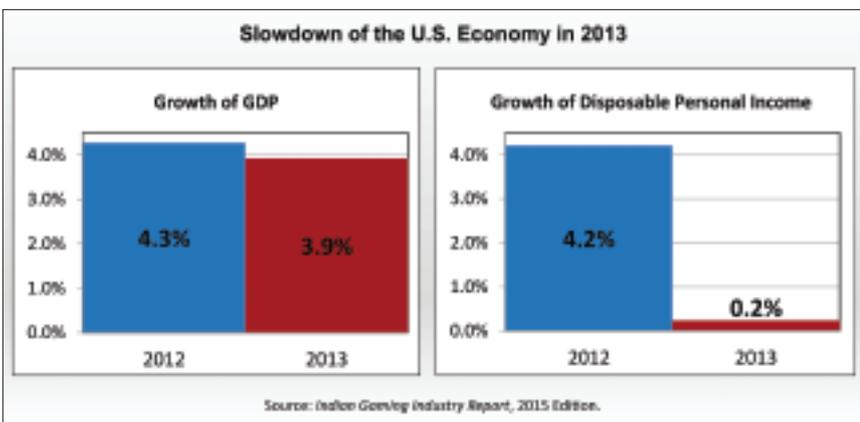
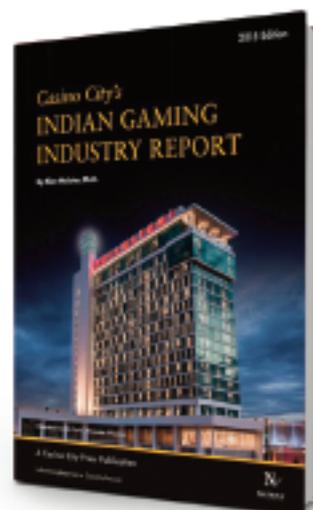


Impact of the Economy on Indian Gaming vs. Impact of Indian Gaming on the Economy

By Alan P. Meister, Ph.D.

Over the last few years, the Great Recession and its lingering effects have greatly contributed to a slowdown of Indian gaming. Amid slower growth of economic output and disposable personal income in the U.S., aggregate gaming revenue for Indian gaming nationwide grew only 0.5% in calendar year 2013, the most recent year for which Indian gaming data are available. This was down from 1.9% in calendar year 2012.



INDIAN GAMING ON A NATIONWIDE BASIS

Despite slower growth, gaming revenue was at an all-time high of \$28.3 billion in 2013. In addition, 2013 marked the fourth straight year of gaming revenue growth, albeit only moderate growth, following its only decline in 2009 at the tail end of the Great Recession. As in the recent past, non-gaming revenue grew at a faster rate

than gaming revenue in 2013, growing 4.7% to \$3.6 billion.

Indian gaming is very fragmented. In 2013, it consisted of 243 unique tribes

Slowdown of State Economies in 2013

States with	Gross State Product	Disposable Personal Income
Slower Growth in 2013	36	50
Faster Growth in 2013	14	0
All	50	50

Source: Indian Gaming Industry Report, 2015 Edition.

operating approximately 353,000 gaming machines and 7,700 table games in 476 gaming facilities across 28 states.

INDIAN GAMING BY STATE AND CLASS OF GAMING

While the growth of Indian gaming on a nationwide basis slowed down in 2013, performance varied widely across states and classes of gaming. Gaming revenue growth ranged from +39% in Texas to -8% in New York, with 61% of the states (17 of 28) experiencing growth over 2012. The fastest-growing states after Texas were Nebraska, North Carolina, Montana, and Louisiana, with four of these five having either a new casino opening or an old one significantly expanded or fully replaced in 2013. The fastest-declining states after New York were Wyoming, Idaho, Connecticut, and Alaska.

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NEW DEVELOPMENTS IN NATIVE AMERICAN GAMING

State of Indian Gaming, Calendar Year 2013

Number of Tribes	243
Number of Facilities	476
Number of States	28
Number of Gaming Machines	352,593
Number of Tables Games	7,731
Gaming Revenue	\$28.3 Billion
Non-Gaming Revenue	\$3.6 Billion

Source: Indian Gaming Industry Report, 2015 Edition.

