

Senate Committee on Governmental Organization
Informational Hearing
First Amendment to the Tribal-State Compact Between the State of California and the
Agua Caliente Band of Cahuilla Indians

August 11, 2026 – 9:00 a.m.
Suite 1200, 1021 O Street

Compact Overview

SUMMARY

The First Amendment to the Tribal-State Gaming Compact (hereafter “Amended Compact”) between the State of California and the Agua Caliente Band of Cahuilla Indians (hereafter “Tribe”) was executed on July 13, 2026. The Amended Compact amends an existing 2016 compact, to avoid potential litigation after the Ninth Circuit’s decision in Chicken Ranch (See below). The Amended Compact allows the Tribe to operate an additional 500 slot machines. The amended compact also includes an approximate 20-year extension in exchange for the Tribe agreeing not to challenge the revenue terms during the life of the compact.

In 2016, the Tribe entered into a new tribal-state compact [ratified by AB 2915 (Eduardo Garcia), Chapter 240, Statutes of 2016] that authorized the Tribe to operate up to 5,000 slot machines at no more than six gaming facilities located on those Indian lands held in trust for the Tribe. Under the terms of the 2016 Compact, the Tribe agreed to pay into the Special Distribution Fund (SDF) its pro rata share of costs the State incurs for the performance of its duties under the Compact. The Tribe also agreed to pay into the Revenue Sharing Trust Fund (RSTF) and the Tribal Nation Grant Fund (TNGF), structured as a graduated scheduled tied to the number of slot machines operated by the Tribe.

The Agua Caliente Band of Cahuilla Indians is a federally recognized Indian tribe located in the Coachella Valley within Riverside County. The tribal headquarters are located in Palm Springs, which derives its name from the ancient hot mineral springs located in downtown Palm Springs on the Tribe’s reservation. The Tribe is one of the largest employers in the Coachella Valley. The Tribe currently operates three casinos, multiple golf courses, multiple restaurants, an entertainment venue, and also manages its real estate holdings, which include numerous leases of reservation lands for commercial and residential development and other purposes.

The vehicle identified for providing the constitutionally required legislative ratification of these amendments to the tribal-state gaming compact is AB 2173 (Wallis).

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 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.

BACKGROUND

Indian Gaming Regulatory Act

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, proposed by the Governor and passed by the Legislature. Proposition 1A amended the California Constitution to permit the Governor 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.”

Chicken Ranch Rancheria Decision.

In 2021, the Chicken Ranch Rancheria of Me-Wuk Indians, along with four other tribes—the Blue Lake Rancheria, Chemehuevi Indian Tribe, Hopland Band of Pomo Indians, and Robinson Rancheria—filed suit against the State of California and Governor Gavin Newsom. The tribes alleged that the state violated IGRA by failing to negotiate new Class III gaming compacts in good faith.

According to the complaint, California insisted on compact terms covering family law, environmental regulation, and tort liability—subjects that the tribes argued were outside IGRA’s limited scope, which allows negotiation only on matters directly related to the operation of gaming activities. In July 2022, the Ninth Circuit Court of Appeals upheld the district court’s

finding that California's demands exceeded IGRA's bounds and therefore constituted bad-faith negotiation. The court ordered the parties to move forward under IGRA's remedial process. Under that process, if the parties are ultimately not able to agree on a compact, a mediator reviews each side's "last best offer" and selects the proposal that best aligns with federal law, and the U.S. Department of the Interior (through the Assistant Secretary for Indian Affairs) issues Secretarial Procedures regulating the tribe's gaming operation without state involvement.

This outcome was viewed by Indian tribes as a significant affirmation of tribal sovereignty and a rejection of state overreach in tribal gaming regulation. The Governor's office believes the terms of this Compact are consistent with this court decision.

Special Distribution Fund

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: grants for programs designed to address gambling addiction; 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; payment of shortfalls that may occur in the RSTF; disbursements for the purpose of implementing the terms of tribal labor relations ordinances promulgated in accordance with the terms of the 1999 compacts; and, 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.)

Revenue Sharing Trust Fund

Existing law creates in the State Treasury the RSTF for the receipt and deposit of monies 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.

Brief History and Background – Agua Caliente Band of Cahuilla Indians

The Agua Caliente Band of Cahuilla Indians is a federally recognized Indian tribe located in the Coachella Valley within Riverside County. The tribal headquarters are located in Palm Springs, which derives its name from the ancient hot mineral springs located in downtown Palm Springs on the Tribe’s reservation. The Tribe’s reservation covers approximately 32,000 acres of the Coachella Valley in a “checker-board” pattern, and was created by Presidential Executive Orders in the late 1870’s and spans large portions of the cities of Palm Springs, Rancho Mirage, and Cathedral City. The Tribe is governed by a five-member Tribal Council pursuant to the Tribe’s Constitution and Bylaws, which was adopted and approved by the Tribe and the federal government in June of 1955. The Tribe has approximately 500 members. The tribal government provides a wide array of services and benefits to tribal members related to healthcare, education, cultural preservation, and general welfare. The capacity of the Tribe to provide for its members and strengthen the tribal government has greatly increased since the establishment of tribal gaming.

