

**Senate Committee on Governmental Organization
Informational Hearing
Tribal-State Gaming Compact Between the State of California and Wilton
Rancheria
August 22, 2017 – 9:30 a.m.
Room 4203 State Capitol**

Compact Overview

SUMMARY

The Tribal-State Gaming Compact (hereafter “Compact”) between the State of California and Wilton Rancheria (hereafter “Tribe”) was executed on July 19, 2017.

The Compact authorizes the Tribe to operate a maximum of 2,500 gaming devices (slot machines) at no more than two gaming facilities located on eligible Indian lands held in trust for the Tribe, and located within the boundaries of the Tribe’s Reservation in the City of Elk Grove, as legally described in the Compact (Appendix A).

The Compact includes provisions that would prohibit the Tribe from gaming if the decision to place the 36-acre parcel into trust is reversed and requires the parties to enter into negotiations to amend the compact if the local land use restrictions are held to be enforceable.

The Tribe has agreed to pay the State its pro rata share of costs the State incurs for the performance of its duties under the Compact as well as 6% of its net win from the operation of slot machines in excess of 350 slot machines 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 City of Elk Grove, the County of Sacramento, 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 60% for infrastructure improvements that in part benefit city and county residents, fire, law enforcement, public transit, education, tourism, and other services including investments in renewable energy and conservation projects, as well as, 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. In addition, credits may be applied for costs associated with improving the protection of wildlife and habitat, improving roadways, hiking trails, walkways and bike lanes, and other beautification efforts in the community.

In recognition of the pre-development expenses incurred by the Tribe, the needs of the Tribe's citizens and the existence of a binding and enforceable intergovernmental agreement with the City of Elk Grove and County of Sacramento, providing for mitigation and other investments in the local community (e.g., fire equipment and personnel, road improvements), this Compact defers the Tribe's contributions to the RSTF/TNGF for the first seven years.

Furthermore, the Compact: (a) provides a regulatory framework that respects the role of the tribal gaming agency as the primary regulator while also ensuring that state gaming regulators fulfill their responsibilities; (b) requires the Tribe to conduct its gaming activities pursuant to an internal control system that implements minimum internal controls that are no less stringent than those in federal regulations; (c) requires the Tribe to adopt a Tribal Labor Relations Ordinance, as specified; and, (d) contains provisions to protect the health and safety of patrons, guests, and employees.

According to the Governor's Office, certain terms of the Compact related to licensing, compliance enforcement, mitigation of off-reservation gaming impacts and protections for patrons and employees are consistent with recent compacts.

The Compact's preamble notes that the Tribe entered into a Memorandum of Understanding (2011 Agreement) with the City of Elk Grove and the County of Sacramento on June 11, 2011, under which the Tribe is to consult with the City and County as to any land to be taken into trust that is within the City and/or County, and to negotiate with the City and County for mitigation of off-site impacts concerning the development of such land.

The Compact's preamble states that under the 2011 Agreement, the City of Elk Grove, the County of Sacramento, and the Tribe established a process to determine and enforce mitigation measures for proposed off-trust tribal land environmental, social, and economic impacts and to provide a framework for future agreements for development of specific projects on lands to be taken into trust for the Tribe.

The Compact's preamble also states that the Tribe entered into a Memorandum of Understanding and Intergovernmental Agreement dated June 14, 2016 with the County of Sacramento (Sacramento MOU) and has committed to pay over \$2,400,000 annually to the County, providing a substantial benefit to the local community for social services, roadway improvements, and community benefits.

The Compact's preamble also states that the Tribe has entered into a Memorandum of Understanding dated September 29, 2016 with the City of Elk Grove (Elk Grove MOU) and has committed to pay over \$14,500,000 in one-time payments to the City and \$5,000,000 annually to the City, providing a substantial benefit to the local community for Police services, roadway maintenance and improvements, local schools, non-profits, and community benefits,

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.