The Slowdown of Other Casino Gaming Segments

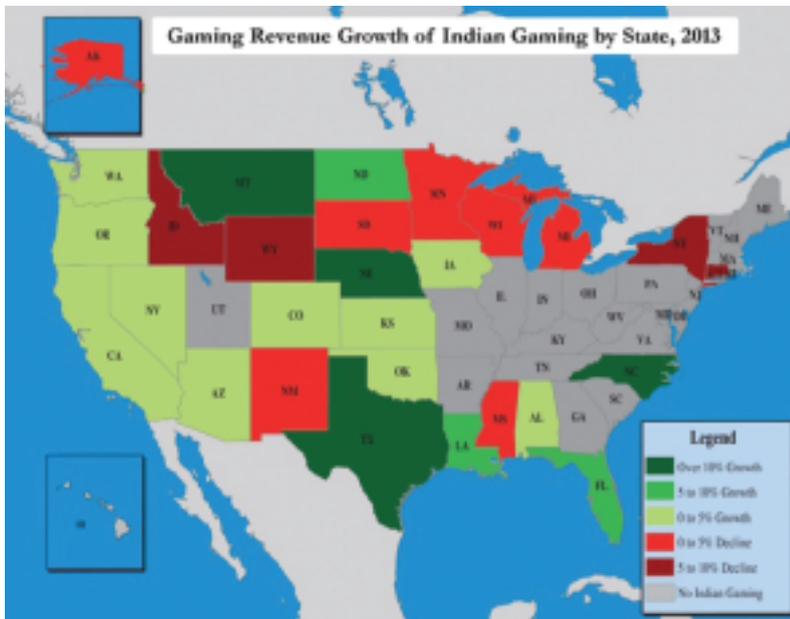
The economy in 2013 had a dampening effect on other casino gaming segments as well. As measured by gaming revenue, the commercial casino segment only grew 1.5% to \$29.9 billion, while the racetrack casino (aka racino) segment declined for the first time in its history, falling 0.2% to \$7.9 billion. This was slower growth for both segments as compared to 2012, when they grew 3.8% and 8.4%, respectively.

Relative to Indian gaming, the growth of the commercial casino and racino segments were somewhat atypical in 2013. The commercial casino segment's growth rate was three times that of Indian gaming, while Indian gaming's growth rate was two and a half times that of the racino segment. This was only the third time in 20 years that the commercial casino segment outgrew Indian gaming, and only the fourth time in that same timespan that Indian gaming outgrew the racino segment.

The faster growth of the commercial casino segment in 2013 was largely driven by the introduction of casinos in new or expanding jurisdictions, and the introduction of new games:

- New casinos were opened in Maryland and Pennsylvania (one casino each);
- New casinos completed their first full year of operations in Ohio (3), Pennsylvania (1), Maryland (1), Kansas (1), Maine (1), and Louisiana (1); and
- Table games were introduced in Maryland.

Also, some of the gain of the commercial casino segment came at the expense of the racino segment.



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The states that provided the largest boost to nationwide gaming revenue growth in 2013 were (from high to low): Florida, Oklahoma, Louisiana, California, and Washington. The states that dragged down nationwide Indian gaming growth the most in 2013 were: Connecticut, New York, Michigan, Minnesota, and Wisconsin.

Gaming revenue for Indian gaming continued to be highly concentrated within certain states in 2013. The largest gaming revenue state continued to be California, where gaming revenue increased only about 0.5% to \$7 billion. This means that California alone accounted for about 25% of gaming revenue. The top two states, California and Oklahoma, gen-

erated a combined 38% of gaming revenue. Meanwhile, the top five states, which included Florida, Washington, and Arizona with California and Oklahoma, accounted for approximately 61% of total gaming revenue. The top 10 states, which added Connecticut, Michigan, Minnesota, Wisconsin, and New York to the top five states, generated 85% of total gaming revenue.

Gaming revenue also continued to be highly concentrated among a small percentage of Indian gaming facilities. In 2013, the top 6% of all Indian gaming facilities, which each generated \$250 million or more, accounted for approximately 41% of total gaming revenue at all Indian gaming facilities. And while the top 29% of gaming facilities, which each generated

\$50 million or more, accounted for about 84% of gaming revenue, the bottom 35% of gaming facilities, which each generated \$10 million or less, accounted for only 2% of gaming revenue.

