



Alan P. Meister, Ph.D.

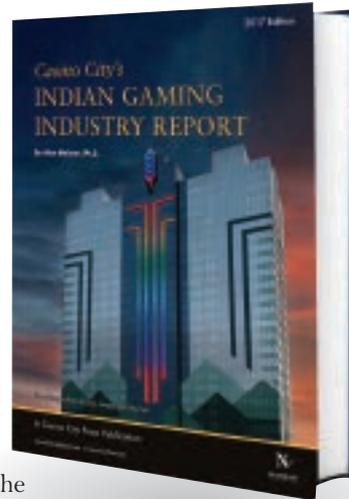
Indian Gaming's GROWING Trend

Results from the new edition of the *Indian Gaming Industry Report**

BY ALAN P. MEISTER, PH.D.

Indian gaming in the United States has exhibited tremendous growth since the passage of the Indian Gaming Regulatory Act (IGRA) in 1988, increasing nearly 300-fold. The pace has slowed over the past several years though. In part, this has been the result of maturing markets, increased competition, and public policies that have restricted the expansion of Indian gaming. The economic downturn during the Great Recession and the slow-growth economy since then have also been major contributors to the slowdown of Indian gaming.

However, the latest research shows positive signs for Indian gaming. The new 2017 edition of *Casino City's Indian Gaming Industry Report* just released by Nathan Associates' Principal Economist Dr. Alan Meister finds a continuing growth trend for Indian gaming. Not only has its growth been accel-



erating over the past few years, it is also outpacing other casino gaming segments, as well as the general U.S. economy.

