

AGUA CALIENTE BAND OF CAHUILLA INDIANS
TRIBAL COUNCIL

JEFF L. GRUBBE ACTING CHAIRMAN • VINCENT GONZALES III SECRETARY/TREASURER
ANTHONY J. ANDREAS III MEMBER • JESSICA NORTE MEMBER

April 25, 2012

The Honorable Darrell Steinberg
Senate President Pro Tempore
State Capitol, Room 205
Sacramento, CA 95814

The Honorable Roderick Wright, Chair
Senate Government Organization Committee
State Capitol, Room 5064
Sacramento, CA 95814

RE: SB 1463—Internet Gaming

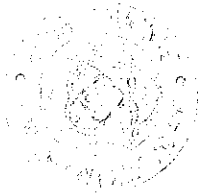
Dear Senators Steinberg and Wright:

The Agua Caliente Band of Cahuilla Indians is very appreciative of your joint efforts to solicit the views of our Tribe on the subject of intrastate Internet gaming. Indeed, yours has been a very open and respectful process, and we hope that approach will continue as the Internet gaming discussion continues. This is always the way the Agua Caliente Band of Cahuilla Indians prefers to discuss issues of mutual concern between the State of California and our Sovereign Tribe.

We are writing at this time to inform you that we have fundamental concerns with SB 1463 that lead us to **OPPOSE** the measure at this time. We are coming to the conclusion that it may not be possible, despite the respective efforts of each of you and your diligent staffs, to resolve the many outstanding issues that exist, within the time left in the 2012 legislative session.

We urge you to not rush into any intrastate Internet gaming scheme. We know your interest in this issue is to represent the taxpayers of the state of California and see if an intrastate Internet gaming plan can come together to generate for the State of California tens of millions of dollars in budget years ahead, and well into the future. Indeed the revenue goal referred to publicly by your staffs is \$200 million a year.

The state is currently generating \$364 million from the terms of tribal Compacts, including ours. That money is guaranteed to the state well into the future and will grow if the state economy turns around and Compact Tribes add the facilities and slot machines which we are able to do under those existing agreements.



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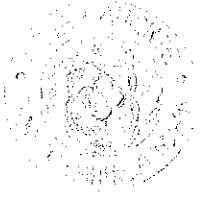
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A hasty plan may well threaten the terms of the Compact agreements entered into by our Tribes. Senate Bill 1463 would authorize an unprecedented expansion of gaming activities within the State of California. The legislation authorizes Internet poker at race tracks and through advance deposit wagering. Beyond that, SB 1463 authorizes the Department of Justice to expand legalized gaming into other Internet games after an initial two-year period of poker only. We have no idea what these games might look like or who might provide them, and through what social media networks. Electronic bingo, from which charities received some revenues from operators, expanded like wildfire in recent years, to the point where some Tribes were just one step away from filing lawsuits and withholding state payments for exclusivity violations. Those electronic bingo machines looked like, sounded like, and played like Class III slot machines, the exclusive province of Compacted Tribes, even though they were Class II games on paper. The Legislature agreed with us and voted to ban electronic bingo.

State legislation that could lead to a significant expansion of gaming may directly threaten the business operations of our tribal casinos and hotels, which are now among the largest employers in the Coachella Valley and Riverside County.

Beyond assuring that we protect our sovereignty (and SB 1463 specifically requires the governing body of our Tribe to waive its sovereign immunity and be subject to the State's authority to secure a gaming license), these are the core principles which we believe should guide any successful legislation. The devil, of course, is in the details:

1. Intrastate Internet gaming must be limited to poker, only.
2. Internet gaming must be open to entities already licensed to conduct poker card games in "bricks and mortar" gaming facilities within the state of California.
3. The Department of Justice should determine eligibility for Internet intrastate poker and provide background examinations for prospective licensees, and the California Gambling Control Commission should have licensing authority for those entities approved by the Department of Justice.



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Determining the specifics for these enumerated points in a mutually satisfactory manner will be very difficult in the time remaining in this legislative session. The state has its financial desires, and we, a sovereign Tribe, need to make appropriate decisions for our tribal members, our community, and our employees, in a time of economic uncertainty. It is clear there will be no revenues coming in to the state as the result of any successful Internet gaming bill for the 2012-13 budget year, and likely none through the 2013-14 budget year given the practicalities of start-up issues, so there is no need to rush through a deficient product. It is also clear to us that while Internet poker may provide some state revenues, the revenue projections have been way overstated. This is no panacea to chip away at the State's inherent structural financial problems.

This is a serious matter for The Agua Caliente Band of Cahuilla Indians, and we welcome the opportunity to continue to engage with you in this process. We hope you understand our concerns at this point in time.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Jeff L. Grubbe", written over a horizontal line.

Jeff L. Grubbe
Acting Chairman, Tribal Council
**AGUA CALIENTE BAND OF
CAHUILLA INDIANS**

JLG:lf
TC-11520-04-12

C: Barry S. Brokaw, Sacramento Advocates, Inc.