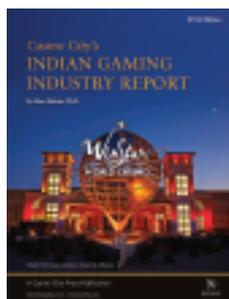


Indian Gaming Outpaced by Commercial Casino and Racino Segments

By Alan P. Meister, Ph.D.

Over the years, Indian gaming in the United States has undergone an incredible transformation. In 1988, about 80 tribes operated bingo halls and card rooms, generating approximately \$121 million. In 2012, the most recent year for which data are available, 243 tribes generated \$28.1 billion at a wide variety of gaming facilities, including some resort destination casinos. However, Indian gaming has experienced slower growth in recent years. Furthermore, its 2012 growth was markedly slower than those of other casino gaming segments.

This article examines the performance of Indian gaming over time, in comparison to other casino gaming segments, and across states and facilities using the latest data and findings from the recently released *Indian Gaming Industry Report* (2014 Edition).



PERFORMANCE OF INDIAN GAMING ON A NATIONWIDE BASIS

In calendar year 2012, there were 468 Indian gaming facilities operating over 346,000 gaming machines and nearly 8,000 table games in 28 states. On the whole, gaming revenue grew a modest 2% to \$28.1 billion. This was 41% less growth than in 2011 (3.4%). In addition, it was below the pre-recession growth rate (4% in 2007).

However, it is noted that prior to the Great Recession, which began in late 2007, Indian gaming had been already experiencing an overall slowdown due to supply restrictions created by public policies (e.g., tribal-state gaming compacts). Gaming revenue growth had declined from approximately 20% in 2001 to 15% from 2002 through 2004, 14% in 2005, 10% in 2006, and 4% in 2007.

Despite slower than historical

growth, gaming revenue was at an all-time high in 2012. In addition, it was the third straight year of growth amid a sluggish economy.

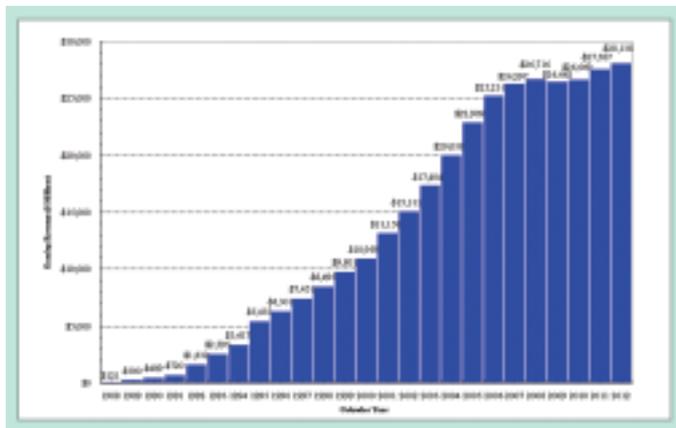
In addition, non-gaming revenue also grew in 2012, increasing nearly 3% to approximately \$3.4 billion. This was the second consecutive year of non-gaming revenue growth. As in recent prior years, the growth of non-gaming revenue continued to outpace that of gaming revenue.

Growth in the payments made by tribes to federal, state, and local governments in the course of operating gaming facilities in 2012 also outpaced the growth of gaming revenue. These payments grew 3.8% to approximately \$1.6 billion.