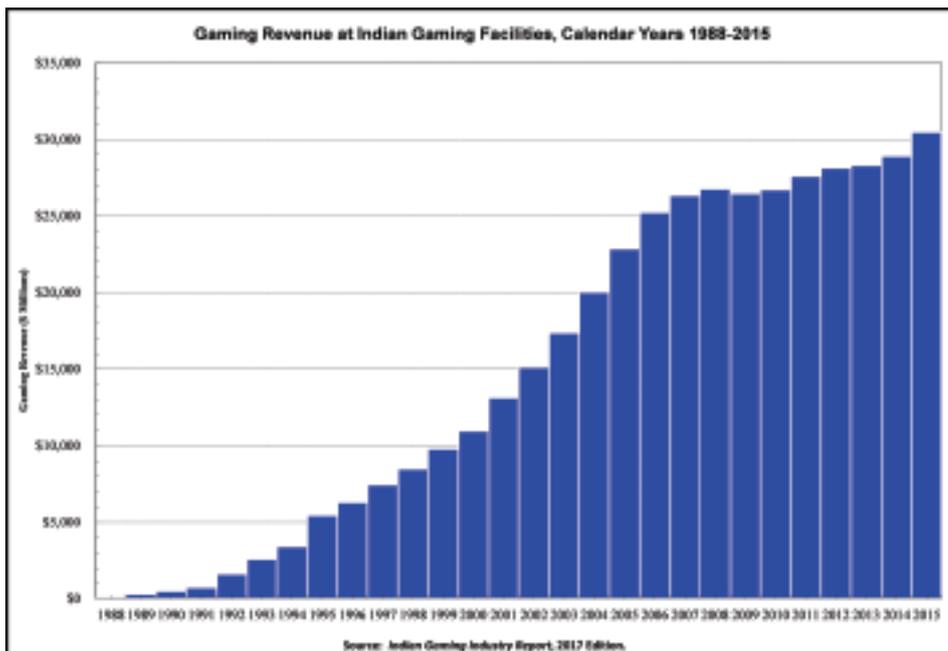
INDIAN GAMING BUILDING MOMENTUM

In calendar year 2015, the most current year for which data are available,

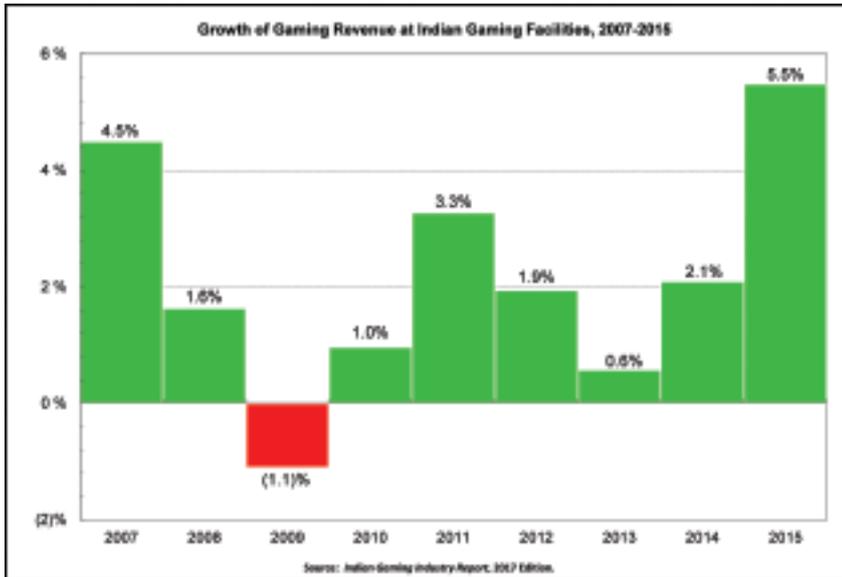
Indian gaming on a nationwide basis grew 5.5% to a new all-time high of \$30.5 billion in gaming revenue. This was more than double the growth rate in 2014 (2.1%), which was more than triple the growth rate in 2013 (0.6%). It was the sixth consecutive year of growth following the Great Recession. Maybe most notable was that the 2015 growth rate surpassed the 2007 pre-recession growth rate (4.5%).

Growth was the general trend at the state level as well. Of the 28 states with Indian gaming in 2015, there was growth in 24 of them (86% of states), including four with double-digit growth (Texas, Alabama, North Carolina, and South Dakota). However, these were somewhat smaller sized Indian gaming states. The largest driver of nationwide gaming revenue growth was by far California Indian gaming due to its large size and strong growth (8%). California was followed by Oklahoma and Florida with their own strong growth.

The strong growth of gaming revenue was complemented by nationwide non-gaming revenue growth of 4.5% in 2015 to an all-time high of \$3.9

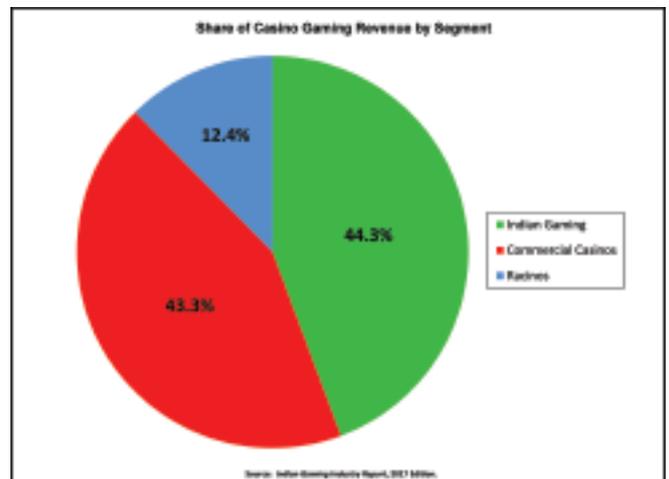
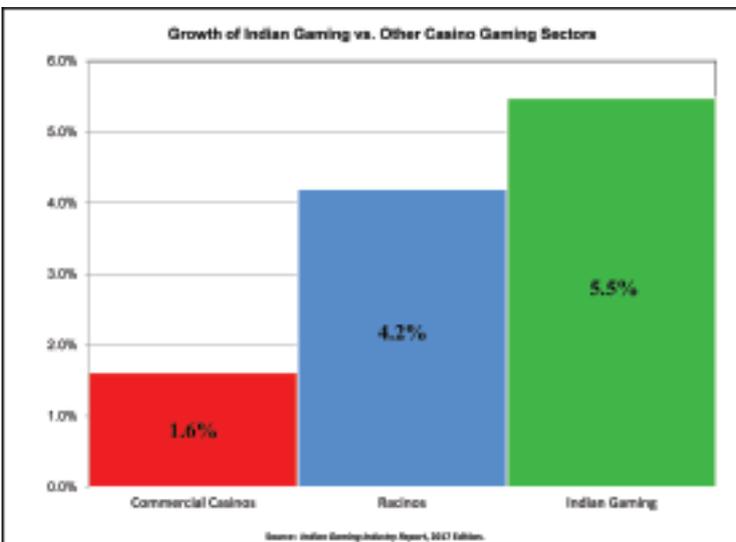


“ Not only has its growth been accelerating over the past few years, it is also outpacing other casino gaming segments, as well as the general U.S. economy. ”



Tribes	242
Gaming Facilities	494
States with Indian Gaming	28
Gaming Machines	357,000
Table Games	7,700
Gaming Revenue	\$30.5 billion
Non-Gaming Revenue	\$3.9 billion

Source: Indian Gaming Industry Report, 2017



billion. Altogether, the \$34.4 billion in gaming and non-gaming revenue were generated by 242 tribes operating nearly 357,000 gaming machines and 7,700 table games in 494 gaming facilities in 28 states.

