

# Update from Sacramento



## 2003—California in Crisis?

The 2003 Legislative Session, which began on Jan. 6, is off to a relatively slow start. Very few bills have been introduced because the legislators have been consumed by the enormity of the budget shortfall.

As required by law, the Governor released his budget on Jan. 10, and the reactions by both the Democrats and Republicans have been very critical. The more liberal Democrats are advocating additional taxes while the Republicans are opposed to any new or increased tax, and are demanding further cuts in spending.

The Governor's budget, which is based on a projected shortfall of \$34.6 billion, includes: \$20.7 billion in reductions and savings; \$1.903 billion in fund shifts; \$2.114 billion in transfers and revenues; and \$1.683 billion in loans and borrowing.

One of the more interesting aspects of the proposed budget for the racing industry, is the proposal to generate \$1.5 billion from renegotiating existing Indian tribal gaming compacts and negotiating new ones.

The reactions from Indian tribes, and others, have been mixed. Howard Dickstein, a leading tribal attorney who represents the Pala band of North San Diego, said "this might be something that works for the tribes and the state because the only way to obtain revenue in that league is through more compacts and more slot machines."

Dickstein also said that in order to generate \$1.5 billion, "there would have to be... probably an elimination of the statewide cap" on slots and "a substantial loosening" of any limits per tribe.

On the other side of the issue, Pechanga Chairman Mark Marcarro said, "Tribes didn't create this budget crisis. This is Davis' mess and he's not going to put his hand in my tribe's pocket." Marcarro also said that they were stunned that the administration rolled out the plan without consulting them in advance.

Senator Jim Battin, a Palm Desert Republican close to the tribes, warned that the Governor is "counting on more than he probably is ever going to get from the tribes."

If, during the renegotiation process the Governor agrees to significantly increase the number of slot machines, or to approve other games such as craps or roulette, there could be tremendous implications for racing.

This proposal by the Governor must be monitored closely by all segments of the racing industry and the CTBA will work with the other organizations in that effort.

Other issues that we can anticipate this year include:

- A proposal for slot machines at the racetracks.
- A bill to increase in the number of satellite facilities throughout California.
- A bill to increase the number of races per day that can be imported.
- Tax relief that was achieved in the last several years could be in jeopardy, given the strong desire of some of the more liberal Democrats to solve the budget deficit by taxing everything that moves and even some things that don't.
- The license fee relief that the racing industry has received recently could also be in jeopardy.
- Other taxes and fees, including an additional three dollars for vehicle registration and a new Public Safety Surcharge on telephone usage.

The cuts proposed in the Governor's budget will not be easy to achieve. Those cuts that are made will have a devastating effect on certain segments of the state's population. Medi-Cal and programs for social services, mental health, housing, child care, K-12 education, higher education, local government and transportation are all facing significant cuts.

In fact, the only program that appears to be spared is the one for the Youth and Adult Correctional Agency that is responsible for the state's prisons and institutions which house youthful offenders.

Most observers believe that the magnitude of the deficit is overwhelming. However, there are some who have stated, and claim to have the figures to back it up, that the administration is inflating the numbers to help with the Governor's desire to increase the state's revenue with new and increased taxes. These critics have also asked why the Governor's estimates of the deficit grew from approximately \$14 billion, prior to the election, to \$34 billion once he was re-elected.

The Legislative Analyst's office has projected a deficit of \$21 billion. An analysis by Chapman University projects the shortfall to be a fraction of what Governor Davis has forecast. They believe that the deficit may "only" be \$5.9 billion.

One thing everyone agrees on, though, is the fact that regardless of whose figures are correct, the legislature is facing an almost insurmountable task in its effort to put together a budget that will pass both houses, and then reach the Governor for signature by the deadline.