

The Economic Impact of the
Agua Caliente Band of Cahuilla Indians and the
Amended Tribal-State Compact

May 9, 2007

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Executive Summary

1. The Agua Caliente Band of Cahuilla Indians currently has a significant economic impact on Riverside County through the operation of the Spa Resort and Casino, the Agua Caliente Casino and other economic enterprises. The tribe employed 2,229 individuals in 2006, paid \$182.6 million in wages, benefits and transfers to tribal programs and purchased \$170.2 million worth of goods and services. We estimate that the wages paid by the tribe resulted in the payment of over \$30 million in state and federal payroll and income taxes. In addition, the tribe paid over \$10 million to the Revenue Sharing Trust Fund and Special Distribution Fund as required by the 1999 Compact.

2. In 2006, the tribe and state signed an amendment to their existing compact. The amended compact would allow the Agua Caliente tribe to operate up to 2,000 Class III gaming terminals at each of its existing casinos and to open a third casino that could operate an additional 1,000 terminals. The tribe will make payments of \$23.4 million per year to the state for the operation of the 2,000 terminals it is currently allowed. The tribe also agrees to make an annual payment of 15% of the net win generated from the operation of all additional gaming terminals over the existing 2,000 terminals. In addition, the tribe agrees to make annual payments of \$2 million per year to the Revenue Sharing Trust Fund to support non-gaming tribal governments within California.

3. We estimate that by 2010, when the tribe is able to expand its two existing casinos to 2,000 terminals each, the tribe will employ between 3,604 and 4,118 employees. This increase will result in \$303 million to \$346 million in payments of wages, benefits and transfers to tribal programs. Purchases are expected to increase to somewhere between \$207 million and \$237 million per year. These figures represent an increase of 40% to 60% over the employment and purchase amounts that would exist without approval of the amended compact. The cities of Palm Springs, Cathedral City, Palm Desert, Desert Hot Springs, Indio and all of Riverside County would receive significant economic benefits as a result of the amended compact.

4. From 2007 until 2020 (when the existing compact expires), the amended compact would produce a cumulative increase between \$1.33 and \$1.93 billion in wages, benefits and tribal program expenditures. Tribal and casino purchases would increase somewhere between \$1.12 billion to \$1.54 billion over the same period. Employment would increase between 1,030 and 1,544 employees per year under the terms of the amended compact. These are large absolute and relative increases in economic impact and only include the expansion of the existing casinos and not the addition of a third casino.

5. These cumulative increases in employment and wages, benefits and tribal program expenditures will primarily occur in Southern California with 80% to 90% of these increases occurring in Riverside County. The increases in purchases will be more widespread with approximately 70% of the increase occurring in Southern California and 18% of the increase occurring in Riverside County. The local impacts are large. Riverside County would experience an increase in employment of between 987 to 1,389 employees per year. The cumulative impact of the expanded gaming operations between 2007 and 2020 would result in \$1.06 billion to \$1.54 billion in additional expenditures on wages, benefits and tribal programs and \$202 to \$277 million in additional purchases in Riverside County.

6. Over the full life of the amended compact (2007 to 2030), we estimate that the state would receive between \$2.15 and \$2.54 billion dollars in revenue sharing payments from the tribe. Over the same period, the tribe would also make payments totaling \$48 million to the Revenue Sharing Trust Fund.

I. Introduction

In March, 2000 more than two-thirds of California voters approved Proposition 1A, amending the California Constitution to allow the Governor, with the approval of the legislature, to negotiate tribal-state compacts for the operation of slot machines and house banked card games with federally recognized tribes in accordance with the Indian Gaming Regulatory Act. The Agua Caliente Band of Cahuilla Indians and sixty other tribal governments eventually signed the 1999 Compact. While these compacts represent an individual agreement between each tribal government and the state of California, the compacts signed in 1999 contained identical provisions concerning gaming for each of the signing tribes. In particular, each tribe was allowed to operate up to 2,000 Class I gaming terminals and up to two separate casinos.

In 2003, then Governor Gray Davis began to negotiate compacts with non-compacted tribes that differed from the 1999 compacts. Governor Schwarzenegger did likewise, as well as signing amended compacts with tribes that were compacted under the terms of the 1999 compact. These amended compacts primarily allowed tribal governments to operate more than 2,000 terminals in exchange for agreeing to make additional revenue sharing payments to the state. Since 2004 the Governor has negotiated 13 amended 1999 compacts. Eight of these were approved in 2004-2005 and ratified by the legislature; the other five were signed in late 2006 and have yet to be ratified. The Agua Caliente Band of Cahuilla Indians is one of these five.

In this document, we discuss the Agua Caliente Band of Cahuilla Indians' current gaming operations and the economic impact of those operations. We compare the tribe's existing compact with the recently signed Amended Compact and estimate the potential economic impact of the Amended Compact.