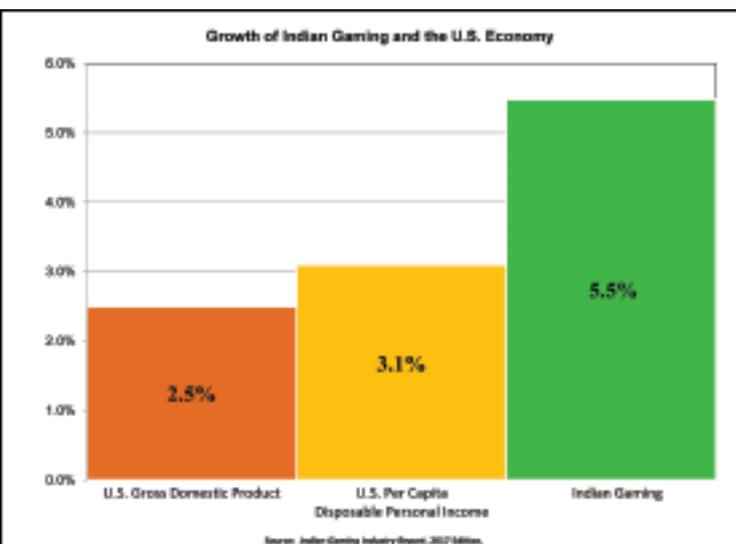
INDIAN GAMING OUTPERFORMING OTHER CASINO SEGMENTS

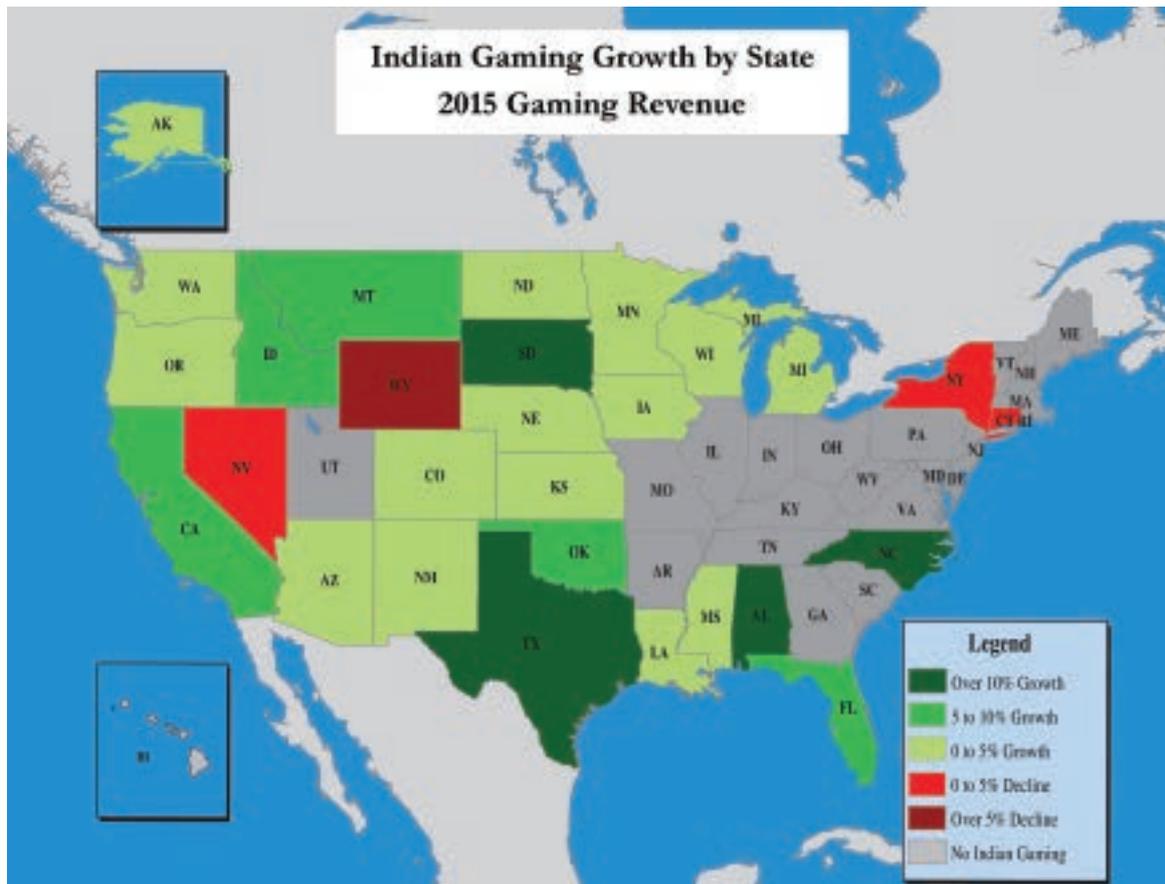
On a nationwide basis, Indian gaming also outperformed other casino gaming segments in 2015. Its 5.5% growth rate was approximately 30% higher than that of the racino segment (4.2%) and more than triple that of the commercial casino segment (1.6%).