Once effective (legislative ratification and federal approval required), this Compact will be in full force and effect for 25 years following the effective date. The vehicle identified for providing the constitutionally required legislative ratification of this Compact is AB 1606 (Cooper).

EXISTING LAW

Existing law provides, under 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 land 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 and 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 and Background – Wilton Rancheria

Wilton Rancheria is a federally-recognized Indian tribe located within the geographical boundaries of the County of Sacramento. The Tribe's headquarters is located in Elk Grove and consist of over 750 tribal members.

According to information provided by the Tribe, members of Wilton Rancheria are descendants of the Plains and Sierra Miwok who lived in the Sacramento Valley. For millennia, the Tribe's Miwok ancestors hunted, fished and foraged across a large swath of the Sacramento Valley, from the American River drainage to Yosemite and the Western slopes of the Sierra to the California Delta.

While federal recognition was granted to the Tribe in 1928, the 1958 Rancheria Act terminated many California tribes, including Wilton Rancheria. The long-term impact of termination has dramatically impacted members of the Tribe. According to the Tribe, its members are facing a 62% unemployment rate, 38% are without health insurance, and the median annual income is \$20,000.

The Tribe ultimately regained federal tribal status in 2009, but did not have any land in trust. However, as a restored tribe, Wilton Rancheria was entitled to restore trust lands. The Tribe's application for 36 acres to be placed into trust was approved on January 19, 2017. The Bureau of Indian Affairs accepted the grant of the parcel to the United States, in trust for the Tribe, on February 10, 2017. The current Acting Assistant Secretary of Indian Affairs upheld the decision to place the land into trust on July 13, 2017.

The Tribe has partnered with Boyd Gaming and is planning on building the Wilton Rancheria Resort and Casino Project on the vacant mall site in Elk Grove. According to the Tribe, some of the benefits of the project include 1,600 construction jobs, 1,750 full time employees, and 3,000 direct and indirect jobs.

The Tribe has entered into a MOU with the City of Elk Grove which will provide approximately \$130 million over the first 20 years for services for the local community including, among other payments, \$34.5 million to the Elk Grove Police Department, \$57.5 million to the Elk Grove General Fund, and \$14.5 million for roadway infrastructure, community, facilities, and police equipment.

In addition, the Tribe has also entered into an MOU with Sacramento County that will provide approximately \$56 million over the first 20 years of the agreement for services for the local community including, among other payments, \$46 million to the County's General Fund, and \$4.6 million for Sacramento County Road Improvements. In all, the Tribe will pay over \$186

million over the first 20 years of the project to the City of Elk Grove and Sacramento County to support police, schools, and other services.

Key Provisions of the Compact

Scope of Class III Gaming Authorized: The Tribe is authorized to operate up to 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 no 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).

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 (DOJ), the Office of Problem Gambling, and State designated agencies in connection with the implementation and administration of Class III gaming compacts. The Tribe's pro rata share of the State's costs in any given year this Compact is in effect may not be increased more than 5% per year and shall be calculated using the following equation:

“The maximum number of gaming devices operated in the gaming facility during the previous State 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 State fiscal year, multiplied by the Appropriation, equals the Tribe's pro rata share.”

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 abrogated 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 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 RSTF or the TNGF: If the Tribe operates more than 350 gaming devices at any time in a given calendar year, it shall thereafter, including in that calendar year, pay to the CGCC, for deposit into the RSTF or the TNGF, 6% of its “net win” from the operation of gaming devices in excess of 350.

“Net win” is defined as the drop from gaming devices, plus the redemption value of expired tickets, less fills, less payouts, less that portion of the gaming operation’s payment to a third-party wide-area progressive jackpot system provider that is contributed only to the progressive jackpot amount. Generally, the difference between patron wagers and the payouts made on winning wagers.

In recognition of the pre-development expenses incurred by the Tribe, the needs of the Tribe’s citizens and the existence of a binding and enforceable intergovernmental agreement with the City of Elk Grove and the County of Sacramento, providing for mitigation and other investments in the local community (e.g., fire equipment and personnel, road improvements), this Compact defers the Tribe's contributions to the RSTF/TNGF for the first seven years.