II. Current Operations, Planned Expansions and Economic Impact

A. Current Operations and Economic Impact

The tribe currently operates the Spa Resort Casino in Palm Springs and the Agua Caliente Casino in Rancho Mirage. The casinos are operated under the terms of the voter-approved Proposition 1-A and the existing Tribal-State Compact. The Spa Resort Casino has 229 luxury rooms and suites and several dining facilities. The tribe has recently begun making plans to expand and redevelop the Spa Resort Casino. The Agua Caliente Casino has 1,000 slot terminals and 46 gaming tables. The Agua Caliente Casino also has six restaurants, a lounge with live entertainment, and a showroom featuring headline entertainers. A new resort hotel and spa is scheduled to open at the Agua Caliente Casino in early 2008, featuring 344 luxury guest rooms and suites, spa facilities and extensive conference facilities. In addition, the tribe operates the Indians Canyons Golf Resort and the Agua Caliente Cultural Museum, which operates a variety of exhibits and special educational programs. The Agua Caliente tribe plays an important economic role in Palm Springs and the surrounding communities.

Tribal operations generated a considerable amount of employment and other economic activity in 2006. Table 1 presents the direct economic impact by location. The Agua Caliente Band of Cahuilla Indians was responsible for the employment of 2,229 workers. The tribe and casinos made payments to employees and other individuals through tribal programs in the amount of \$182,566,277 in 2006. We estimate that these wages resulted in the payment of over \$30 million in additional state and federal payroll and income taxes. In addition, the tribe paid over \$10 million to the Revenue Sharing Trust Fund and Special Distribution Fund as required by the 1999 Compact. The tribe and casinos also purchased \$170,240,723 worth of goods and services in 2006, including over \$40,000,000 in construction expenditures and almost \$130,000,000 in ongoing operational expenditures.

Table 1: Direct Economic Impact of Agua Caliente Tribal Activities in 2006			
Location	Employees	Wages, Benefits & Tribal Programs	Purchases
Palm Springs	622	\$51,768,006	\$16,273,703
Cathedral City	603	\$32,143,010	\$1,814,065
Palm Desert	147	\$9,195,145	\$4,666,970
Desert Hot Springs	217	\$11,374,109	\$228,021
Indio	105	\$6,050,867	\$3,464,682
Other Riverside County	337	\$33,649,771	\$4,856,752
Total Riverside County	2,030	\$144,180,907	\$31,304,192
Other Southern California	199	\$28,943,902	\$86,433,625
Total Southern California	2,229	\$173,124,809	\$117,737,818
Total California	2,229	\$175,112,018	\$126,095,482
Total	2,229	\$182,566,277	\$170,240,723

Most of the impact of the tribe’s activities is within the local communities surrounding tribal lands and the tribal casinos. The bulk of the tribe’s business activities are centered in Palm Springs and Riverside County. The tribe’s economic activities resulted in the direct employment of 2,030 individuals in Riverside County in 2006. These jobs were responsible for the direct payment of \$144,180,907 million in wages and benefits within the county. The tribe and the casinos purchased \$31,304,192 in goods and services from vendors in Riverside County in 2006. Figures 1 and 2 provide an overview of the location of the tribe’s activities.

The effects of direct employment caused by the tribe’s activities are especially pronounced in the Coachella Valley and Riverside County. Figure 1 provides a breakdown of the tribe’s employment by area. As Figure 1 indicates, the tribe is an important source of employment in Riverside County. This is especially true for the communities of Palm Springs, Cathedral City and Desert Hot Springs.

Figure 1: Direct Employment Effects of Agua Caliente Band of Cahuilla Indians Activities

