

Senate Committee on Governmental Organization
Informational Hearing
Tribal-State Gaming Compact between the State of California and the Pechanga Band of
Luiseno Indians
August 9, 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 Pechanga Band of Luiseno Indians (hereafter “Tribe”) was executed on August 4, 2016. This Compact supersedes the Tribe’s 2006 amended compact.

This Compact authorizes the Tribe to operate a maximum of 5,500 gaming devices (slot machines) on eligible Indian lands held in trust for the tribe, located within the boundaries of the Pechanga Reservation (Appendix A) in Temecula, CA.

The Tribe’s 2006 amended compact authorized no more than 7,500 gaming devices, required an annual flat payment of \$42.5 million to the State’s general fund, plus an annual payment of 15% of the net win generated from the operation of between 2,000-5,000 gaming devices. The Tribe’s 2006 amended compact also required an annual \$2 million payment into the Revenue Sharing Trust Fund (RSTF).

With respect to this Compact, 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 plus additional amounts (\$500,000 up to a total of \$3 million) to cover a portion of the share of regulatory costs for smaller gaming tribes. The Tribe has also agreed to pay \$12 million annually into the RSTF or the Tribal Nation Grant Fund (TNGF), to be shared with tribes that are not gaming or that otherwise are not substantially benefiting from gaming.

Additionally, this Compact establishes the Local Community Credit Fund (LCCF), to be managed by the Tribe for the purpose of providing funding for infrastructure improvements that in part benefit county residents, fire, law enforcement, public transit, education, tourism, and other services including investments in renewable energy projects, water treatment or conservation projects and payments to support capital improvements and operating expenses for facilities within California that provide health care services to tribal members, Indians, and non-Indians. The Tribe has agreed to make quarterly payments into the LCCF totaling \$21 million per year. Furthermore, this Compact creates the California Native American Education and Scholarship Fund to ensure that Native American youth from tribes without substantial gaming

revenue have the financial support to pursue and obtain undergraduate, graduate and professional degrees. Accordingly, the Tribe has agreed to pay \$3 million annually for deposit into the Scholarship Fund.

This Compact also: (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) includes patron dispute, tort claims and employment discrimination provisions.

According to the Governor's Office, certain terms of the Compact are consistent with provisions of more recent compacts related to licensing, compliance enforcement, mitigation of off-reservation gaming impacts and protections for patrons and employees. The new Compact also strengthens government-to-government relations at the local level by providing incentives for tribal funding to local jurisdictions. 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 Governor's Office also emphasizes that the Compact "recognizes that investment in educational programs and opportunities is essential to the overall health and welfare of all Californians, and is inspired by the belief that a college education not only improves the quality of an individual's life but also engenders broad social, economic and political benefits."

The Compact's preamble states that the Tribe and the State share an interest in mitigating the off-reservation impacts of the gaming facility, affording meaningful consumer and employee protections, fairly regulating the gaming activities, and fostering a good-neighbor relationship.

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 operate its gaming facility in a market free of competition from the operation of slot machines and banked card games on non-Indian lands in California and that this exclusive 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 gaming devices as specified in this Compact and pursuant to the Indian Gaming Regulatory Act (IGRA), the Tribe restates its intent to provide to the State, on a sovereign-to-sovereign basis, 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 for twenty-five (25) years following the effective date. The vehicle identified for providing the constitutionally required legislative ratification of this Compact is AB 2358 (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 and Background – Pechanga Band of Luiseno Indians

According to information provided by the Tribe, life on earth began in the Temecula Valley, Exva Temeeku, the place of the union of Sky-father and Earth-mother (*Tuukumit 'pi*

Tamaayowit). Temecula is named after Pechanga's ancestors, the Temecula Indians (*Temeekuyam*), who lived in Temeeekunga ("the place of the sun").

The Pechanga Indian Reservation was established by Executive Order of President Chester A. Arthur on June 27, 1882, formally recognizing the Tribe's sovereignty and land-base. The Tribe is committed to improving the environment, education status, and the health, safety and general welfare of its members and the surrounding community.

