

Senate Committee on Governmental Organization
Informational Hearing
Tribal-State Gaming Compact between the State of California and the Pala Band of
Mission Indians
June 28, 2016 – 9:30 a.m.
Room 4203 State Capitol

Compact Overview

SUMMARY

The Tribal-State Gaming Compact (hereafter “Compact”) between the State of California and the Pala Band of Mission Indians (hereafter “Tribe”) was executed on May 6, 2016. This Compact supersedes the existing 2004 amended compact between the Tribe and the State of California.

This Compact authorizes the Tribe to operate a maximum of 2,500 gaming devices (slot machines) at its current facility known as the Pala Casino Resort and Spa in northern San Diego County.

The Tribe has agreed to pay the State its pro rata share of the costs the State incurs for the performance of its duties under the Compact as well as six percent (6%) of its “net win,” to be shared with tribes that are not gaming or that otherwise are not substantially benefiting from gaming. Additionally, the Compact provides a framework for the sharing of gaming revenue with the County of San Diego and other local jurisdictions. Specifically, from its payments to the Revenue Sharing Trust Fund (RSTF) or the Tribal Nation Grant Fund (TNGF), the Tribe may take annual credits of up to sixty percent (60%) for infrastructure improvements and fire, law enforcement, public transit, education, tourism and other services including investments in renewable energy, water conservation or recycling projects and payments to support capital improvements or operating expenses for facilities that provide health care services to tribal members and other members of the local community.

According to the Governor’s Office, certain terms of the Compact are consistent with provisions of more recent compacts related to licensing, compliance enforcement and mitigation of off-reservation gaming impacts, but have been updated to reflect, among other things, the evolving nature of financial markets, as well as the professionalism of the Tribe’s regulators and their constructive relationship with state gaming regulators.

The Governor’s Office contends that the terms of the Compact reflect a continued commitment by the Tribe to revenue sharing with non-gaming and limited gaming tribes through the RSTF and TNGF, so that the economic benefits of gaming reach tribal governments that have not chosen to operate a tribal casino.

The Compact's preamble states that the Tribe and the State agree that this Compact is designed to enhance the Tribe's economic development and self-sufficiency and to protect the health, safety and general welfare interests of the Tribe and its citizens, the surrounding community, and the California public, and to promote and secure long-term stability, mutual respect, and mutual benefits.

The Compact's preamble also indicates that the State and the Tribe recognize that the exclusive rights the Tribe enjoys under this Compact provide a unique opportunity for the Tribe to continue to engage in the gaming activities in an economic environment free of competition from the operation of slot machines and banked card games on non-Indian lands in California and that this unique economic environment is of great value to the Tribe.

Additionally, the Compact's preamble states that in consideration of the exclusive rights enjoyed by the Tribe to engage in the gaming activities and to operate the number of gaming devices as specified in this Compact, and the other meaningful concessions offered by the State in good faith negotiations, and pursuant to the Indian Gaming Regulatory Act (IGRA), the Tribe restates its commitment to provide to the State, on a sovereign-to-sovereign basis, and to local jurisdictions, fair cost reimbursement and mitigation from revenues derived from the gaming devices operated pursuant to this Compact on a payment schedule, as specified.

Once effective (legislative ratification and federal approval required), this Compact will be in full force and effect until twenty-five (25) years following the effective date. The vehicle identified for providing the constitutionally required legislative ratification of this Compact is AB 629 (Gonzalez/Waldron).

EXISTING LAW

Existing law provides, under the Indian Gaming Regulatory Act (IGRA), for the negotiation and conclusion of compacts between federally recognized Indian tribes and the state for the purpose of conducting Class III gaming activities on Indian lands within a state as a means of promoting tribal economic development, self-sufficiency, and strong tribal governments. Existing law expressly authorizes a number of tribal-state gaming compacts between the State of California and specified Indian tribes. Existing law authorizes the conduct of Class III gaming activities to the extent such activities are permitted by state law, a gaming compact has been concluded by a federally recognized tribe and the state, and the compact has been approved by the Secretary of the Interior.

Existing law limits the operation of Class III gaming activities to Indian lands acquired on or before October 17, 1988. Existing law also provides for certain exceptions to conduct gaming activities on Indian lands acquired after October 17, 1988.

Existing law defines Indian lands to mean all lands within the limits of any Indian reservation, and any lands title to which is either held in trust by the United States for the benefit of any

Indian tribe or individual or held by any Indian tribe or individual subject to restriction by the United States against alienation and over which an Indian tribe exercises governmental power.

Existing law requires the state to negotiate to conclude a compact in good faith with an Indian tribe having jurisdiction over the Indian lands upon which the Class III gaming activity is to be conducted. Existing law also provides the United States district courts with jurisdiction over any cause of action initiated by a tribal government alleging that the state failed to negotiate in good faith to conclude a compact. Furthermore, existing law prescribes the remedy, mediation supervised by the courts, if it is found that the state failed to negotiate in good faith to conclude a compact.