The Tribe is one of the largest employers in the Coachella Valley. The Tribe currently operates three casinos (Rancho Mirage, Palm Springs, and Cathedral City), multiple golf courses, multiple restaurants, an entertainment venue, and also manages its real estate holdings, which include numerous leases of reservation lands for commercial and residential development and other purposes. The Tribe also operates the Indian Canyons and Tahquitz Canyon located on the Tribe’s reservation. These recreational areas located on Cahuilla ancestral lands are open to the public and offer over 60 miles of hiking trails and other activities so that all may enjoy the beauty of natural springs, native palm groves, wildlife, and multiple waterfalls. Tribal government departments, including but not limited to Economic Development, Planning & Natural Resources, Tribal Historic Preservation, and Emergency Services, closely partner with other local governments and communities on infrastructure issues, as well as other projects and initiatives to address shared concerns.

The Tribe is a major contributor to local public and nonprofit organizations and government agencies located within and outside of the reservation in the cities of Palm Springs, Rancho Mirage, Cathedral City, and in areas throughout the Coachella Valley and beyond.

Details of the Amended Compact

Additional Gaming Devices Authorized – The Amended Compact authorizes the Tribe to operate up to 5,500 Gaming Devices (slot machines). The Tribe’s 2016 Compact authorized the Tribe to operate up to 5,000 slot machines.

Authorized Gaming Facility – The amended compact authorizes the Tribe to operate up to six gaming facilities, only *three* of which may have more than 250 slot machines. The 2016 Compact allowed the Tribe to operate up to six gaming facilities, only *two* of which may operate more than 500 slot machines.

Environmental Impact Analysis – Consistent with the Chicken Ranch Decision, the Amended Compact deletes provisions in the 2016 compact that required the Tribe to prepare a tribal environmental impact report analyzing the potentially significant off-reservation environmental impacts of the construction of a Gaming Facility.

Revenue Contributions – In exchange for substantial exclusivity and other meaningful concessions, the Tribe is required to make the following payments to the RSTF/TGNF, based on the following schedule:

- Six percent (6%) of the net wig generated from gaming devices in excess of 350 but less than 2,501. Under the Tribe's 2016 Compact, an identical payment rate was required for the operation of slot machines between 351 and 2,500 slot machines.
- Two and four-tenths (2.4%) of the Net Win generated from gaming devices in excess of 2,500 gaming devices. Under the Tribe's 2016 Compact, payment obligations followed a tiered schedule in which the applicable percentage increased incrementally based on the number of slot machines operated by the Tribe, up to a maximum rate of 11% for operating more than 4,500 slot machines.

Supplementary Payments – In an effort to provide non-gaming tribes and limited-gaming tribes with supplemental funding, the Tribe, in addition to the payments described above, is required to pay into the RSFT \$2 million dollars annually. The total payments shall not exceed \$12 million.

Child and Spousal Support Orders – Similar to recent compacts and consistent with the Chicken Ranch Decision, the Amended Compact deletes current provisions in the Tribe's 2016 compact that require the Tribe, with respect to the earnings of any person employed at the gaming facility, to comply with all earnings withholding orders for support of a child, spouse, or former spouse.

Credits Applied to the RSTF of the TNGF – Under the Tribe's 2016 Compact, the State agreed to provide the Tribe with annual credits for up to sixty percent (60%) of the payments otherwise due to be paid into the RSTF or TNGF payments made by the Tribe to various local jurisdictions for such things as fire, law enforcement, public transit, infrastructure improvement and other economic development that provide mutual benefits to the Tribe and the State, and various local jurisdictions. The Amended Compact increases the annual credits provided to the Tribe to up to 75%.

Definition of Gaming Facility – The Amended Compact changes the definition of “gaming facility” to mean the buildings or structures in which Class III Gaming, as authorized by this Compact is conducted. This change is consistent with recent tribal-state compacts and aligns with the Chicken Ranch Decision.