The Pechanga Band is a fully functioning modern government which derives its authority from the General Membership. The Pechanga people are governed by a constitution and bylaws. Elected by a majority of the General Membership, the Pechanga Tribal Council is responsible for setting policy and administering a wide range of governmental programs within the boundaries of the reservation. The 7-member Pechanga Tribal Council is elected every two years. The General Membership also elects the tribal secretary, treasurer, and members and officers of the Pechanga Development Corporation Board of Directors and the Pechanga Gaming Commission.

The Pechanga Entertainment Center was the first major economic investment undertaken by the Tribe and opened in 1995 with 135 employees. The current Pechanga Resort & Casino was opened in 2002.

Today, the Tribe employs more than 5,000 people and operates the largest and most expansive resort/casino in the western United States. The hotel was the first California hotel/casino to receive the prestigious Four Diamond by AAA in 2003. The casino offers more than 3,000 slot machines, 154 table games, a 700-seat bingo facility, headliner concerts and championship boxing, 517 hotel rooms, nine restaurants, a spa, and golf. The Tribe has continued to expand the Pechanga Resort & Casino and in November 2008 opened Journey at Pechanga, an Arthur Hills/Steve Forrest designed 18-hole championship golf course. The Tribe also operates a recreational vehicle resort, food mart, and a full service gas station and mini-mart.

The Pechanga Resort and Casino has been an economic success for the Tribe, enabling members of the Pechanga Tribe to reverse generations of poverty and begin achieving economic self-sufficiency while allowing the Tribe to make investments in non-gaming assets that will ensure long-term economic diversification. In addition, the Tribe's economic success has helped to spur economic growth in the surrounding community. As with other areas of the California economy, the Tribe's economic activities and economic impact slowed during the Great Recession. However, the ongoing economic activities of the Pechanga Tribe continue to help stabilize the economy of the surrounding communities and counties.

In 2013, the Tribe's total direct and indirect economic impact resulted in the employment of 33,337 people; the payment of \$1.1 billion wages, benefits, and tribal programs; and purchases totaling \$692 million with the direct employment effects of the Tribe's activities concentrated in the Temecula Valley, Riverside County, and San Diego County.

In 2015, the Tribe broke ground on a 568-room AAA four-diamond hotel, a two-story spa, an events center and meeting space, and a resort-style pool complex. The project is expected to deliver an economic output of more than \$550 million and result in 3,000 jobs from construction-related activities.

In recent years, Pechanga has provided over \$35 million to the City of Temecula and County of Riverside for road improvements, public safety, and other local services. The Tribe has also donated more than \$15 million to local schools and hundreds of regional non-profit groups working to build a stronger, shared community. In 2012, the Tribe purchased the former site of the proposed Liberty Quarry for \$20 million to conserve and protect a sacred place and the air quality enjoyed by families in the southern portion of Temecula.

The Tribe maintains two fully-staffed fire stations on the reservation. Additionally, the Tribe is an active participant in the State of California Master Mutual Aid system and is routinely assigned to wildfires throughout California. Since 2001, the Pechanga Fire Department has had a Memorandum of Understanding for Automatic Aid in place with the County of Riverside Fire Department. Pechanga Fire also has a Cooperative Agreement in place with the Bureau of Indian Affairs for Wildland Fire Management and a Mutual Aid request Agreement for Local Government Fire and Emergency Assistance and Federal Fire Agencies between the California Office of Emergency Services, CALFIRE, the United States Forest Service, the Bureau of Land Management, National Park Service, Fish and Wildlife Service and Bureau of Indian Affairs California Firefighting Assistance Agreement.

Key Provisions of the Compact

Scope of Class III Gaming Authorized: The Tribe is authorized to operate up to a total of 5,500 gaming devices (slot machines); banking or percentage card games; 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; and, off-track wagering on horse races at a satellite wagering facility pursuant to certain requirements identified in Appendix D. 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 (2) 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 open a second facility, it may operate no more than 500 gaming devices at that second facility.