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

- 1) Cost of services provided by the Tribe or payments by the Tribe to the County, the City, state agency, local jurisdictions and non-profit and civic organizations operating facilities or providing services within the County for fire, emergency medical services, law enforcement, public transit, road improvements, education, tourism, and other services and infrastructure improvements intended to serve off-reservation needs of local residents or the environment. Such payments shall be subject to approval by the State and at least 20% of the annual credits must be utilized for the above stated purposes;
- 2) Payments by the Tribe to reimburse the City of Elk Grove or the County of Sacramento for any loss of property tax revenues, sales tax revenues to the City that would otherwise be due for retail sales at the Tribe’s Gaming Facility or transient occupancy tax at the Tribe’s hotel if it were not located on Indian lands. Such reimbursement shall be subject to approval by the City and County;
- 3) Non-gaming related capital investments and economic development projects by the Tribe on or off tribal trust lands 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;

- 4) Payments to support operating expenses and capital improvements for non-tribal governmental agencies or facilities operating within the County of Sacramento;
- 5) Investments by the Tribe and any funds paid to the State in renewable energy projects that, in part, serve the gaming facility or any improvements incorporating renewable energy technology on real property owned by the tribe, or its members, and lineal descendants, and projects that incorporate charging stations for electric or other zero emission vehicles that are available to patrons and employees of the gaming facility, and the Tribe, its members and lineal descendants;
- 6) Cost and payments to support capital improvements, the purchase of property, and operating expenses for facilities within California that provide health care services to tribal members, Indians, and non-Indians;
- 7) Cost and payments to support capital improvements, the purchase of property, and operating expenses for facilities located within California that provide educational services to tribal members, Indians, and non-Indians;
- 8) Investments by the Tribe and any funds paid to the State for water treatment or conservation projects;
- 9) Costs and payments made to support the preservation of historical buildings, landmarks or objects within California that have cultural significance to the Tribe and for providing general welfare benefits for, among other things, educational, healthcare, cultural or vocational purposes, to other Native Americans in the community;
- 10) Costs associated with improving the protection of wildlife and habitat, increasing tourism, establishing or improving highways, roadways, hiking trails, walkways and bike lanes, and other beautification efforts in the community.
- 11) Payment of \$2,000,000 to the City of Elk Grove for the purpose of improvement or construction of City community facilities as provided in the Elk Grove MOU.
- 12) Annual payments of \$400,000 to reimburse the Elk Grove Unified School District for the loss of tax revenue as provided in the Elk Grove MOU.

13) Annual payments of \$100,000 to charitable organizations or other organizations, which enhance the City of Elk Grove and the City residents' quality of life as provided in the Elk Grove MOU

All excess authorized credits that cannot be applied in any one year because they would exceed the 60% shall carry forward to all following years until completely exhausted.

Additional Compact Components

Quarterly Contribution Report – at the time each quarterly payment is due, regardless of whether any monies are owed, the Tribe shall submit to the State Gaming Agency, a report prepared by the chief financial officer of the gaming operation that includes: (a) calculation of the maximum number of gaming devices operated each day, (b) the gross gaming revenue calculation, (c) the amount due to the SDF, (d) calculation of the amount due to the RSTF/TNGF, and (e) the total amount of the quarterly payment.

Gaming Ordinance and Regulations – all gaming activities conducted under this Compact shall, at a minimum, comply with a gaming ordinance duly adopted by the Tribe and approved in accordance with IGRA and all applicable 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 with the provisions of this Compact, as specified.

Prohibitions Regarding Minors – the Tribe shall prohibit persons under the age 21 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.

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.

Inspection and Testing of Gaming Devices – gaming devices 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 gaming devices in operation to confirm that the devices are operating in conformance with these standards.

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.

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.