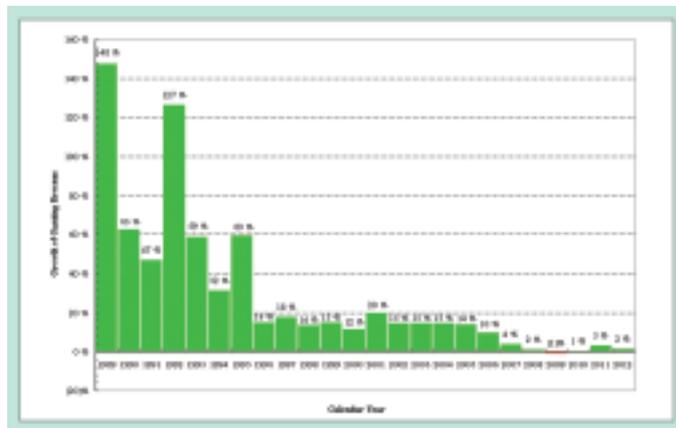
PERFORMANCE OF INDIAN GAMING VS. OTHER CASINO GAMING SEGMENTS

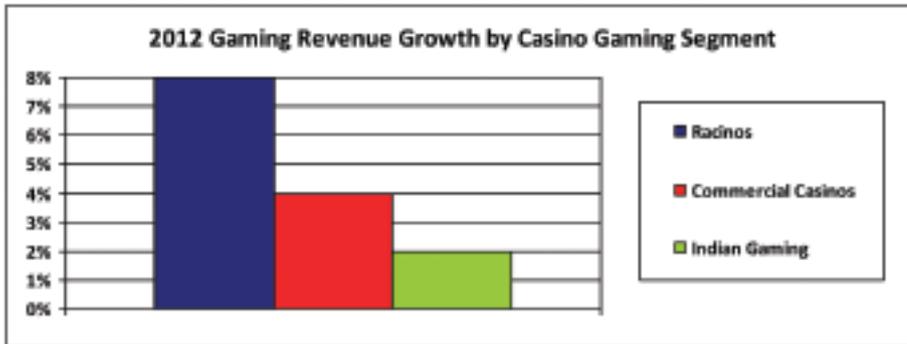
Other casino gaming segments also continued to grow in 2012. Nationwide, the commercial casino segment grew 4%, while the racetrack casino (i.e., racino)

GAMING REVENUE AT INDIAN GAMING FACILITIES



GROWTH OF GAMING REVENUE AT INDIAN GAMING FACILITIES





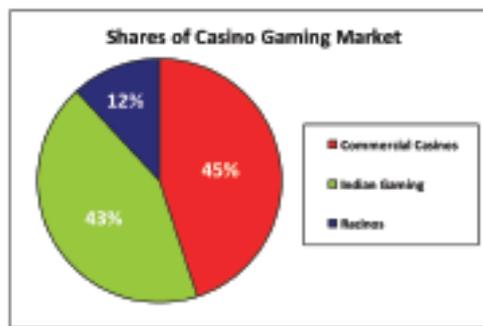
segment grew 8%. These growth rates were greater than or equal to those in 2011 (2% for commercial casinos and 8% for racinos). Moreover, their 2012 growth rates were two times and four times that of Indian gaming, respectively.

While the racino segment has outgrown Indian gaming in most years (16 of the 19 years in which racinos have been in operation), the commercial casino segment has rarely outgrown Indian gaming (only two of those 19 years). In fact, it has been 18 years since the commercial casino segment had a higher annual growth rate than Indian gaming.

The faster 2012 growth rate for the commercial casino segment was largely driven by the introduction of new casinos in new or expanding jurisdictions (first full year of operations of one casino and opening of another casino in Kansas; opening of a casino in Maine; opening of another casino in Maryland; and opening of three casinos in Ohio). In fact, these jurisdictions contributed 82% of the total increase in gaming revenue from 2011 to 2012.

On the other hand, Indian gaming did not experience much gaming revenue growth from new gaming facilities – while there were 11 facilities opened in 2012, they were generally small facilities (the largest of the new facilities had 750 gaming machines; and six of the 11 new facilities had 200 or fewer machines). Furthermore, existing Indian gaming facilities on the whole did not experience as much gaming revenue growth in 2012 (less than 2%) as in many past years.

Given their relative performances in 2012, Indian gaming's share of the casino gaming market decreased while those of both commercial casinos and racinos correspondingly increased. Indian gaming generated approximately 43% of all U.S. casino gaming revenue. The commercial casino segment led the way with approximately



45% of casino gaming revenue and racinos generated the other 12%.

PERFORMANCE OF INDIAN GAMING BY STATE, FACILITY, AND CLASS OF GAMING

While Indian gaming on a nationwide basis grew in 2012, performance varied widely across gaming facilities, states, and classes of gaming. At the gaming facility level, approximately 66% of Indian gaming facilities experienced growth in gaming revenue in 2012, while about 34% experienced declines. Of the facilities that grew, about 37% grew by 10% or more.

At the state level, gaming revenue growth varied from +20% in Alaska to -8% in Connecticut, with 79% of the states (22 of 28) experiencing growth over 2011. The fastest-growing states after Alaska were South Dakota, Montana, Alabama, and Texas. The fastest-declining states after Connecticut were Mississippi, Colorado, Idaho, and New York.

The states that made the largest positive contribution to nationwide gaming revenue growth in 2012 were (from high to low): Oklahoma, Washington, Florida, New Mexico, and California. The states that made the largest negative contribution to nationwide Indian gaming growth in 2012 were: Connecticut, Missis-

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