Existing law authorizes the Governor, under the California Constitution, to negotiate and conclude compacts, subject to ratification by the Legislature.

Brief History of the Pala Band of Mission Indians

The Pala Band of Mission Indians is located in northern San Diego County, on a 12,273-acre reservation, home to a majority of the 918 enrolled members. The Tribe is governed by a six member Executive Committee pursuant to a constitution adopted in November 1994. Committee members are elected by the General Council, which includes all qualified voters 18 years and older. Elections are held every two years in November. In 1999, the Tribe entered into a tribal-state gaming compact with the State of California which has provided it with extensive economic opportunities, including a profitable casino. That compact was amended in 2004.

The existing casino operation, a major economic force in northern San Diego County, is known as the Pala Casino Resort and Spa, offers 2,000 state-of-the-art slot machines, 85 table games, eight restaurants, two lounges with live entertainment daily, and a 2,000 seat Events Center. The resort hotel has 507 rooms and the resort complex also operates an RV park with 100 sites and picnic grounds. All told, the resort employs approximately 2,000 individuals. The Tribe has had agreements with UNITE-HERE concerning its casino employees, including several collective bargaining agreements, for over 15 years. Additionally, the Tribe owns and operates a 90-acre avocado grove, managed by tribal members, on the south end of the Pala reservation. The avocado operation has been producing nearly one million pounds of avocados since 1989, and employs a crew of over 40 seasonal workers who help harvest the avocados three times each year – the fruit is sent to nearby packing houses for processing and sale.

The Tribe established a fire department in 1978 (two firefighters and a 300 gallon water tank) which has evolved into a full-time, 30 personnel volunteer department, operating 24/7, in a \$9 million facility. The Pala Fire Department maintains State Fire Marshal certification status and has established mutual aid agreements with the surrounding fire departments, including the Department of Forestry. The Tribe has also worked in collaboration with San Diego County on a

number of public safety issues and infrastructure development programs during the term of its existing compact.

Additionally, the Tribe has invested significantly in projects benefitting youth in the area including contributions to a plethora of local public and nonprofit organizations (e.g., cultural arts, educational programs, civic organizations, local schools, pediatric centers, disaster relief centers, etc.).

Furthermore, the Tribe provides programs for tribal members, especially youth, to ensure healthy and productive lives. These include scholarships for all education levels, tutoring, a youth center, daycare, preschool, full service library, recreation center, organized sporting events, and environmental activities for all ages. The Tribe also provides medical, dental, vision insurance, death benefits, and senior meal delivery and senior transportation services.

Key Components of the Compact

Scope of Class III Gaming Authorized and Financial Terms:

Under this Compact, the Tribe may operate a maximum of 2,500 gaming devices, banking or percentage card games, and any devices or games that are authorized under state law to the California State Lottery, provided that the Tribe will not offer such games through use of the Internet unless others in the state not affiliated with or licensed by the California State Lottery are permitted to do so under state and federal law. The Tribe shall not engage in Class III Gaming that is not expressly authorized in the Compact.

Authorized Gaming Facility: The Tribe may establish and operate not more than two gaming facilities and engage in Class III Gaming only on eligible Indian lands held in trust for the Tribe, located within the boundaries of the Tribe's reservation and trust lands as those boundaries exist as of the execution date of this Compact, as legally described in the Compact (Appendix A). If the Tribe chooses to operate more than one gaming facility, then one of the two gaming facilities shall have no more than five hundred (500) gaming devices and shall have a primary purpose other than gaming authorized under IGRA.

Exclusivity: Provides that in the event the exclusive right of Indian tribes to operate Class III gaming in California pursuant to the California Constitution is nullified by the enactment, amendment, or repeal of a state statute or constitutional provision or the conclusive and dispositive judicial construction of a statute or the state Constitution by a California appellate court after the effective date of this Compact, that gaming devices may lawfully be operated by non-Indian entities, the Tribe shall have the right to: (1) terminate this Compact, in which case the Tribe will lose the right to operate Class III gaming authorized by this Compact or (2) continue under this Compact with entitlement to a reduction of the rates specified below following conclusion of negotiations, to provide for (a) compensation to the State for the

reasonable costs of regulation, as defined; (b) reasonable payments to local governments impacted by tribal government gaming; (c) grants for programs designed to address gambling addiction; and, (d) such assessments as may be permissible at such time under federal law.