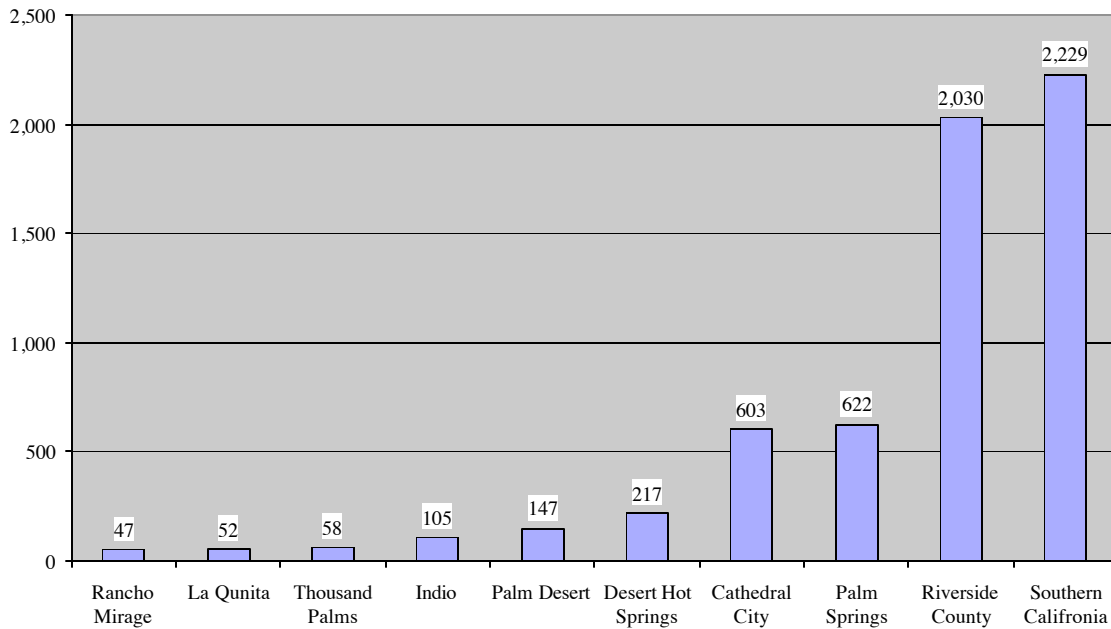
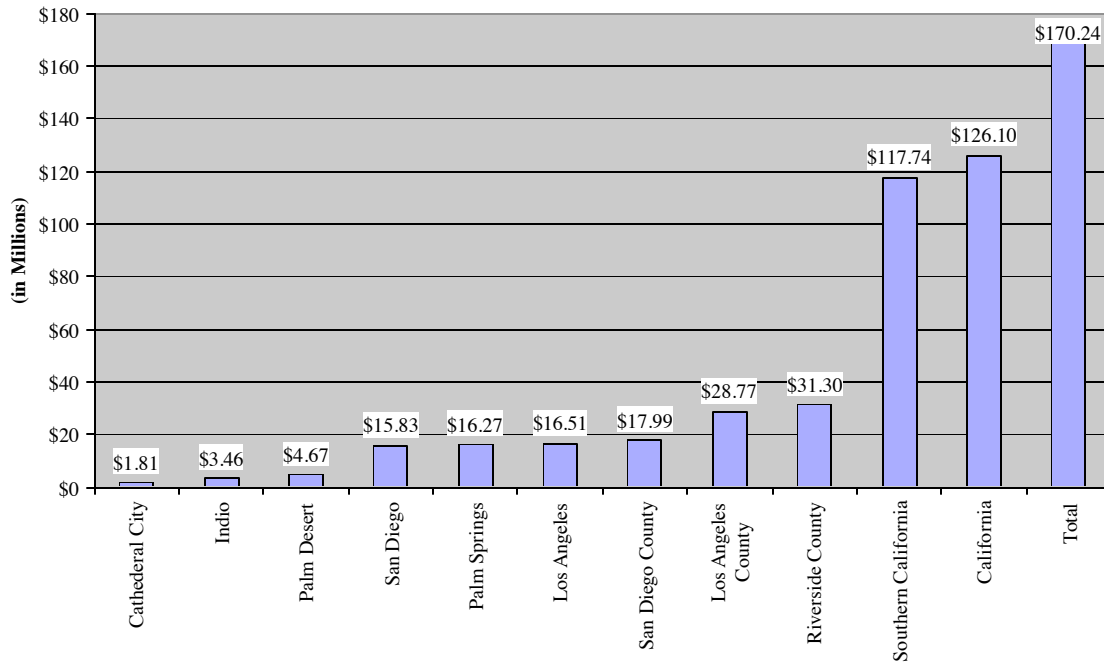


Figure 2: Direct Purchases of Agua Caliente Band of Cahuilla Indians



In addition to its employment effects, the Agua Caliente Band of Cahuilla Indians makes considerable purchases of goods and services from local, regional and national suppliers. Figure 2 provides a breakdown of the \$170,240,723 worth of goods and services purchased by the tribe and casinos during 2006.

There are several local communities that benefited significantly from the tribe's economic activities. The Agua Caliente tribe and its casinos purchased \$16,273,703 worth of goods and services from suppliers located in the city of Palm Springs in 2006. The tribe's activities resulted in the direct employment of 622 Palm Springs residents. The tribe and casinos made payments of \$51,768,006 to individuals residing in Palm Springs in 2006. Cathedral City was also a major beneficiary of the Agua Caliente Band's economic activities. The tribe and casinos employed 603 Cathedral City residents directly in 2006 and the direct payments paid to Cathedral City residents totaled \$32,143,010. The tribe and casinos purchased \$1,814,065 worth of goods and services in Cathedral City during the year. The communities of Palm Desert, Desert Hot Springs and Indio also benefited from the tribe's activities as noted in Table 1.

In addition to these direct economic effects, tribal gaming has indirect or multiplier effects on the rest of the California economy. Employment, purchases and tax payments made by tribal casinos lead to increased business for surrounding communities and the rest of the state. Output, earnings and employment multipliers are widely used to gage such indirect effects. In order to estimate the indirect economic impact we use the *Regional Input-Output Modeling System (RIMS II)* multipliers for output, wages and

employment for the state of California as calculated by the Bureau of Economic Analysis of the U.S. Department of Commerce. Table 2 presents the total economic impact, including both direct and indirect effects of the tribe's activities. The total effects of the tribe's economic activities resulted in the creation of 16,004 jobs paying wages and benefits totaling \$505,909,410 in 2006. Also, additional purchases of goods and services in the amount of \$566,356,837 occurred as a result of the tribe's activities. Just as with the direct economic activity, the total direct and indirect activity is centered in Riverside County and Southern California with Palm Springs, Cathedral City, Palm Desert, Desert Hot Springs and Indio reaping significant benefits as a result of the tribe's activities.

