, and local governments. This revenue sharing would apply to every slot machine operated by the Tribe (not after certain machines are “grandfathered”) and to every dollar of slot machine revenue (not just to marginal slot machine revenues).

If this revenue sharing were paid on Net Win of all slot machines in all California Indian casinos (as the Tribe has proposed for the Gabrielino Casino only), and the revenue sharing were used to reduce personal income taxes, which personal income tax brackets could be reduced or eliminated?

If 20% revenue sharing were paid on Net Win of all slot machines in all California Indian casinos, then the total amount of revenue sharing would be approximately \$1.2 billion (20% of \$5.9 billion in total slot machine revenue).

If this entire amount were used to replace personal income taxes, the following two personal income tax brackets could be reduced or eliminated for all California taxpayers (based upon 2003 State tax data, the latest year available):

Personal Income Tax Bracket		2003 Tax Rate	
Low	High	Actual	Reduced to
\$0	\$5,962	1.0 %	0.0 %
\$5,963	\$14,133	2.0 %	1.4 %

Issue #3: Using the aforementioned 20% revenue sharing rate on Net Win of 5,000 slot machines, the Gabrielino Casino is conservatively projected to pay a minimum of \$165 million to State, county, and local governments. Using this minimum figure of \$165 million, would the Tribe become the largest corporate taxpayer in California?

The California Franchise Tax Board does not release the amount of income taxes paid by any single corporate taxpayer in California. However, based upon publicly-available figures, certain estimates can be made. In particular, with revenue sharing of \$165 million per year, the Tribe would be paying significantly more than the average California corporate income taxes paid by the top 0.2% of corporate taxpayers.

In 2003, corporate taxpayers in California with taxable net income of \$10 million or more represented 0.2% of all corporate taxpayers (770 out of 320,833 corporate taxpayers). The average amount of taxes paid by this top 0.2% of corporate taxpayers in 2003 was \$5.3 million per corporate taxpayer (2003 is the latest year available). Thus, the \$165 million paid by the Tribe would be approximately 31 times more than the average of the top 0.2% of corporate taxpayers.

I hope our research and analyses have adequately addressed the issues you asked us to investigate. If you have any questions or if we can be of further assistance, please give me a call.

Sincerely,



Alan Meister, Ph.D.
Manager
Analysis Group, Inc.