Payments to the Special Distribution Fund (SDF): The Tribe shall pay to the State on a pro rata basis the costs the State incurs for the performance of all its duties under this Compact, as established by the monies appropriated in the annual Budget Act for the performance of their duties under the Class III Gaming Compacts each fiscal year for the California Gambling Control Commission (CGCC), the California Department of Justice, the Office of the Governor, the California Department of Public Health Programs, Office of Problem Gambling, the State Controller, the Department of Human Resources, and the Financial Information System for California, or any agency or agencies the State designates as a successor to them. The Tribe's pro rata share of the State's costs in any given year this Compact is in effect shall be calculated using the following equation: *"The maximum number of gaming devices operated in the gaming facility for the previous fiscal year as determined by the State Gaming Agency, divided by the maximum number of gaming devices operated by all federally recognized tribes in California pursuant to tribal-state Class-III gaming compacts during the previous fiscal year, multiplied by costs, equals the Tribe's pro rata share."*

Payments to the RSTF or TNGF: If the Tribe operates more than three hundred fifty (350) gaming devices at any time in a given calendar year, it shall thereafter, including in that calendar year, pay to CGCC, for deposit into the RSTF or the TNGF, six percent (6%) of its "net win" from the operation of gaming devices in excess of three hundred fifty (350).

"Net Win" means drop from gaming devices, plus the redemption value of expired tickets, less fills, less payouts, less the portion of the gaming operation's payments to a third-party wide-area progressive jackpot system provider that is contributed only to the progressive jackpot amount.

Credits Applied to RSTF or the TNGF: The State agrees to provide the Tribe with annual credits for up to sixty percent (60%) of the payments otherwise due to be paid into the RSTF or TNGF for the following:

- 1) Payments or the value of services provided to San Diego County, local jurisdictions, and nonprofit and civic organizations operating facilities or providing services within the County for fire, law enforcement, emergency medical services, public transit, education, tourism, recreation, and other services and infrastructure improvements intended to serve off-reservation needs of County residents – such payments shall be subject to approval by the County or local jurisdiction in the County and at least twenty percent (20%) of the annual credits must be utilized for the above stated purposes;
- 2) Non-gaming related capital investments and economic development projects by the Tribe that provide mutual benefits to the Tribe and the State because, for instance, they have

particular cultural, social or environmental value, or diversify the sources of revenue for the Tribe's general fund;

- 3) Payments to support operating expenses and capital improvements for non-tribal governmental agencies or facilities operating within the County;
- 4) Investments in, and any funds paid to the State in connection with, renewable energy projects that, in part, serve the gaming facility, to include facilities that incorporate charging stations for electric or other zero-emission vehicles that are available to patrons and employees of the gaming facility;
- 5) Payments to support capital improvements and operating expenses for facilities located on the reservation or within California that provide health care services to tribal members, Indians, and non-Indians;
- 6) Investments by the Tribe for water treatment or conservation projects and recycling projects; and,
- 7) Grants to other federally-recognized tribes for governmental or general welfare purposes.

All excess authorized credits that cannot be applied in any one year because they would exceed the sixty percent (60%) may be applied as an annual credit in all following years that this Compact is in effect, in the same percentages, until completely exhausted.

Quarterly Contribution Report: At the time each quarterly payment is due, the Tribe shall submit to the State a report, prepared and certified by an authorized representative of the gaming operation. The report must include: (a) calculation of the maximum number of gaming devices operated each day, (b) the Net Win calculation, (c) the amount due the SDF, (d) calculation of the amount due to the RSTF/TNGF, and (e) the total amount of the quarterly payment.

Additional Compact Elements

- Gaming Ordinance and Regulations – all gaming activities conducted under this Compact shall, at a minimum, comply with (1) a gaming ordinance duly adopted by the Tribe and approved in accordance with IGRA, (2) all rules, regulations, procedures, specifications, and standards duly adopted by the National Indian Gaming Commission (NIGC), the Tribal Gaming Agency, and the State Gaming Agency, and (3) the provisions of this Compact, as specified.
- Licensing Requirements and Procedures – all persons in any way connected with the gaming operation or gaming facility who are required to be licensed or to submit to a background investigation under IGRA, and any others required to be licensed under this

Compact, including, without limitation, all gaming employees, gaming resource suppliers, financial sources, and any other person having a significant influence over the gaming operation, must be licensed by the Tribal Gaming Agency and cannot have had any determination of suitability denied or revoked by the CGCC. Also, every gaming employee must obtain, and thereafter maintain current, a valid tribal gaming license, as specified.