There was also a wide disparity in performance across the classes of Indian gaming in 2013. The 24 Indian gaming states with at least some Class III gaming (i.e., Las Vegas style gaming) generated 98% of total gaming revenue, while the four states with only Class II gaming, which included bingo and games similar to bingo, including electronic bingo machines, generated 2% of total gaming revenue. Although Class II gaming was only a small portion of nationwide Indian gaming, it grew much faster than Class III gaming. Class II only states as a group,

which included Alabama, Alaska, Nebraska, and Texas, grew 9% in 2013. This growth rate was 30 times that for states with at least some Class III, which only grew 0.3%. It is also noted that Class II gaming machines continued to operate in some states with Class III gaming, including Oklahoma, California, Florida, Washington, New York, and Wisconsin. Class II machines have served as a viable option where there is a cap on the number of Class III machines allowed, limitations on the types of Class III machines allowed, or revenue sharing required with the operation of Class III machines.

THE ECONOMIC IMPACT OF INDIAN GAMING

Despite its general slowdown in 2013, Indian gaming still had a significant economic impact. First and foremost, Indian gaming continued to serve as a means of promoting tribal economic development, self-sufficiency, and strong tribal governments. Gaming profits were used to:

- Fund tribal government operations;
- Develop tribal infrastructure;
- Support social and economic programs and services, such as health care, housing, education, public safety, vocational training, elderly care, transportation, and environmental and natural resource services; and
- Finance economic development efforts, such as the development of other tribal enterprises.

Bottom line: Indian gaming has enabled tribes to better provide for the general welfare of their tribal members than they otherwise would.

In addition to having a positive impact on Native American tribes and their tribal members, Indian gaming facilities continued to make a significant economic impact on their surrounding communities and the

“ Despite its general slowdown in 2013, Indian gaming still had a significant economic impact. First and foremost, Indian gaming continued to serve as a means of promoting tribal economic development, self-sufficiency, and strong tribal governments. ”

economy. Indian gaming facilities, including their non-gaming operations, directly generated economic activity by purchasing goods and services, providing jobs and wages, assisting charities, and making revenue sharing payments to federal, state, and local governments. Indian gaming also led to secondary impacts including and resulting from the iteration of purchases of goods and services by: tribal governments and enterprises; suppliers to Indian gaming facilities, tribal governments, and other impacted businesses; and households of employees at Indian gaming facilities, tribal governments, and other impacted businesses.

In 2013, these direct and secondary impacts on the U.S. economy totaled approximately:

- \$91.1 billion in output (i.e., value of sales);
- 612,000 jobs;
- \$27.6 billion in wages;
- \$2 billion in direct revenue sharing payments to federal, state, and local governments; and
- \$7.1 billion in federal, state, and local taxes on secondary economic activity stimulated by Indian gaming. ♣



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Alan P. Meister, Ph.D. is a Principal Economist at Nathan Associates Inc. Dr. Meister specializes in the application of economic analysis to litigation, regulatory, public policy, and strategic business matters. He has extensive experience analyzing economic issues related to the gaming industry, including Indian gaming, commercial casinos, racinos, card rooms, and online gaming. He leads the Gaming Industry and Indian Gaming practices at Nathan Associates, which provide consulting to tribes, federal, state, and local governments, gaming operators, gaming suppliers, and investors. His consulting work has included economic research, analysis, and expert testimony in litigation and regulatory matters, damage analyses, economic and fiscal impact studies, industry and market analyses, feasibility studies, evaluations of regulatory policies, economic assessments of land-into-trust gaming applications, and analyses of tribal-state gaming compacts and revenue sharing. In addition to his consulting work, Dr. Meister has also conducted years of independent, scholarly research on the gaming industry and authored a number of publications, most notably his annual study, the Indian Gaming Industry Report. Dr. Meister can be reached at (949) 474-4955 or ameister@nathaninc.com. For more information on Nathan Associates, please visit: www.nathaninc.com.

* Data contained in this article come from the 2015 Edition of the *Indian Gaming Industry Report*. For more information on the report, please visit: www.indiangamingreport.com.