Table 2: Total Economic Impact of Agua Caliente Tribal Activities in 2006			
Location	Employees	Wages, Benefits & Tribal Programs	Purchases
Palm Springs	3,057	\$143,454,321	\$54,139,355
Cathedral City	1,744	\$89,071,494	\$6,035,032
Palm Desert	656	\$25,480,667	\$15,526,075
Desert Hot Springs	608	\$31,518,792	\$758,580
Indio	448	\$16,767,557	\$11,526,303
Other Riverside County	1,648	\$93,246,879	\$16,157,443
Total Riverside County	8,162	\$399,539,710	\$104,142,787
Other Southern California	4,961	\$80,206,448	\$287,547,384
Total Southern California	13,123	\$479,746,159	\$391,690,172
Total California	13,603	\$485,252,914	\$419,494,448
Total	16,004	\$505,909,410	\$566,356,837

B. Planned Expansions and Future Economic Impact under Existing Compact

As noted above a new resort hotel and spa is scheduled to open at the Agua Caliente Casino in early 2008. This will affect the economic impact in several ways. The new resort will create additional employment and require more purchases. These additional facilities will also lead to increased usage of the existing gaming, restaurant and entertainment facilities at the Agua Caliente Casino, which will require even more employment and purchases for the existing casino. These effects will be ongoing and

continuing. In addition, the expansion will result in one-time expenditures related to the development and construction of the hotel and related facilities. In Table 3 we present the total nationwide expected direct economic impact that would result from the expansion without approval of the amended compact. These numbers also serve as the baseline figures we use when assessing the impact of the amended compact. While these numbers represent the nationwide impact, almost 100% of the employment and wage impacts and approximately 74% of all purchase activity is expected to occur within the state of California.

Table 3: Future Direct Economic Impact of Tribal Activities without Amended Compact

Year	Employees	Wages, Benefits & Tribal Programs	Purchases
2006	2,229	\$182,566,277	\$170,240,723
2007	2,229	\$188,043,265	\$290,583,115
2008	2,574	\$204,034,563	\$184,500,608
2009	2,574	\$210,155,600	\$143,685,626
2010	2,574	\$216,460,268	\$147,996,195
2011	2,574	\$222,954,076	\$152,436,081
2012	2,574	\$229,642,698	\$157,009,163
2013	2,574	\$236,531,979	\$161,719,438
2014	2,574	\$243,627,939	\$166,571,022
2015	2,574	\$250,936,777	\$171,568,152

Purchases in 2006, 2007 and 2008 include one-time construction expenditures.

These numbers reflect the existing 2006 impact adjusted for the one-time construction related expenditures in 2007 and 2008 and for the ongoing increases in employment and purchases associated with the opening of the Agua Caliente Resort and Spa. Otherwise, we assume that employment stays constant and that dollar values increase at 3% per year.

III. The Amended Compact

The Amended Compact alters the original compact in several ways; Table 4 details the major differences. For the purposes of estimating the economic impact the key provisions are those relating to the scale of allowable gaming and the revenue sharing provisions with the state. The amended compact would allow the Agua Caliente tribe to operate up to 2,000 Class III gaming terminals at each of its existing casinos and to open a third casino that could operate an additional 1,000 terminals. This would increase the maximum number of casinos from two to three and the maximum number of terminals from 2,000 to 5,000.

As a result of these expanded gaming options the tribe's current payments to the Special Distribution Fund would be replaced by an annual payment of \$23,400,000 per year to the state as a result of operating the 2,000 terminals the tribe currently operates. In addition, the tribe agrees to make annual payments of \$2,000,000 per year to the Revenue Sharing Trust Fund to support non-gaming tribal governments within California. The tribe also agrees to make an annual payment of 15% of the net win generated from the operation of all additional gaming terminals over the existing 2,000 Gaming terminals currently operated. While the amended compact does not require specific payments to the Special Distribution Fund, the tribe is required to mitigate off-reservation impacts and compensate local governments for services rendered.

The amended compact will produce an increase in total revenues generated by gaming and larger payments to the state. The increased number of terminals will result in the tribal enterprises hiring more workers, paying additional wages and benefits and purchasing more goods and services from vendors on an ongoing basis. In addition, the increased gaming will result in increased one time construction expenditures by the tribe as they expand their gaming and non-gaming facilities to accommodate this growth.

Table 4: Comparison of Key Provisions of 1999 Compact and Amended Compact		
	1999 Compact	Amended Compact
Operations	2 facilities, 2,000 slots, card and lottery games	3 facilities, 5,000 slots, card and lottery games
Building Standards	Uniform Building Code; tribal license/ inspection	Meet CA Building Code and the Public Safety Code and ensure fire suppression services; requires inspections
Consumer Protection	Tribal ordinance for patron disputes, \$5 million liability insurance	Tribal ordinance, binding arbitration, \$10 million liability insurance
Environment	Tribal ordinance— good faith efforts and consultation	Requires a TEIR and binding arbitration that provides for feasible mitigation without unduly interfering with the project
Labor	Tribe agrees to adopt model ordinance providing for union access and secret ballot certification with appeal to tribal forum. Agrees to conform to federal OSHA standards, participate in state unemployment insurance program and may self-insure for workers compensation	Retains 1999 Compact requirements such as elections to certify a union. May create own workers' comp system
Local Govt	Local consultation	As in 2004 Compacts, requires enforceable local agreements that compensate for public safety costs and effects on public health
Problem Gambling	No person under 18 or 21 if alcohol served	When appropriate, tribes agree to provide compensation for local programs that address gambling addiction
Regulation	Licensing, state regs. to be approved by tribes, conditional state inspection, arbitration	As in 1999 Compact, with new sections on licensing financial source and testing and approval of gaming terminals
Revenue Sharing	Payments to RSTF and SDF; none directly to state	Annual payments to state of \$23.4 million and 15% net win from new slots, \$2 million to RSTF
Term	expires 2020	expires Dec. 31, 2030
Source: Simmons (2007), "California Tribal Gaming Compacts 1999-2006," California Research Bureau		