- Minimum Internal Control Standards (MICS) – the Tribe must conduct its gaming activities pursuant to an internal control system that implements MICS that are no less stringent than those contained in the MICS of the federal NIGC standards, as specified. It requires gaming to operate pursuant to a written internal control system that reasonably assures that assets are safeguarded and accountability over assets is maintained; liabilities are properly recorded and contingent liabilities are properly disclosed; financial records are accurate and reliable; transactions are performed in accordance with the Tribal Gaming Agency’s authorization; access to assets is permitted only in accordance with the Tribal Gaming Agency’s approved procedures; recorded accountability for assets is compared with actual assets; and, functions, duties and responsibilities are appropriately segregated and performed by qualified personnel. The Tribe is required to provide the CGCC, upon written request, a copy of the independent certified public accountant agreed-upon procedures report conducted annually for submission to the NIGC pursuant to federal law. This report verifies that the gaming operation is in compliance with the NIGC’s MICS.
- Patron Disputes – the Tribe (through its Tribal Gaming Agency) must attempt to resolve patron disputes within seven days of the play or operation of any game, including refusal to pay to a patron any alleged winnings from any gaming activities. If a patron is dissatisfied with the resolution, the Tribe shall inform the patron in writing within 15 days of the right to resolution of the dispute by the Tribal Gaming Agency, and if dissatisfied with the resolution, the patron has the right to seek resolution by binding arbitration before a single arbitrator, who shall be a retired judge, in accordance with the streamlined arbitration rules and procedures of Judicial Arbitration and Mediation Services (JAMS). The Tribal Gaming Agency must conduct an appropriate investigation, provide to the patron a copy of its procedures concerning patron complaints, and render a decision in accordance with industry practice. The decision shall be issued within 60 days of the patron's request. The Tribe agrees to waive its sovereign immunity in order to be compelled in federal or state court to abide by the resolution of arbitration. The cost and expenses of arbitration shall be initially borne by the Tribe but the arbitrator shall award to the prevailing party its costs and expenses (but no attorney fees). Any party dissatisfied with the award of the arbitrator may at the party’s election invoke the JAMS Optional Arbitration Appeal Procedure; provided that the party making such election

must bear all costs and expenses of JAMS and the arbitrators associated with the appeal regardless of the outcome.

- Public and Workplace Liability – the Tribe is required to obtain and maintain a commercial general liability insurance policy which provides coverage of no less than \$10 million. Also, requires the Tribe to adopt a Tort Liability Ordinance stipulating that California tort law governs claims. In addition, the Compact provides that California tort law shall apply to specified claims if the Tribe fails to adopt a Tort Liability Ordinance.
- Environmental Protections – the Tribe must prepare a Tribal Environmental Impact Report (TEIR) and negotiate mitigation of any off-reservation impacts, including an evaluation of energy consumption, prior to initiating the development of a project for a facility. The Compact provides procedures regarding the (1) Notice of Preparation of Draft TEIR, (2) Notice of Completion of Draft TEIR, and (3) Issuance of Final TEIR. The Tribe’s failure to prepare an adequate TEIR when required may warrant an injunction where appropriate. A completed TEIR must be filed with San Diego County, the Department of Justice, and the State Clearinghouse. Before commencement of a Project, and no later than the issuance of the final TEIR, the Tribe shall offer to commence negotiations with San Diego County to, amongst other things, provide for the timely mitigation of any significant effect on the off-reservation environment including provisions relating to compensation for law enforcement, fire protection, emergency medical services and any other public services to be provided by the County to the Tribe as a consequence of the Project.
- Labor Provisions – provides that the gaming activities authorized by this Compact may only commence after the Tribe has adopted an ordinance identical to the Tribal Labor Relations Ordinance (TLRO), referenced as Appendix C of the Compact, and the gaming activities may only continue as long as the Tribe maintains the ordinance. If the Tribe employs 250 or more persons in a tribal casino facility, then the provisions of the TLRO become effective. The TLRO provides for a secret ballot election. The new TLRO proscribed by this Compact is modeled after the Tribe’s 1999 TLRO with several modifications. The new TLRO provides for union neutrality. The Tribe will not oppose a union organization but can advocate the benefits of working for the Tribe. A labor union must issue a Notice of Intent or Organize (NOIO). For a period of 365 days following delivery of a NOIO, the union shall not engage in strikes, picketing, boycotts, attack websites, or other economic activity at or in relation to the tribal casino or related facility. During the 365 days after the Tribe received the NOIO, the union must collect dated and signed authorization cards and complete the secret ballot election. Failure to complete the secret ballot election within 365 days shall preclude the union from delivering another NOIO for a period of two years (730 days). After the certification that 30% of the employees have expressed an interest in the union, a notice of election shall

be issued and the election shall be concluded within 30 calendar days thereafter. Secret ballot elections shall be held at the workplace and at least one neutral location. Employees may mail in ballots provided they are received by election day. Mediation for any collective bargaining agreement impasse shall be made in conjunction with the Federal Mediation and Conciliation Service (FMCS). The mediation process is modeled on the Agricultural Labor Relations Act and authorizes the mediator to resolve the impasse. Disputes are presented to an arbitrator with expertise in labor law and appropriate challenges to the arbitrator's decision may be presented to a state superior court.

