

Senate Committee on Governmental Organization
Informational Hearing
Second Amendment to the Tribal-State Compact Between the State of California and the
Pechanga Band of 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 Pechanga Band of Indians (hereafter “Tribe”) was executed on August 05, 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 1,000 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.

The Tribe’s 2016 Compact requires the Tribe to pay \$21 million to “Local Community Credit Fund (Fund)” which was established to provide funding to local jurisdictions for such things as improved fire, law enforcement, public transit, education, tourism, or other services. Rather than payments into the California Native American Education and Scholarship Fund, the Amended Compact requires the Tribe to pay an additional \$3 million into the Fund beginning on January 1, 2027. Every year thereafter, the Tribe is required to pay an additional \$2 million per year until reaching \$32 million per year. The Amended Compact provides that the Tribe, in its sole discretion, can decrease the annual amount payable into the Fund, provided that the annual amount shall never be reduced by \$21 million. The Amended Compact makes it clear that the Tribe “makes this decision in the exercise of its sovereignty and in furtherance of its longstanding commitment to the beneficial projects and purposed served by the Fund.”

In 2016, the Tribe entered into a new tribal-state compact [ratified by AB 2358 (Gonzalez), Chapter 285, Statutes of 2016] that authorized the Tribe to operate up to 5,500 slot machines at no more than two gaming facilities located on those Indian lands held in trust for the Tribe. Under the terms of the 2016 Compact, the Tribe has agreed to pay into the Special Distribution Fund (SDF) its pro rata share of costs the State incurs for the performance of its duties.

The Tribe currently operates the Pechanga Resort and Casino, which was first opened in 2002 and currently employes approximately 5,000 employees. According to the Tribe’s website, the Pechanga Resort and Casino has one of the largest casino floors in the country with 200,000

square feet of gaming space that features, 5,500 slot machines, 152 table games, a High Limit Salon and private rooms.

The vehicle identified for providing the constitutionally required legislative ratification of these amendments to the tribal-state gaming compact is SB 1235 (Rubio).

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 Revenue Sharing Trust Fund (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 – The Pechanga Band of Indians

The Pechanga Band of Indians is a federally recognized tribe located in Riverside County, specifically Temecula, California. Temecula is named after Pechanga’s ancestors, the Temecula Indians (*Temekuyam*), who lived in Temekunga (“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 has over 1,800 members and about 300 tribal member households live on the reservation.

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 Tribe currently operates the Pechanga Resort and Casino, which was first opened in 2002 and currently employs approximately 5,000 employees. According to the Tribe’s website, the Pechanga Resort and Casino has one of the largest casino floors in the country with 200,000 square feet of gaming space that features, 5,500 slot machines, 152 table games, a High Limit Salon and private rooms.

Details of the Amended Compact

Additional Gaming Devices Authorized – The Amended Compact authorizes the Tribe to operate up to 6,500 Gaming Devices (slot machines). The Tribe’s 2016 Compact authorized the Tribe to operate up to 5,500 slot machines.

Lands Eligible for Gaming – The Tribe’s 2016 compact allowed the Tribe to operate up to two gaming facilities and prohibited the second gaming facility from having more than 500 slot machines. The Amended Compact deletes the prohibition against the second gaming facility having 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.

Deletion of California Native American Education and Scholarship Fund - The Amended Compact deletes the requirement that the Tribe pay \$3 million into the California Native American Education and Scholarship Fund which was created to provide scholarships for non-gaming and limited-gaming tribes.

Additional Payments to the Local Community Credit Fund –The Tribe’s 2016 Compact requires the Tribe to pay \$21 million to “Local Community Credit Fund (Fund)” which was established to provide funding to local jurisdictions for such things as improved fire, law enforcement, public transit, education, tourism, or other services. Rather than payments into the California Native American Education and Scholarship Fund, the Amended Compact requires the Tribe to pay an additional \$3 million into the Fund beginning on January 1, 2027. Every year thereafter, the Tribe is required to pay an additional \$2 million per year until they reach \$32 million per year. The Amended Compact provides that the Tribe, in its sole discretion, can decrease the annual amount payable into the Fund, provided that the annual amount shall never be reduced by \$21 million. The Amended Compact makes it clear that the Tribe “makes this decision in the exercise of its sovereignty and in furtherance of its longstanding commitment to the beneficial projects and purposes served by the Fund.”

Economic Downturn – The Amended Compact provides that in the event that the Tribe’s annual gross gaming revenue decreases by 20% or more in a given fiscal year, the Tribe shall no longer be required to pay the annual amounts into the Fund until the Tribe’s annual gross gaming revenues has recovered to the level at which it was before the decrease of 20% or more.

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.

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 Compact deletes current tort law provisions in the Tribe’s 2016 Compact 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.

Withdrawal or Expiration of Pending Amendment – The Tribe and the state have agreed that the Tribe may choose to withdraw this First Amendment at any time prior to ratification by the California Legislature.

Extension of Compact – The Tribe’s current compact is scheduled to expire in December 2041. This amendment extends the term of the Tribe’s 2016 compact through December 31, 2060.

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) ratified 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) ratified 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.