Patron Disputes – the Tribal Gaming Agency must promulgate regulations governing patron disputes over the play or operation of any game, including any refusal to pay to a patron any alleged winnings from any gaming activities that includes specified minimum standards.

Environmental Protections – the Tribe is required to prepare a comprehensive and adequate tribal environmental impact report (TEIR), analyzing the potentially significant off-reservation environmental impacts of the project. The TEIR is required to provide detailed information about the significant effects on the environment that the project is likely to have and shall include a detailed statement of specified information. 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. Before the commencement of the project, and no later than the issuance of the final TEIR to the County and the city, the Tribe shall offer to commence government-to-government negotiations with the County and the City, and upon the County’s and the City’s acceptance of the Tribe’s offer, shall negotiate with the County and the City on a government-to-government basis and shall enter into enforceable written agreements on specified matter.

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 and adopt a Tort Liability Ordinance stipulating that California tort law governs claims. Also, provides that

California tort law shall apply to specified claims if the Tribe fails to adopt a Tort Liability Ordinance.

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 of the gaming operation, gaming facility, and gaming activities to ensure compliance with all provisions of this compact.

Compliance Enforcement – it is the responsibility of the Tribal Gaming Agency to conduct on-site gaming regulation and control in order to enforce the terms of this Compact, IGRA, NIGC gaming regulations, state gaming agency regulations, and the gaming ordinance, to protect the integrity of gaming activities and the gaming operation for honesty and fairness, and to maintain the confidence of patrons that tribal governmental gaming in California meets the highest standards of fairness and internal controls. To meet those responsibilities, the tribal gaming agency shall promulgate rules and regulations for these purposes.

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 products, including but not limited to smokeless tobacco products or e-cigarettes, to anyone younger than the minimum age specified in state law to legally purchase tobacco products.

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.

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.

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 (TRLO), 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 and 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 receives 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 730 days. After the certification that 30% of the eligible employees in a bargaining unit 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. Employees may mail in ballots provided they are received by election day. Union representation requires an affirmative vote of 50% plus one of all votes cast.

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. In lieu of participation in the State's system, the Tribe may create and maintain a system through self-insurance, which includes specified provisions, including hearings before an independent tribunal. 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.

Health and Safety Standards – the Tribe has agreed to adopt and comply with tribal health standards for food and beverage handling that consistent with the State's public health standards. Also, the Tribe has agreed to comply with federal water quality and safe drinking water standards applicable in California. The Tribe must also adopt and comply with federal and state laws forbidding harassment, including sexual harassment, discrimination and retaliation. Furthermore, the Tribe must maintain a \$3 million insurance policy for these purposes and adopt an ordinance that includes a dispute resolution process.

Building Codes and Fire Safety – in order to assure the protection of the health and safety of all gaming facility patrons, guests, and employees, the Tribe shall adopt and shall maintain throughout the term of this Compact, an ordinance that requires any covered gaming facility construction to meet or exceed the applicable codes. Gaming facility construction, expansion, improvement, modification or renovation must also comply with the federal Americans with Disabilities Act.

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, the compact 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.

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 for 25 years following the effective date. The compact specifies that the Tribe and the State have agreed that if local land use restrictions are determined to be enforceable against the United States and the Tribe by a court of competent jurisdictions in a final, non-appealable determinations, the Tribe and the State agree to enter into good-faith negotiations pursuant to IGRA to amend this Compact to address that circumstance.

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, 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 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 of Appeals rejecting a Class III Tribal-State Gaming Compact negotiated by then 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.

Any payments to the State, above those needed to mitigate impacts of gaming must be in exchange for a benefit deemed "exclusive" to the tribe.

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.

The Rincon Band refused to sign the amended compact which had already 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 of Appeals 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 DOJ in connection with the implementation and administration of compacts; (d) payment of shortfalls that may occur in the 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.)

Current 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 do not pay, into the SDF.