- Enhanced Audit and Compliance Review Procedures – in addition to providing for an annual independent audit, the Compact allows the state to conduct its own annual audit and compact compliance review.
- Inspection and Testing of Slot Machines – slot machines will have to be tested, approved and certified by an independent gaming test laboratory or state governmental gaming test laboratory to ensure they are being operated according to specified technical standards. Also, requires the Tribal Gaming Agency to maintain adequate records that demonstrate compliance with software and hardware specifications. The State Gaming Agency would be authorized to annually conduct up to four random inspections of slot machines in operation to confirm that the slot machines are operating in conformance with these standards.
- Prohibitions Regarding Minors – the Tribe shall prohibit persons under the age of eighteen (18) years from being present in any room or area in which gaming activities are being conducted unless the person is en route to a non-gaming area of the gaming facility, or is employed at the Gaming Facility in a capacity other than as a gaming employee.
- Health and Safety Standards – the Tribe has agreed to adopt and comply with tribal health standards for food and beverage handling that are no less stringent than State public health standards. Also, the Tribe has agreed to comply with federal water quality and safe drinking water standards applicable in California.
- Problem Gambling – the gaming operation must establish a program, approved by the Tribal Gaming Agency, to mitigate pathological and problem gaming by implementing specified measures.
- Alcohol Provisions – makes it explicit that the purchase, sale, and service of alcoholic beverages shall be subject to state law (the Alcoholic Beverage Control Act). The Tribe shall prohibit persons under the age of 21 years from purchasing, consuming, or possessing alcoholic beverages.

- Tobacco Provisions – the Tribe agrees to provide a non-smoking area in the gaming facility and to utilize a ventilation system throughout the gaming facility that exhausts tobacco smoke to the extent reasonably feasible under state-of-the-art technology existing as of the date of the construction or significant renovation of the gaming facility, and further agrees not to offer or sell tobacco to anyone under eighteen (18) years of age.
- Emergency Services Accessibility and Possession of Firearms – the Tribe must make reasonable provisions for adequate emergency fire, medical, and related relief and disaster services for patrons and employees. Also, prohibits the possession of firearms by any person in the gaming facility at all times except for federal, state, or local law enforcement personnel, or tribal law enforcement or security personnel, as authorized.
- Workers’ Compensation – the Tribe agrees to participate in the state’s workers’ compensation program with respect to employees at the casino. All disputes arising from the workers’ compensation laws shall be heard by the State Workers’ Compensation Appeals Board pursuant to the California Labor Code. The Tribe acknowledges the jurisdiction of the Board in such manners. Furthermore, the Tribe agrees that it will participate in the state’s unemployment compensation program for providing benefits and unemployment compensation disability benefits to employees at the casino. The Tribe shall withhold all taxes due to the state, except for Tribal members living on the Tribe’s reservation, and forward such amounts to the state.
- Effective Date – this Compact shall not be effective unless and until all of the following have occurred: (a) the Compact is ratified by statute in accordance with state law and (b) notice of approval or constructive approval is published in the Federal Register. Once effective, this Compact shall be in full force and effect until twenty-five (25) years following the effective date.
- Amendment by Agreement – the terms and conditions of this Compact may be amended at any time by the mutual and written agreement of both parties during the term of this Compact, provided that each party voluntarily consents to such negotiations in writing. Any amendments to this Compact shall be deemed to supersede, supplant and extinguish all previous understandings and agreements on the subject.

ADDITIONAL BACKGROUND INFORMATION

Indian Gaming Regulatory Act (IGRA)

In 1988, Congress enacted the Indian Gaming Regulatory Act (IGRA) to provide a statutory basis for the operation and regulation of gaming on Indian lands. IGRA provides that an Indian tribe may conduct gaming activity on Indian lands if the activity “is not specifically prohibited by federal law and is conducted within a State which does not prohibit such gaming activity.”

IGRA distinguishes between three classes of gaming (Class I, Class II, and Class III) and provides for different forms of regulation for each class. Class I gaming includes “social games” for minor prizes or “traditional forms of Indian gaming.” Class II gaming is defined to include bingo and card games that are explicitly authorized by the laws of the state, or that are not explicitly prohibited by the laws of the state and are played at any location in the State, so long as the card games are played in conformity with those laws and regulations. Class III gaming includes such things as slot machines, casino games and banked card games such as black jack and baccarat. Class III gaming may only be conducted under terms of a compact negotiated between an Indian tribe and a State.

IGRA was enacted against a legal background in which Indian tribes and individuals generally are exempt from state taxation within their own territory. IGRA provides that with the exception of assessments permitted under the statute, to defray the State’s costs of regulating gaming activity, IGRA shall not be interpreted as conferring upon a State authority to impose any tax, fee, charge, or other assessment upon an Indian tribe to engage in Class III activity. Nor may a State refuse to enter into negotiations based on the lack of authority to impose such a tax, fee, charge, or other assessment.

When a tribe requests negotiations for a Class III compact, IGRA requires the State to negotiate with the Indian tribe in good faith. IGRA provides a comprehensive process to prevent an impasse in compact negotiations, which is triggered when a tribe files suit alleging that the State has refused to negotiate or has failed to negotiate in good faith.