Covenant not to Sue – The Amended Compact prohibits both the Tribe and the State from directly or indirectly initiating, or participating in any action or lawsuit challenging the enforceability of the definitions in the Compact, except as expressly mutually agreed to by both parties. Additionally, both parties shall not encourage, assist, or cause any person, organization, or entity to do so. The Amended Compact also prohibits the Tribe from directly or indirectly initiating or participating in any action or lawsuit arising from or relating to the validity or enforceability of the Compact’s provisions relating to the SDF, the RSTF, or the TNGF, regardless of any subsequent court or administrative interpretation of the validity of those provisions under IGRA for the duration of the term of this Compact.

Insurance Coverage and Claims – The amended compacts deletes current tort law provisions in their 2016 Compacts and instead requires the Tribe to establish written procedures for the disposition of tort claims arising from personal injury or property damage alleged to have been suffered by any person who is a patron of the gaming facility. The Tribe is required to provide coverage in an amount no less than \$10 million per occurrence.

SUPPORT

None received

OPPOSITION

None received

PRIOR AND CURRENT LEGISLATION

AB 1579 (Valencia, 2026) ratifies the second amendment to the tribal-state gaming compact entered into between the State of California and the Yuhaaviatam of San Manuel Nation, executed on June 23, 2026. (Pending on the Senate Floor)

SB 49 (Grove, Chapter 3, Statutes of 2025) ratified the tribal-state gaming compact between the State of California and the Big Sandy Rancheria of Western Mono Indians of California, executed on December 12, 2024. This bill also ratified the third and fourth amendment to the 1999 tribal-state gaming compact between the State of California and the Tribe.

SB 864 (Padilla, Chapter 244, Statutes of 2025) ratifies the Tribal-State Gaming Compact between the State of California and the Cher-Ae Heights Indian Community of the Trinidad Rancheria, California, executed on July 11, 2025. The bill also ratifies two separate amendments

to the tribal-state gaming compacts entered into between the State of California and the Pinoleville Pomo Nation, California, and the Sycuan Band of Kumeyaay Nation.

AB 1527 (Soria, Chapter 137, Statutes of 2025) ratifies the fourth amendment to the tribal-state gaming compact entered into between the State of California and the Picayune Rancheria of Chukchansi Indians of California, executed on June 4, 2025.

SB 931 (Dodd, Chapter 320, Statutes of 2024) ratified four separate tribal-state gaming compacts between the State of California and the Campo Band of Diegueno Mission Indians of the Campo Indian Reservation, California, the La Posta Band of Diegueno Mission Indians of the La Posta Indian Reservation, California, the Timbisha Shoshone Tribe, and the Elem Indian Colony of Pomo Indians of the Sulphur Band of Rancheria, California. Additionally, the bill ratified three separate amendments to the tribal-state gaming compacts entered into between the State of California and the Augustine Band of Cahuilla Indians, California, the Picayune Rancheria of Chukchansi Indians of California, and the Cher-Ae Heights Indian Community of the Trinidad Rancheria, California.

AB 2032 (Jim Patterson, Chapter 304, Statutes 2024) ratified the tribal-state gaming compact between the State of California and the Big Sandy Rancheria of Western Mono Indians, executed on January 16, 2024.

AB 2656 (Ramos, Chapter 313, Statutes of 2024) ratified the tribal-state gaming compact between the State of California and the Table Mountain Rancheria, executed on November 1, 2023.

AB 3276 (Ramos, Chapter 319, Statutes of 2024) ratified the tribal-state gaming compact between the State of California and the Tule River Tribe, executed on June 25, 2024.

SB 771 (Dodd, Chapter 888, Statutes of 2023) ratified the tribal state gaming compacts between the state of California and between the State of California and the Cahto Tribe of the Laytonville Rancheria, the Ewiiapaayp Band of Kumeyaay Indians, California, the Manchester Band of Pomo Indians of the Manchester Rancheria, California, the Resighini Rancheria, and the Sherwood Valley Rancheria of Pomo Indians of California, as specified.

SB 736 (McGuire, Chapter 11, Statutes of 2023) ratified the amendment to the existing tribal-state gaming compact entered into between the State of California and the Middletown Rancheria of Pomo Indians of California, executed on May 15, 2023. The bill also ratified the new tribal-state gaming compact entered into between the State of California and the Middletown Rancheria of Pomo Indians of California, executed on March 30, 2023.

AB 498 (Aguiar-Curry, Chapter 9, Statutes of 2023) ratified the tribal-state gaming compact between the state of California and the Federated Indians of Graton Rancheria, executed on March 9, 2023.

AB 854 (Ramos, Chapter 272, Statutes of 2023) ratified the tribal-state gaming compact between the State of California and the Redding Rancheria, California, executed on March 30, 2023.

AB 1658 (Santiago, Chapter 852, Statutes of 2023) ratified 22 separate amendments to extend the terms, until December 31, 2024, of the 1999 tribal-state gaming compacts between the State of California and specified tribes.