Revenue Sharing Trust Fund

Existing law 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-compacted California tribes (e.g., federally-recognized non-gaming tribes and tribes that operate casinos with fewer than 350 slot machines). Revenue in the RSTF is available to 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

This particular fund (referenced in recent compacts) 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. Payments from this fund are intended to be made to non-gaming tribes on a “need” basis, upon application. Payments from the TNGF are expected to begin in 2018.

SUPPORT

American Sheet Metal Partition Co., Inc.
Associated Plumbing & Mechanical Contractors of Sacramento
Associated Subcontractors Alliance of Sacramento
Bob Raker Crusader Fence Co., Inc.
Brown Construction, Inc.
California Asian Pacific Islander Chamber of Commerce
California Hispanic Chamber of Commerce
California Lodging Industry Association
Cooper Oates Air Conditioning
DesCor Builders
De Vere’s Irish Pub
Elk Grove Chamber of Commerce
Elk Grove Police Officers Association
Environmental Council of Sacramento
Fite Development Company
The Old Town Foundation of Elk Grove
Miyamoto International, Inc.
Painting and Decorating Contractor’s Association of Sacramento, Inc.
Placer County Contractors Association & Builders Exchange
Porter Law Group
Region Business
Sacramento Black Chamber of Commerce
Sacramento Observer Newspaper
Sacramento Regional Builders Exchange
Sacramento Region Business Association
Sacramento SMACNA
Silva Stowell Architects, LLP
Stafford, King, Wiese Architects
Surety Solutions Insurance Services, Inc.
Swinerton Builders
United Pastors of Sacramento
Western Contract
Various Individuals

OPPOSITION

None received

PRIOR AND CURRENT LEGISLATION

SB 187 (Hall, Chapter 306, Statutes of 2016) ratified the tribal-state gaming compact entered into between the State of California and the Jamul Indian Village, executed August 4, 2016.

SB 404 (De León, Chapter 229, Statutes of 2016) ratified the tribal-state gaming compact entered into between the State of California and the Viejas Band of Kumeyaay Indians, executed on June 22, 2016.

SB 1313 (Hall, Chapter 310, Statutes of 2016) ratified the tribal-state gaming compact entered into between the State of California and the Yocha Dehe Wintun Nation, executed on August 4, 2016.

AB 2915 (Garcia, Chapter 240, Statutes of 216) ratified an amendment to the 2006 tribal state gaming compact entered into between the State of California and the Agua Caliente Band of Cahuilla Indians, executed on August 4, 2016.

AB 2358 (Gonzalez, Chapter 298, Statutes 2016) ratified the tribal-state gaming compact entered into between the State of California and the Pechanga Band of Luiseno Indians, executed August 4, 2016.

AB 1977 (Wood, Chapter 296, Statutes of 2016) ratified the first amendment to the 2006 tribal-state gaming compact entered into between the State of California and the Yurok Tribe, executed August 4, 2016.

AB 1767 (Bigelow, Chapter 291, Statutes 2016) ratified first amendment to the 2015 tribal-state gaming compact entered into between the State of California and the Jackson Rancheria Band of Miwuk Indians, executed on June 22, 2016.

AB 1282 (Gray, Chapter 287, Statutes 2016) ratified the tribal-state gaming compact entered into between the State of California and the Buena Vista Rancheria of Me-Wuk Indians, executed on June 28, 2016.

AB 629 (Gonzalez, Chapter 160, Statutes 2016) ratified the tribal-state gaming compact entered into between the State of California and the Pala Band of Mission Indians, executed on May 6, 2016.

AB 466 (Brown, Chapter 285, Statutes of 2016) ratified an amendment to the 2006 tribal-state gaming compact entered into between the State of California and the San Manuel Band of Mission Indians, executed on August 16, 2016.

AB 291 (Atkins, Chapter 284, Statutes of 2016) ratified the tribal-state gaming compact entered into between the State of California and the Barona Band of Mission Indians, executed on June 22, 2016.

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 Miwuk 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.