IV. Economic Impact of Amended Compact

A. Overall Direct Impacts

As noted above, the primary impact of the amended compact on revenues will be through the provision allowing the tribe to operate additional gaming terminals. In this section we estimate the additional revenues that will be generated from this increase and the resulting economic impact of those revenues. We use the tribe's projections for the number of terminals and our estimates of the likely revenue generated from those additional terminals. The expansion in the number of terminals will increase total revenues generated by the tribal operations. However, the economic impacts per terminal are likely to decline with the increase in the number of terminals. Thus, increasing the number of terminals will not produce a one-to-one increase in expenditures even if revenues per terminal are unchanged. For example, doubling the number of terminals will not produce a doubling in the number of employees. Likewise, we expect that the revenues from non-gaming sources will increase with the number of terminals but not to the same extent that gaming revenues increase. We estimate several scenarios for future revenue generation based on the amount of the decline in average employment and revenues on a per terminal basis.

The amended compact would allow the tribe to operate 2,000 terminals at the Agua Caliente Casino and 2,000 terminals at the Spa Resort and Casino. Each casino currently operates 1,000 terminals. In the long run, the tribe can add additional space and expand each casino to 2,000 terminals. In the short run, the existing floor space can be rearranged to allow for the operation of some additional terminals. As a result, we estimate the economic impact based on a 100% increase in the number of terminals in operation at the two casinos beginning in 2009-10. In the interim we assume that the tribe will add 500 terminals in 2007-08 using existing floor space. Another 1,000 terminals would be added in 2008-09 with the addition of casino floor space and the final 500 terminals would be added in 2009-10. Table 5 shows the expected increase in the number of terminals. While we assume that the terminals are added at the beginning of the fiscal year, we assume that the employees and purchases are increased gradually over the year during the fiscal years. We do not estimate the economic impact of the operation of a third casino with 1,000 terminals as allowed by the amended compact in this analysis.

We estimate that the total economic impact increases by 40% to 60% if the full 2,000 additional terminals are added. These estimates are consistent with per terminal impacts remaining at 70% to 80% of their current levels. For example, if the total economic impact per terminal after the expansion is 70% of their current levels, then the total impact increases by 40%. There are twice as many terminals but each terminal creates only 70% of the impact that a terminal did before the expansion resulting in an increase of 40% in total economic impact. Even if terminals continue to earn a similar net win rate with the expansion of the terminals, we expect that the number of employees and purchases associated with those terminals will fall. Table 5 presents our estimates of the total nationwide increased economic impact under each scenario. In all three scenarios, we assume that the addition of the first 500 additional machines reduce per terminal impacts to 90% of the current impacts.

