
THIRD READING

Bill No: AB 2173
Author: Wallis (R)
Amended: 8/20/26 in Assembly
Vote: 21

PRIOR VOTE NOT RELEVANT

NOTE: On August 11, 2026, the Senate Governmental Organization Committee held an informational hearing on the second amendment to the Tribal-State Gaming Compact between the State of California and the Agua Caliente Band of Cahuilla Indians, executed on July 13, 2026.

SUBJECT: Tribal gaming: compact ratification

SOURCE: Author

DIGEST: This bill ratifies the first amendment to the Tribal-State Gaming Compact between the State of California and the Agua Caliente Band of Cahuilla Indians, executed on July 13, 2026.

Senate Floor Amendments of 8/20/26 delete the contents of the bill and instead ratify the first amendment to the Tribal-State Gaming Compact between the State of California and the Agua Caliente Band of Cahuilla Indians, executed on July 13, 2026.

ANALYSIS:

Existing law:

- 1) 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.

- 2) Authorizes expressly a number of tribal-state gaming compacts between the State of California and specified Indian tribes.
- 3) 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.
- 4) Limits the operation of Class III gaming activities to Indian lands acquired on or before October 17, 1988. Provides, for certain exceptions to conduct gaming activities on Indian lands acquired after October 17, 1988.
- 5) 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 U.S. against alienation and over which an Indian tribe exercises governmental power.
- 6) 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. Provides the U.S. 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. 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.
- 7) Authorizes the Governor, under the California Constitution, to negotiate and conclude compacts, subject to ratification by the Legislature.

This bill:

- 1) Ratifies the first amendment to the Tribal-State Gaming Compact between the State of California and the Agua Caliente Band of Cahuilla Indians, executed on July 13, 2026.
- 2) Provides that, in deference to tribal sovereignty, certain actions are not deemed projects for purposes of the California Environmental Quality Act (CEQA); and, stipulate, except as expressly provided, that none of the provisions shall be construed to exempt a city, county, or city and county, or the Department of Transportation from CEQA requirements.
- 3) Contains an urgency clause.

Background

First Amendment to the Tribal-State Gaming Compact Between the State of California and the Agua Caliente Band of Cahuilla Indians. 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. 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.

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, 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."

Chicken Ranch Rancheria Decisions. 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 negotiations. 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

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 the California Gambling Control Commission, 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 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.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

SUPPORT: (Verified 8/20/26)

None received

OPPOSITION: (Verified 8/20/26)

None received

ASSEMBLY FLOOR: 73-0, 5/4/26

AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Ávila Farías, Bains, Bauer-Kahan, Berman, Boerner, Bonta, Bryan, Calderon, Carrillo, Castillo, Connolly, Davies, DeMaio, Dixon, Elhawary, Ellis, Fong, Gabriel, Gallagher, Garcia, Gipson, Jeff Gonzalez, Mark González, Hadwick, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Johnson, Kalra, Krell, Lackey, Lee, Lowenthal, Macedo, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Celeste Rodriguez, Michelle Rodriguez, Rogers, Blanca Rubio, Sanchez, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Ta, Tangipa, Valencia, Ward, Wicks, Zbur, Rivas

NO VOTE RECORDED: Arambula, Bennett, Caloza, Chen, Flora, Wallis, Wilson

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