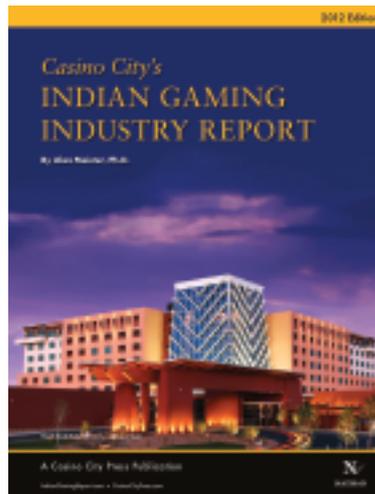


Indian Gaming on the Rise Again... But Not Everywhere or For All Tribes

By Alan P. Meister, Ph.D.

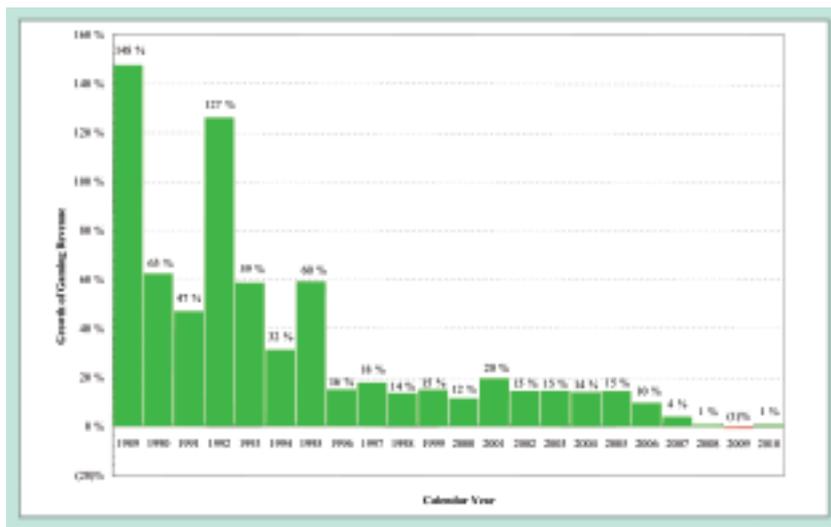
In July 2011, the National Indian Gaming Commission (NIGC) released high-level aggregate figures showing that gaming revenue at Indian gaming facilities was back on the rise again in 2010. This was significant in light of the fact that Indian gaming on a nationwide basis had come off its first-ever decline in 2009, and maybe even more importantly, after four straight years of slower growth (i.e., lower growth rates).



THE WIDER PERSPECTIVE

In the wake of the Great Recession, which officially started in late 2007 and ran through mid-2009, the gaming industry, like much of the U.S. economy, showed signs of recovery in 2010. With gross domestic product (GDP) and personal disposable income on the rise and employment decreasing at a slower rate both nationwide and in every state, some of the gaming industry showed improvement. At the nationwide level, the Indian gaming, commercial casinos, and card rooms segments all grew at faster rates (or declined at slower rates) than in 2009. In particular, Indian gaming made up for its first ever decline in gaming revenue in 2009 (-1 percent), growing slightly over one percent to \$26.7 billion in 2010.

Despite some recovery of Indian gaming in 2010, the relatively slow growth was still a part of the larger overall slowdown of Indian gaming starting in 2005. Furthermore, the 2010 growth rate was significantly below the pre-recession growth rates – approximately 15 percent from 2002 through 2005, 10 percent in 2006, and 4 percent in 2007 (although the 2007 growth rate may have been negatively impacted in part by the beginning of the recession). Lower consumer confidence and higher unemployment relative to their pre-recession levels continued to result in



However, does this mean that all is well for Indian gaming? To answer this question, this article relies on data and findings from the recently released edition of the *Indian Gaming Industry Report* (2012 Edition) to (1) gain a wider perspective of the per-

formance of Indian gaming in light of the economic climate and the performance of other segments of the gaming industry, (2) dig a little deeper into the performance of Indian gaming at state and facility levels, and (3) explore the potential for future growth.

decreased spending at gaming facilities. Meanwhile, restricted lending and more expensive financing resulted in fewer casino developments (e.g., introductions of new facilities, and expansions and renovations of existing facilities) as compared to previous years.

While the slower growth in 2008, 2009, and 2010 can be attributed in large part to the general slowdown in the U.S. economy, it cannot explain the slowdown in Indian gaming preceding the beginning of the recession. In part, this phenomenon was the result of public policies that restricted the supply of Indian gaming. These public policies have included proposed and enacted legislation and regulations, as well as judicial decisions and tribal-state gaming compacts.

Despite the continuing slowdown, Indian gaming continued to play a significant role in the gaming industry. In 2010, Indian gaming generated approximately 44 percent of all U.S. casino gaming revenue (i.e. gaming revenue generated at Indian gaming facilities, commercial casinos, and racinos). This was second to the commercial casinos segment, which led the way with approximately 45 percent of casino gaming revenue. However, Indian gaming continued to gain ground and is poised to overtake the commercial casino segment in the near future.

In terms of the entire gaming industry (i.e. Indian gaming, commercial casinos, racinos, card rooms, lotteries, pari-mutuel wagering, charitable gaming, convenience gambling, cruise ships, and non-casino VLTs), Indian gaming generated approximately 29 percent of gaming revenue in 2009, the last year for which data were available for all gaming segments. This was second only to the commercial casino segment, which generated approximately 31

percent of gaming revenue.

In addition to having a significant impact on Native American tribes and the gaming industry in general, Indian gaming continues to make significant contributions to the U.S. economy. Indian gaming facilities, including their non-gaming operations, directly generated approximately \$28.6 billion in output and supported about 306,000 jobs and \$12.6 billion in wages in calendar year 2010. Indian gaming also led to output, jobs, and wages outside of Indian gaming facilities and tribal reservations. Furthermore, all of this economic activity led to indirect tax revenue and direct payments to federal, state, and local governments. In 2010, it is estimated that Indian gaming directly and indirectly led to approximately:

- \$86.0 billion in output;
- 706,000 jobs;
- \$29.2 billion in wages;
- \$12.4 billion in federal, state, and local tax revenue; and
- \$1.5 billion in direct payments to federal, state, and local governments.

DIGGING DEEPER

While Indian gaming grew slightly on a nationwide basis in 2010, the performance of Indian gaming varied widely across states and gaming facilities. At the state level, gaming revenue growth varied from +61 percent in Alabama to -7 percent in North Carolina, with a strong majority of the states (19 of 28) experiencing growth over 2009. The fastest growing states after Alabama were Texas, Alaska, Louisiana, Washington, Michigan, Mississippi, and New York. Florida and Oklahoma also experienced growth in 2010 (approximately 1 percent and 4 percent, respectively), but much

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