Table 5: Future Economic Impact of Tribal Activities with Amended Compact

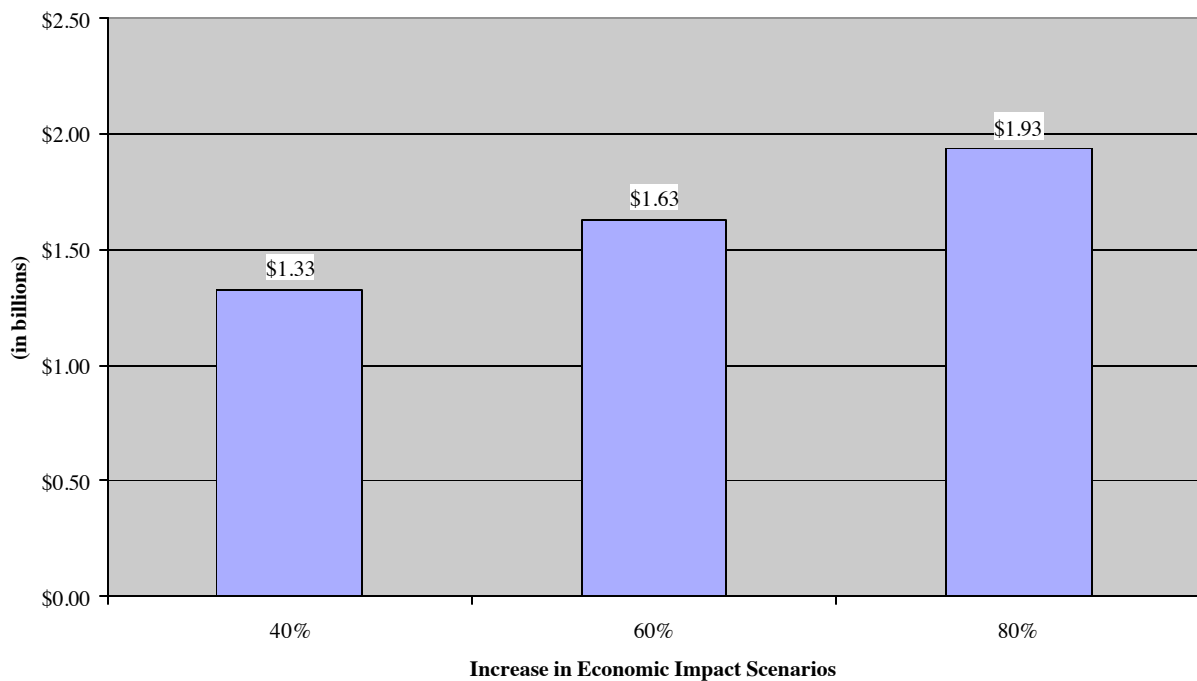
40% Increase in Economic Impact				
Year	Terminals	Employees	Wages, Benefits & Tribal Programs	Purchases
2007	2,500	2,257	\$190,393,806	\$374,215,404
2008	3,500	3,118	\$247,136,865	\$243,476,362
2009	4,000	3,243	\$264,796,056	\$281,043,889
2010	4,000	3,604	\$303,044,375	\$207,194,673
2011	4,000	3,604	\$312,135,707	\$213,410,513
2012	4,000	3,604	\$321,499,778	\$219,812,829
2013	4,000	3,604	\$331,144,771	\$226,407,214
2014	4,000	3,604	\$341,079,114	\$233,199,430
2015	4,000	3,604	\$351,311,488	\$240,195,413
50% Increase in Economic Impact				
Year	Terminals	Employees	Wages, Benefits & Tribal Programs	Purchases
2007	2500	2,257	\$190,393,806	\$374,215,404
2008	3500	3,214	\$254,788,161	\$250,395,134
2009	4000	3,475	\$283,710,060	\$293,975,596
2010	4000	3,861	\$324,690,402	\$221,994,293
2011	4000	3,861	\$334,431,114	\$228,654,122
2012	4000	3,861	\$344,464,048	\$235,513,745
2013	4000	3,861	\$354,797,969	\$242,579,158
2014	4000	3,861	\$365,441,908	\$249,856,532
2015	4000	3,861	\$376,405,165	\$257,352,228
60% Increase in Economic Impact				
Year	Terminals	Employees	Wages, Benefits & Tribal Programs	Purchases
2007	2500	2,257	\$190,393,806	\$374,215,404
2008	3500	3,311	\$262,439,457	\$257,313,907
2009	4000	3,707	\$302,624,064	\$306,907,302
2010	4000	4,118	\$346,336,429	\$236,793,912
2011	4000	4,118	\$356,726,522	\$243,897,730
2012	4000	4,118	\$367,428,318	\$251,214,662
2013	4000	4,118	\$378,451,167	\$258,751,101
2014	4000	4,118	\$389,804,702	\$266,513,634
2015	4000	4,118	\$401,498,843	\$274,509,043

Purchases in 2007, 2008 and 2009 include one-time construction expenditures.

Our lower end estimate of a 40% increase in economic impact produces a corresponding estimate of a total of 3,604 jobs, \$303,044,375 spent on wages, benefits and tribal programs, and \$207,194,673 spent on goods and services purchased from vendors in 2010 when the expansion is fully implemented. This represents an increase in employment of 1,030 workers, an \$86,584,107 increase in wages, benefits and tribal program expenditures, and a \$59,198,478 increase in purchases in 2010. Our high estimate of a 60% increase in economic impact would result in a total of 4,118 jobs, \$346,336,429 spent on wages, benefits and tribal programs, and \$236,793,912 spent on purchases in 2010. These figures represent an increase of 1,544 jobs, \$129,876,161 in wages, benefits and tribal programs and \$88,797,717 in purchases above what would be produced under the current compact. As noted above almost all of the employment and wage effects will occur in California and approximately 74% of the increases in purchases will occur in California. The difference is between the 2010 numbers, is if the amended compact is not approved vs. the amended compact being approved.

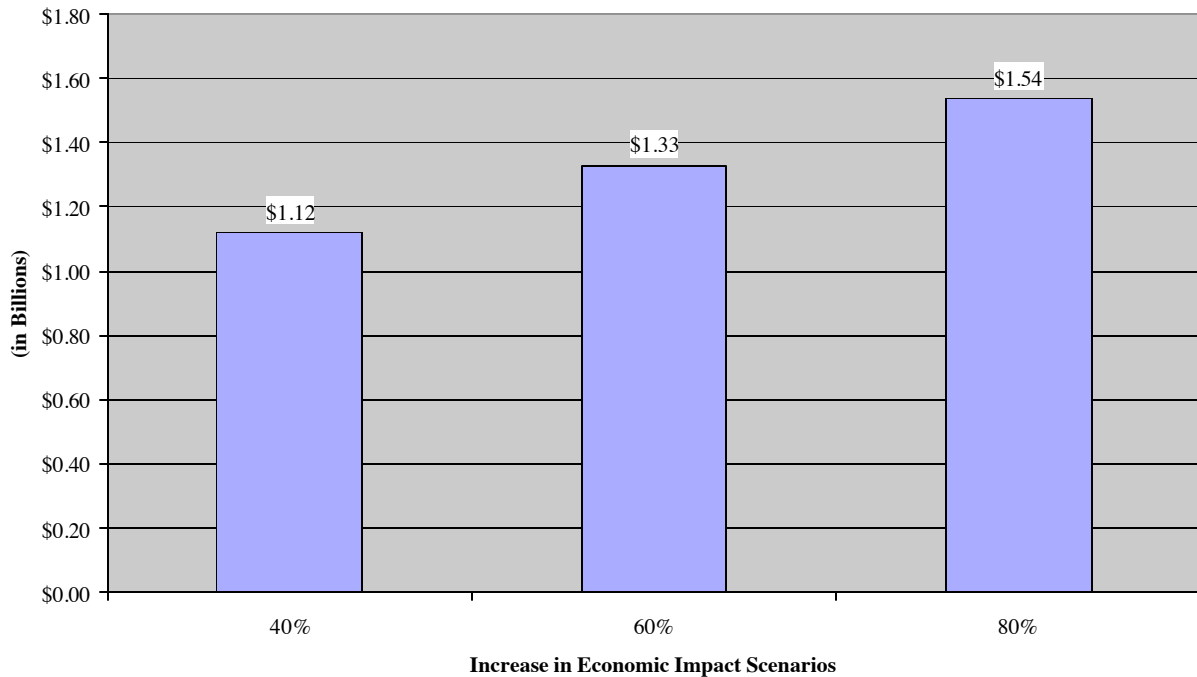
It is important to remember that these increases are annual increases so that the cumulative impacts over the life of the compact will be much larger. For employment, the amended compact would produce an increase of between 1,030 and 1,544 jobs each year once the existing casinos add all the additional terminals. This is a substantial increase. There are few employers in the Coachella Valley that employ over 1,000 employees. For the dollar figures, Figures 3 and 4 present the cumulative differences between the amended compact and the existing compact in purchases and wages, benefits and tribal programs between 2007 when the two casinos are fully