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 costs of regulation, as defined; (b) reasonable payments to local governments impacted by tribal government gaming; (c) grants for programs designed to address and treat 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, the administration and implementation of tribal-state gaming compacts, and funding for the Office of Problem Gambling, as determined by the monies appropriated in the annual Budget Act each fiscal year to carry out those purposes. 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 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 State fiscal year, multiplied by the Appropriation, equals the Tribe's pro rata share."*

The Tribe further agrees to pay an additional five hundred thousand dollars (\$500,000) into the SDF to ensure it remains solvent. In the event the pro rata funding for the SDF statewide has proven sufficient for three consecutive years, the parties agree to meet and confer for the purpose of making an appropriate reduction in the additional payment. Also, in the event the Tribe's pro rata share exceeds \$3 million, the Tribe shall pay the greater of its pro rata share or \$3 million.

Payments to the RSTF or the TNGF: The Tribe agrees to pay \$12 million annually to the California Gambling Control Commission (CGCC) for deposit into the RSTF or the TNGF.

This Compact specifies that, in no event shall the State's general fund be obligated to make up any shortfall in the RSTF or the TNGF or to pay any unpaid claims connected therewith. It provides that the State's obligations related to the RSTF or the TNGF under any Class III gaming compact, non-gaming tribes and limited-gaming tribes are not third-party beneficiaries of this Compact and shall have no right to seek any judicial order compelling disbursement of any RSTF or TNGF monies to them.

Local Community Credit Fund (LCCF): The Compact establishes “Local Community Credit Fund” (LCCF), which is managed by the Tribe to make or provide funding for, or make investments in projects that mutually benefit the Tribe, County, local jurisdictions, and the State. The Tribe shall make quarterly payments into the fund totaling \$21 million per year. The LCCF may be used for the following purposes:

- 1) Payments by the Tribe to the County or local jurisdictions operating facilities or providing services within the County for fire, law enforcement, emergency medical services, public transit, education, tourism, or other services and infrastructure improvements intended to serve off-reservation needs of County residents as well as those of the Tribe – such payments shall be subject to approval by the County or local jurisdiction receiving the funds;
- 2) Cost of services provided by the Tribe, or payments made to the County, local jurisdictions, school districts, charter schools, or non-profit or civic organizations operating facilities or providing services within the County, for cultural programs, fire services, emergency medical services, problem gambling programs, law enforcement, public transit, education, tourism, youth athletics and other youth programs, or other services or infrastructure improvements that in part serve off-reservation needs of County residents;
- 3) To promote continued economic growth that benefits the Tribe and the surrounding community through investments in facilities, infrastructure, or other projects that generate sustained job creation and ensure the financial longevity of the Tribe, the Tribe may utilize up to 20% of the LCCF annually for the purpose of making payments to the principle amount on its debt services which are secured by the assets of the gaming operation;
- 4) 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;
- 5) Investments, loans, or other financial obligations including actual payments used to secure loans, to or for the benefit of other federally recognized tribes for any purpose, including gaming;
- 6) Investments in, and any funds paid to the State in connection with, renewable energy projects that, in part, serve the gaming facility, to include projects that incorporate charging stations for electric or other zero-emission vehicles that are available to tribal members, patrons and employees of the gaming facility or the Tribe;

- 7) Payments to support capital improvements and operating expenses for facilities within California that provide health care services to tribal members, Indians, and non-Indians;
- 8) Investments by the Tribe for water treatment or conservation projects on real property owned by the Tribe, as well as costs of recycling programs that, in part, serve the gaming facility, or other on or off-reservation needs within the County; and,
- 9) Grants to Native Americans who are not members of the Tribe, or grants to other federally-recognized tribes or other Native American tribes regardless of their federal-recognition status, for educational, cultural, or vocational purposes, or for governmental or general welfare purposes.

In the event the Tribe's annual gross gaming revenue is less than its gross gaming revenue for fiscal year 2010, the Tribe shall no longer be required to pay the credit amounts into the LCCF.