Before 2000, The California Constitution prohibited Class III gaming. In 2000, California voters approved Proposition 1A which had been proposed by the Governor and passed by the Legislature. Proposition 1A amended the California Constitution to permit the State to negotiate compacts with federally recognized Indian tribes for certain Class III gaming activities. Because non-Indian parties were still forbidden from operating gaming facilities, Proposition 1A granted Indian tribes a “constitutionally protected monopoly on most types of Class III games in California.”

Rincon Decision

The U.S. Supreme Court in July 2011 refused to consider the decision of the Ninth Circuit Court rejecting a Class III Tribal-State Gaming Compact negotiated by Governor Schwarzenegger with the Rincon Band of Luiseno Mission Indians. The issue of this case's impact on Indian gaming throughout the country has been a topic of great debate.

As noted, IGRA authorizes states to receive compensation for costs related to tribal gaming such as regulation and gaming addiction, and to offset the effects of casinos on surrounding communities. However, states are prohibited from assessing taxes on tribal casino revenues, so unjustified payments to a state's General Fund are no longer permissible unless the tribes are getting something in return for the required payments, such as those authorized by IGRA.

Another vehicle for state receipt of casino payments above those payments must be in exchange for some benefit deemed "exclusive" to the tribe. To this end, it is fact that a number of other state (Governors) have attempted to create "exclusive grants" in favor of compact signatory tribes in return for payments to the state treasuries.

The Rincon Band challenged the legality of California's "second generation" compacts pursuant to which the signatory tribes would be entitled to increase their slot machine count in return for paying percentages of the new slot machine revenue to the state's General Fund. The Ninth Circuit had affirmed a lower court decision that the new financial concessions were nothing more than a state tax on tribal casino revenues which is prohibited by IGRA.

Rincon had refused to sign the amended compact which already had been executed by several other tribes choosing instead to demand that it be given the expanded gaming opportunity without making the new financial concessions. The Ninth Circuit Court concluded that a "non-negotiable, mandatory payment of 10% of net win into the State treasury for unrestricted use yields public revenue, and is [therefore] a tax, and that the court was therefore required to consider the State's demand as evidence of bad faith under IGRA's statutes."

The court noted that "the State could rebut the presumption of bad faith by demonstrating that the revenue demanded was to be used for the public interest, public safety, criminality, financial integrity, and adverse economic impacts on existing activities, but the State's need for general tax revenue was insufficient to demonstrate good faith."

Special Distribution Fund (SDF)

Existing law creates the SDF in the State Treasury for the receipt of revenue contributions made by tribal governments pursuant to the terms of the 1999 model Tribal-State Gaming Compacts and authorizes the Legislature to appropriate money from the SDF for the following purposes: (a) grants for programs designed to address gambling addiction; (b) grants for the support of state and local government agencies impacted by tribal government gaming; (c) compensation for regulatory costs incurred by the CGCC and the Department of Justice in connection with the implementation and administration of compacts; (d) payment of shortfalls that may occur in the Indian Gaming RSTF; (e) disbursements for the purpose of implementing the terms of tribal labor relations ordinances promulgated in accordance with the terms of the 1999 compacts; and, (f) any other purpose specified by law. (Pursuant to compact renegotiations that took place with several of the larger gaming tribes during the Schwarzenegger administration, revenue from those tribes is directed into the state General Fund, instead of the SDF.)

The law establishes a method of calculating the distribution of appropriations from the SDF for grants to local government agencies impacted by tribal gaming. This method includes a requirement that the State Controller, in consultation with the CGCC, deposit funds into County Tribal Casino Accounts and Individual Tribal Casino Accounts based upon a process that takes

into consideration whether the county has tribes that pay, or not pay, into the SDF. The distribution formula "sunset" on January 1, 2021.

Existing law also establishes an Indian Gaming Local Community Benefit Committee in each county in which gaming is conducted, specifies the composition and responsibilities of that committee, and requires that committee to make the selection of grants from the casino accounts. Among other things, the committee is responsible for establishing all application policies and procedures for grants from the casino accounts.

Additionally, existing law requires the State Auditor to conduct an audit every three years and report its findings to the Legislature regarding the allocation and use of SDF grant monies.

Revenue Sharing Trust Fund (RSTF)

Existing law also creates in the State Treasury the RSTF for the receipt and deposit of moneys derived from gaming device license fees that are paid into the RSTF pursuant to the terms of specified tribal-state gaming compacts for the purpose of making distributions to non-compact Tribes (e.g., federally-recognized non-gaming and tribes that operate casinos with fewer than 350 slot machines). Revenue in the RSTF is available to the CGCC, upon appropriation by the Legislature, for making distributions of \$1.1 million annually to non-compact tribes. The RSTF was created as part of the 1999 compacts, which, in conjunction with the passage of Proposition 1A, created gaming compacts with approximately 60 California tribes. Non-compact tribes are considered third-party beneficiaries of the 1999 compacts.