Figure 3: Cumulative Increase in Wages, Benefits & Tribal Programs as a Result of the Amended Compact through 2020



expenditures of between \$1.33 and \$1.93 billion. Purchases will increase by \$1.12 billion and \$1.54 billion. These are large absolute and relative increases in economic impact. The numbers in the figures represent the total nationwide impact of the amended compact. The increases in employment and wages, benefits and tribal program expenditures will almost all occur in Southern California with 80% to 90% of these increases occurring in Riverside County. The increases in purchases will be more widespread with approximately 70% of the increase occurring in Southern California and 18% of the increase occurring in Riverside County. The local impacts are large. Riverside County would experience an increase in employment of between 987 to 1,389 employees per year. The cumulative impact of the expanded gaming operations between 2007 and 2020 would result in an additional \$1.06 billion to \$1.54 billion in expenditures on wages, benefits and tribal programs and \$202 to \$277 million in additional purchases in Riverside County.

Figure 4: Cumulative Increase in Purchases as a Result of the Amended Compact through 2020



B. Impact on Revenue Sharing Payments

As noted above the amended compact requires an annual payment of \$23,400,000 per year to the state as a result of operating the 2,000 terminals the tribe is currently operates. The tribe also agrees to make an annual payment of 15% of the net win generated from the operation of all additional gaming terminals over the existing 2,000. In addition, the tribe agrees to make annual payments of \$2,000,000 per year to the Revenue Sharing Trust Fund to support non-gaming tribal governments within California. The actual revenue payments made to the state will vary by the average daily net win on gaming terminals. We have assumed three scenarios including a 20% decline, 10% decline and no change in average daily net win rates. These estimates

Table 7: Projected Revenue Sharing Payments to the State Under Amended Compact

20% Decline in Average Daily Net Win Rates				
Revenue Sharing Payments from				
Year	Existing Terminals	Additional Terminals	Total	RSTF Payments
2007	\$23,400,000	\$7,800,000	\$31,200,000	\$2,000,000
2008	\$23,400,000	\$23,400,000	\$46,800,000	\$2,000,000
2009	\$23,400,000	\$31,200,000	\$54,600,000	\$2,000,000
2010	\$23,400,000	\$31,512,000	\$54,912,000	\$2,000,000
2011	\$23,400,000	\$31,827,120	\$55,227,120	\$2,000,000
2012	\$23,400,000	\$32,145,391	\$55,545,391	\$2,000,000
2013	\$23,400,000	\$32,466,845	\$55,866,845	\$2,000,000
2014	\$23,400,000	\$32,791,513	\$56,191,513	\$2,000,000
2015	\$23,400,000	\$33,119,428	\$56,519,428	\$2,000,000
10% Decline in Average Daily Net Win Rates				
Revenue Sharing Payments from				
Year	Existing Terminals	Additional Terminals	Total	RSTF Payments
2007	\$23,400,000	\$8,775,000	\$32,175,000	\$2,000,000
2008	\$23,400,000	\$26,325,000	\$49,725,000	\$2,000,000
2009	\$23,400,000	\$35,100,000	\$58,500,000	\$2,000,000
2010	\$23,400,000	\$35,451,000	\$58,851,000	\$2,000,000
2011	\$23,400,000	\$35,805,510	\$59,205,510	\$2,000,000
2012	\$23,400,000	\$36,163,565	\$59,563,565	\$2,000,000
2013	\$23,400,000	\$36,525,200	\$59,925,200	\$2,000,000
2014	\$23,400,000	\$36,890,452	\$60,290,452	\$2,000,000
2015	\$23,400,000	\$37,259,357	\$60,659,357	\$2,000,000
No Change in Average Daily Net Win Rates				
Revenue Sharing Payments from				
Year	Existing Terminals	Additional Terminals	Total	RSTF Payments
2007	\$23,400,000	\$9,750,000	\$33,150,000	\$2,000,000
2008	\$23,400,000	\$29,250,000	\$52,650,000	\$2,000,000
2009	\$23,400,000	\$39,000,000	\$62,400,000	\$2,000,000
2010	\$23,400,000	\$39,390,000	\$62,790,000	\$2,000,000
2011	\$23,400,000	\$39,783,900	\$63,183,900	\$2,000,000
2012	\$23,400,000	\$40,181,739	\$63,581,739	\$2,000,000
2013	\$23,400,000	\$40,583,556	\$63,983,556	\$2,000,000
2014	\$23,400,000	\$40,989,392	\$64,389,392	\$2,000,000
2015	\$23,400,000	\$41,399,285	\$64,799,285	\$2,000,000