"Gross Gaming Revenue" is defined as the win from gaming devices, which is the difference between gaming wins and losses before deducting costs and expenses or deducting incentives or adjusting for changes in progressive jackpot liability accruals. Generally, the difference between patron wagers and the payouts made on winning wagers.

California Native American Education and Scholarship Fund (Fund): The Compact creates the "California Native American Education and Scholarship Fund" (Fund), to ensure that Native American youth from tribes without substantial gaming revenue have the financial support to pursue and obtain undergraduate, graduate and professional degrees. Accordingly, the Tribe agrees to pay \$3 million annually for deposit into the Fund. The Fund will be managed by an independent foundation, or similar non-profit third-party organization with proper credentials, agreed upon by both the Tribe and the State to manage, administer, and account for the funds. If the balance in the Fund exceeds \$10 million, the excess funds shall be deposited into the RSTF or, if the RSTF is fully solvent, the TNGF.

Additional Compact Components

- 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 three 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. The Tribal Gaming Agency shall 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. If dissatisfied with the resolution, the patron has the right to seek resolution either in the Tribe’s tribal court system, once a tribal court system is established, or through binding arbitration before a retired judge. Any party dissatisfied with the award of the tribal court or JAMS arbitrator may, at the party’s election, invoke the JAMS Optional Arbitration Appeal Procedure. The cost and expense of arbitration shall initially be borne equally by the Tribe and the patron but the JAMS arbitrator shall award to the prevailing party its costs and expenses (but no attorney fees). The Tribe agrees to waive its sovereign immunity in connection with the jurisdiction of the tribal court system or JAMS arbitrator’s jurisdiction and in any action, for the sole and limited purposes, to (i) enforce

the Tribe's or the patron's obligation to arbitrate, (ii) confirm, correct, modify, or vacate the tribal court award or the arbitral award rendered in the arbitration, or (iii) enforce or execute their judgments.

- 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 containing provisions that are the same as California tort law to govern all claims of bodily injury, personal injury, or property damage arising out of, connected with, or relating to the gaming facility. The Tribe consents to binding arbitration before a single arbitrator, who shall be a retired judge in accordance with the comprehensive arbitration rules and procedures of JAMS. The cost and expenses of arbitration shall be initially borne by the Tribe but the arbitrator may award costs to the prevailing party not to exceed those allowable in a suit in California Superior Court, and that 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 procedure, regardless of the outcome. The Tribe consents to the arbitrator's jurisdiction and any action to enforce or execute a judgment based on the award.
- 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. Before commencement of a Project, and no later than the issuance of the final TEIR, the Tribe shall negotiate an intergovernmental agreement with the California Department of transportation (Caltrans) if state roads are impacted. A completed TEIR must be filed with the County, the Department of Justice, the CGCC, and the State Clearinghouse. Also, before commencement of a Project, and no later than the issuance of the final TEIR, the Tribe shall offer to commence negotiations with the 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.
- 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.
- 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, any applicable NIGC and State Gaming Agency regulations, and the tribal gaming ordinance with respect to gaming operation and facility compliance, and to protect the integrity of the gaming activities, the reputation of the Tribe and the gaming operation for honesty and fairness, and the confidence of patrons that tribal government gaming in California meets the highest standards of regulation and internal controls. To meet those responsibilities, the tribal gaming agency shall adopt and enforce regulations, procedures, and practices.
- 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 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 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. 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. Union representation requires an affirmative vote of 50% plus one of all votes cast. Mediation for any collective bargaining agreement impasse shall be resolved exclusively through the binding dispute resolution by 3

members of the Tribal Labor Panel mutually chosen by both parties; however, if arbitrator schedules cannot be coordinated within 30 days of submission, a single arbitrator shall decide the dispute. The arbitrators will generally follow the American Arbitration Association's procedural rules relating to labor dispute resolution.