Tribal Nation Grant Fund (TNGF)

This particular fund was created to complement the RSTF and provides for the distribution of funds to non-gaming tribes, upon application of such tribes for purposes related to effective self-governance, self-determined community, and economic development. The designated purpose of the RSTF is rigid and formulaic. This new fund is designed to be fluid and payments are intended to be made to non-gaming tribes on a "need" basis, upon application by non-gaming tribes.

SUPPORT

Pala Band of Mission Indians; California Labor Federation; California Tribal Business Alliance; City of Escondido; Ewiiapaayp Band of Kumeyaay Indians; Fallbrook Chamber of Commerce; Jackson Band of Miwuk Indians; Jamul Indian Village; Picayune Rancheria of the Chukchansi Indians; Rincon Band of Luiseno Indians; United Auburn Indian Community; UNITE-HERE, AFL-CIO;

OPPOSITION

None received

PRIOR LEGISLATION

AB 795 (Atkins, Chapter 520, Statutes of 2015) ratified the tribal state gaming compact entered into between the State of California and the Sycuan Band of Kumeyaay Nation, executed on September 2, 2015.

AB 1540 (Gray, Chapter 531, Statutes of 2015) ratified the tribal-state gaming compact entered into between the State of California and the Santa Ynez Band of Chumash Indians, executed on August 26, 2015.

AB 315 (Bigelow, Chapter 512, Statutes of 2015) ratified the amended and restated tribal-state gaming compact entered into between the State of California and the United Auburn Indian Community, executed on August 14, 2015.

AB 475 (Bigelow, Chapter 8, Statutes of 2015) ratified the tribal-state gaming compact entered into between the State of California and Jackson Rancheria Band of Miwok Indians, executed on February 1, 2015.

SB 1356 (De León, Chapter 314, Statutes of 2014) ratified the amendment to the tribal-state gaming compact entered into between the State of California and the Viejas Band of Kumeyaay Indians, executed on August 12, 2014.

SB 1224 (Correa, Chapter 300, Statutes of 2014) ratified the tribal-state gaming compact entered into between the State of California and the Karuk Tribe, executed on December 4, 2013.

AB 1245 (V. Manuel Perez, Chapter 462, Statutes of 2013) ratified the tribal-state gaming compact entered into between the State of California and the Ramona Band of Cahuilla Indians located in Riverside County, executed on June 10, 2013.

AB 277 (Hall, Chapter 51, Statutes of 2013) ratified two new compacts entered into between the State of California and the following tribes: North Fork Rancheria, executed on August 31, 2012 and the Wiyot Tribe, executed on March 20, 2013.

AB 1267 (Hall, Chapter 6, Statutes of 2013) ratified the amended tribal-state gaming compact entered into between the State of California and the Shingle Springs Band of Miwok Indians, executed on November 15, 2012.

SB 668 (Fuller, Chapter 67, Statutes of 2013) ratified the tribal-state gaming compact entered into between the State of California and the Fort Independence Indian Community of Paiute Indians, executed on February 28, 2013.

AB 517 (Hall, Chapter 12, Statutes of 2012) ratified the tribal-state gaming compact entered into between the State of California and the Federated Indians of Graton Rancheria of Sonoma County, executed on March 27, 2012.

AB 787 (Chesbro, Chapter 340, Statutes of 2012) ratified the amendment to the tribal-state gaming compact entered into between the State of California and the Coyote Valley Band of Pomo Indians, executed on July 25, 2012.

AB 1418 (Hall, Chapter 412, Statutes of 2011) repealed those provisions ratifying the tribal-state gaming compact entered into between the State of California and Pinoleville Pomo Nation, executed on March 9, 2009 and instead ratified the tribal-state gaming compact entered into between the State of California and the Pinoleville Pomo Nation, executed on August 8, 2011. Ratification of this revised compact authorized the Tribe to operate up to 900 slot machines with up to 15% of the casino's net win from the slots designated for local communities, gambling mitigation and regulation, instead of requiring revenue contributions be made to the General Fund as provided by the 2009 compact.

AB 1020 (Chesbro, Chapter 27, Statutes of 2011) repealed the ratification of the tribal-state gaming compact entered into between the State of California and the Habematolel Pomo of Upper Lake, executed on September 2, 2009, and instead ratified a new tribal-state gaming compact entered into between the State of California and the Habematolel Pomo of Upper Lake, executed on March 17, 2011. Ratification of this revised compact authorized the Tribe to operate up to 750 slot machines with up to 15 percent of the net-win from those gaming devices being paid to the SDF and the RSTF, instead of requiring revenue contributions be made to the General Fund as provided by the 2009 compact.

SB 89 (Budget Committee, Chapter 1, Statutes of 2010) ratified the tribal-state gaming compact entered into between the State of California and the Habematolel Pomo of Upper Lake, executed on September 2, 2009.