correspond to our 40%, 50% and 60% increase in economic impact. As noted above, we assume that the increase in net win rates do not produce a 1 to 1 increase in other revenues or economic impact. Table 6 shows our estimates of these payments until 2015. In 2010, the tribe would pay between \$31,512,000 and \$39,390,000 in additional payments to the state. These amounts are expected to increase by 1% per year for each year after that.

In total, over the full life of the amended compact (2007 to 2030), we estimate that the state would receive between \$2.15 and \$2.54 billion dollars in revenue sharing payments from the tribe for existing and future terminals in addition to the payments made to the Revenue Sharing Trust Fund. Our estimates of the total payments to the state over the life of the compact are somewhat higher than those estimated by the Governor’s office because we assume that the revenues will grow by 1% per year instead of staying constant. We believe the 1% estimate is a conservative estimate.

C. Direct and Indirect Impacts by Location

In this section we present the direct and indirect impacts by location. We assume that the percentage impacts by location stay the same as the current impacts. However, it is possible that there will be some variation, especially at the city level, in terms of the specific impacts of the expansion. Table 7 shows the projected direct economic impact across areas based on our

Location	Employees	Wages, Benefits & Tribal Programs	Purchases
Palm Springs	1,077	\$106,732,443	\$24,600,892
Cathedral City	1,044	\$66,270,699	\$2,742,315
Palm Desert	255	\$18,958,047	\$7,055,040
Desert Hot Springs	376	\$23,450,515	\$344,698
Indio	181	\$12,475,347	\$5,237,546
Other Riverside County	583	\$69,377,257	\$7,341,933
Total Riverside County	3,517	\$297,264,308	\$47,322,424
Other Southern California	344	\$59,674,955	\$130,661,370
Total Southern California	3,861	\$356,939,263	\$177,983,794
Total California	3,861	\$361,036,382	\$190,618,041
Total	3,861	\$376,405,165	\$257,352,228
Based on the Medium or 50% Increases in Economic Impact Estimates			

medium impact (50% increase in economic impact) estimates. The direct impact of the Agua Caliente Band of Cahuilla Indians is expected to result in the employment of 3,861 workers, \$376,405,165 in payments to employees and other individuals through tribal programs, and \$257,352,228 in purchases of goods and services in 2010. The estimates indicate that the amended compact would produce significant economic benefits for the communities in the Coachella Valley and Riverside County.

Table 8 presents the total direct and indirect effects of the tribe's activities in 2010 given our projections. The expansion in tribal gaming will result in significant spillover benefits to the surrounding communities. The cities of Palm Springs, Cathedral City, Desert Hot Springs and Indio as well as the whole of Riverside County will receive considerable additional economic benefits as a result of the increased tribal activity.

Location	Employees	Wages, Benefits & Tribal Programs	Purchases
Palm Springs	6,555	\$295,766,272	\$81,842,248
Cathedral City	3,741	\$183,642,735	\$9,123,134
Palm Desert	1,407	\$52,534,645	\$23,470,706
Desert Hot Springs	1,304	\$64,983,722	\$1,146,743
Indio	961	\$34,570,433	\$17,424,267
Other Riverside County	3,535	\$192,251,316	\$24,425,143
Total Riverside County	17,502	\$823,749,123	\$157,432,240
Other Southern California	10,638	\$165,365,268	\$434,684,244
Total Southern California	28,140	\$989,114,391	\$592,116,485
Total California	29,169	\$1,000,467,919	\$634,148,099
Total	34,317	\$1,043,056,353	\$856,159,392
Based on the Medium or 50% Increases in Economic Impact Estimates			

V. Conclusions

This report has estimated the potential economic impact of the amended TribalState Compact signed by the Agua Caliente Band of Cahuilla Indians and the state of California. We have focused on the provisions for expansion of the tribe's two existing casinos in Riverside County. As discussed in the text, the tribe's existing economic activities are extensive and already have a considerable economic impact on their surrounding communities. The approval of the amended compact would result in a considerable 40% to 60% increase in economic activity. This would result in an increase in direct employment, producing between 1,030 and 1,544 additional jobs per year. The cumulative effects of the increase in wages, benefits and tribal programs from 2007 to the expiration of the 1999 Compact in 2020 are between \$1.33 billion and \$1.93 billion. The cumulative effects of the increase in purchases during the same period are between \$1.12 billion and \$1.54 billion. There are also additional indirect benefits arising from the tribe's expanded operations. The state would receive between \$2.15 billion and \$2.54 billion in payments from the tribe over the life of the compact.