- Workers' Compensation – the Tribe agrees to participate in the State's workers' compensation program with respect to employees at the gaming operation and the gaming facility. 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.
- Prohibitions Regarding Minors – the Tribe shall prohibit persons under the age of twenty-one (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.
- Alcohol Provisions – makes it explicit that the purchase, sale, and service of alcoholic beverages shall be subject to state law – the Alcoholic Beverage Control (ABC) Act.
- Tobacco Provisions – the Tribe agrees to provide a non-smoking area in the gaming facility and to incorporate ventilation, filtration, purification or other technologies throughout the gaming facility, where reasonable and feasible after consideration of engineering, economic and scientific factors, and further agrees not to offer or sell tobacco to anyone under eighteen (18) years of age.
- 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.
- 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. The Tribe must also adopt and comply with tribal law that is consistent with federal and state laws forbidding harassment, including sexual harassment, discrimination and retaliation. Furthermore,

the Tribe must maintain an 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 or has already adopted, and shall maintain throughout the term of this Compact, an ordinance that requires any gaming facility construction to meet or exceed the construction standards set forth in the applicable codes. Gaming facility construction, expansion, improvement, modification or renovation must also comply with the federal Americans with Disabilities Act. Also, provides that any construction of any Project that has taken place or has commenced prior to the effective date of this Compact shall be subject to the facility license rules outlined in the tribal-state compact between the State and the Tribe executed on August 28, 2006, provided that the Project was previously approved.
- 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.
- Horse Racing Satellite Wagering Facility – As noted above, under the heading “Scope of Class III Gaming Authorized,” the compact contains an appendix (Appendix D) which authorizes the Tribe to establish and operate a horse racing satellite wagering facility within its gaming facility. Specifically, the Tribe must submit to the California Horse Racing Board (CHRB) an application to operate such a facility and the facility must be operated in conformity with IGRA, the Appendix, and Compact. If provisions of the Compact are in conflict with California Horse Racing Law or the CHRB’s Rules and Regulations specific to the conduct of satellite wagering, California Horse Racing Law and the CHRB’s Rules and Regulations shall control. The amounts deducted from pari-mutuel wagers at the Pechanga Satellite Facility, and the distribution of such amounts, shall be the same as those provided for under the California Horse Racing Law and the CHRB’s Rules and Regulations for satellite wagering facilities, other than fairs, in the southern zone.
- 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 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, 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 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.

Rincon 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 California Gambling Control Commission (CGCC) and the Department of Justice (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.)

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 do not pay, into the SDF. The distribution formula "sunsets" 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 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 (TNGF)

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.

SUPPORT

Pechanga Band of Luiseno Indians; California Labor Federation; and, UNITE-HERE, AFL-CIO

OPPOSITION

None received

PRIOR and CURRENT LEGISLATION

SB 1426 (Hall, 2016) would ratify the tribal-state gaming compact entered into between the State of California and the Yocha Dehe Wintun Nation, executed on August 4, 2016. (Pending referral to Assembly floor)

SB 404 (De León, 2016) would ratify the tribal-state gaming compact entered into between the State of California and the Viejas Band of Kumeyaay Indians, executed on June 22, 2016. (Pending referral to Assembly floor)

SB 187 (Hall, 2016) would ratify the tribal-state gaming compact entered into between the State of California and the Jamul Indian Village, executed August 4, 2016. (Pending referral to Assembly floor)

AB 2358 (Waldron/Gonzalez, 2016) would ratify the tribal-state gaming compact entered into between the State of California and the Pechanga Band of Luiseno Indians, executed August 4, 2016. (Pending referral to Senate floor)

AB 1977 (Wood, 2016) would ratify 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. (Pending referral to Senate floor)

AB 1767 (Bigelow, 2016) would ratify the 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. (Pending referral to Senate floor)

AB 1282 (Gray, 2016) would ratify 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. (Pending referral to Senate floor)

AB 629 (Gonzalez/Waldron, 2016) would ratify the tribal-state gaming compact entered into between the State of California and the Pala Band of Mission Indians, executed on May 6, 2016. (Pending on Assembly floor)

AB 291 (Atkins/Gonzalez, 2016) would ratify the tribal-state gaming compact entered into between the State of California and the Barona Band of Mission Indians, executed on June 22, 2016. (Pending referral to Senate floor)

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.