AB 122 (Coto, Chapter 3, Statutes of 2009) ratified the tribal-state gaming compact entered into between the State of California and the Pinoleville Pomo Nation, executed on March 10, 2009.

AB 3072 (Price, Chapter 334, Statutes of 2008) ratified the first amendment to a tribal-state gaming compact entered into between the State of California and the Shingle Springs Band of Miwok Indians, executed on June 30, 2008.

SB 106 (Wiggins, Chapter 37, Statutes of 2007) ratified a new compact between the State of California and the Yurok Tribe of the Yurok Reservation (Yurok).

SB 174 (Ducheny, Chapter 39, Statutes of 2007) ratified the first compact amendment to the compact between the State of California and Sycuan.

SB 175 (Ducheny, Chapter 38, Statutes of 2007) ratified the first compact amendment to the compact between the State of California and Morongo.

SB 903 (Padilla, Chapter 40, Statutes of 2007) ratified the first compact amendment to the compact between the State of California and Pechanga.

SB 941 (Padilla, Chapter 226, Statutes of 2007) ratified the first compact amendment to the compact between the State of California and San Manuel.

SB 957 (Torlakson, Chapter 41, Statutes of 2007) ratified the first compact amendment to the compact between the State of California and Agua Caliente.

SB 470 (Ducheny, Chapter 527, Statutes of 2006) ratified the first amendment to the compact between the State and the Quechan Tribe of the Fort Yuma Reservation (Quechan).

SB 1117 (Burton, Chapter 856, Statutes of 2004) ratified two new and two amended compacts entered into between the State and the following tribes: Coyote Valley Band of Pomo Indians (new compact); Fort Mojave Indian Tribe (new compact); Buena Vista Rancheria of Me-Wuk Indians (amended compact); and, Ewiiapaayp Band of Kumeyaay Indians (amended compact).

AB 687 (Nuñez, Chapter 91, Statutes of 2004) ratified amendments to five compacts entered into between the State and the following tribes: Pala Band of Mission Indians; Pauma Band of Luiseno Mission Indians of the Pauma and Yuima Reservation; Rumsey Band of Wintun Indians; United Auburn Indian Communities; and, Viejas Group of Kumeyaay Indians. Also, provided for the issuance of bonds in an amount not to exceed \$1.5 billion by the California Infrastructure and Economic Development Bank and required the net proceeds of the sale of the compact assets to be deposited in the Traffic Congestion Relief Fund and the Transportation Deferred Investment Fund.

SB 930 (Burton, Chapter 802, Statutes of 2003) ratified a compact between the State of California and the Torres-Martinez Desert Cahuilla Indians.

SB 411 (Ducheny, Chapter 790, Statutes of 2003) ratified compacts between the State of California and the La Posta Band of Diegueno Mission Indians and the Santa Ysabel Band of Diegueno Mission Indians in San Diego County.

Proposition 1A (Adopted by the People of California on March 7, 2000) modified the prohibition against casinos and lotteries in the California Constitution to authorize the Governor to negotiate compacts, subject to legislative ratification, for the operation of slot machines, lottery games, and banking and percentage card games by federally recognized Indian tribes on Indian lands in California, in accordance with federal law. Authorized slot machines, lottery games, and banking and percentage card games to be conducted and operated on Indian lands subject to the compacts.

AB 1385 (Battin, Chapter 874, Statutes of 1999) designated the Governor as the state officer responsible for negotiating and executing compacts between the state and federally recognized Indian tribes located in the state. Also, ratified 57 compacts and created two special funds in the State Treasury (SDF and RSTF), as specified.

Proposition 5 (Adopted by the People of California on November 3, 1998) specified the terms and conditions of mandatory compacts between the State and tribal governments for class III gambling on Indian lands; amended California law to allow slot machines and banked card games at tribal casinos; provided for contributions to trust funds benefiting non-gaming tribes, statewide emergency medical care programs, and programs benefiting communities near tribes; and, allowed tribes to retain a monopoly on authorized gambling. Proposition 5 was found to be unconstitutional because it amended a provision of the Government Code and did not amend the Constitution. The proposition was invalidated in its entirety, save the final sentence of Government Code Section 98005, containing the state's consent to federal suits brought by California tribes pursuant to IGRA.

SB 287 (Burton, Chapter 409, Statutes of 1998) ratified 11 compacts negotiated between the State of California and Indian tribes that permitted class III video gaming devices on tribal lands and established a process for ratifying other compacts.

SB 8 (Lockyer, Chapter 867, Statutes of 1997) repealed the Gaming Regulation Act and enacted the Gambling Control Act of 1997. Established CGCC and charged it with, among other things, the authority to issue, deny, revoke, suspend, or impose conditions, restrictions, or limitations on licenses, permits, or approvals to ensure that unsuitable or unqualified persons are not involved in the operation of gambling. Established the Bureau of Gambling Control (formerly known as the Division of Gambling Control) within the Department of Justice and charged it with specified investigative and enforcement duties.