Notably, the commercial casino and racino segments were separated due to their vastly different developmental history and growth patterns.

In addition, Indian gaming’s significantly faster growth in 2015 than the commercial casino segment

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drove it to become the largest industry segment. With 44.3% of nationwide casino gaming revenue, Indian gaming surpassed the commercial casino segment's share (43.3%) for the first time ever. Meanwhile, the racino segment grew to 12.4% of the casino gaming revenue.

INDIAN GAMING OUTPACING THE ECONOMY

The growth of Indian gaming in 2015 also topped that of the U.S. economy, which continued along its relatively slow pace since the Great Recession. The 5.5% growth of Indian gaming was approximately double the growth rates of gross domestic product (GDP), which grew 2.5%, and per capita disposable personal income, which grew 3.1%.

PERFORMANCE OF INDIAN GAMING CONTINUING TO VARY WIDELY

While Indian gaming experienced strong growth in 2015, it did not grow everywhere. Gaming revenue declined in four states, Wyoming, Nevada, Connecticut, and New York. In fact, with the continuing increase in competition in the Northeast region of the country, 2015 was the ninth straight year of decline in Connecticut and fifth straight year in New York.

There was also a wide disparity in the performance of Indian gaming, varying from approximately 16% growth in Texas to a 14% decline in Wyoming. Of the 24 states with growth of gaming revenue in 2015, 15 of them had less than

5% growth, five had between 5% and 10% growth, and four had over 10% growth. For the four states that declined in 2015, three of them declined less than 5% and one had a larger than 5% decline.

Gaming revenue was highly concentrated among the largest Indian gaming states. The top two states, California (\$7.9 billion) and Oklahoma (\$4.2 billion), generated a combined 40% of gaming revenue. Adding Florida, Washington, and Arizona puts the top five states at approximately 63% of total gaming revenue. The top 10 states, which included Connecticut, Minnesota, Michigan, Wisconsin, and New York, generated 85% of total gaming revenue.

Gaming revenue was also highly concentrated among a small number of very large Indian gaming facilities. In 2015, the top 7% of all Indian gaming facilities, which each generated \$250 million or more, accounted for 45% of total gaming revenue nationwide. On the other hand, the smallest 37% of gaming facilities, which each generated \$10 million or less, only accounted for 2% of gaming revenue.

There was also a wide disparity in performance across classes of Indian gaming in 2015. The 24 Indian gaming states with at least some Class III gaming (i.e., Las Vegas style gaming) generated 98% of total gaming revenue for Indian gaming, while the four states with only Class II gaming (Alabama, Alaska, Nebraska, and Texas) generated 2%. Nonetheless, Class II only Indian gaming states in the aggregate grew at more than double the rate of states with at least some Class III gaming.

*Data contained in this article come from the 2017 Edition of the *Indian Gaming Industry Report*. For more information on the report, please visit: www.indiangamingreport.com.



GROWING ECONOMIC IMPACT OF INDIAN GAMING

As Indian gaming has generally grown over time, so have its positive impacts on tribes, surrounding communities, and the economy. First and foremost, Indian gaming has helped promote tribal economic development, self-sufficiency, and strong governments. Gaming profit is used by tribes to fund government operations, develop infrastructure, support social and economic programs and services, and finance other tribal business ventures.

Indian gaming also had a significant impact on surrounding communities in 2015. Indian gaming's total contribution to the U.S. economy, including both direct and secondary impacts, totaled approximately:

- \$103.0 billion in output (i.e., value of sales); 770,000 jobs;
- \$35.5 billion in wages; and
- \$12.3 billion in fiscal impact, including:
 - \$1.8 billion in direct payments to federal, state, and local governments; and
 - \$10.5 billion in federal, state, and local taxes on secondary economic activity stimulated by Indian gaming. ❁

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, economic development, and business planning and operations matters. He has extensive experience conducting research and analysis of 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 gaming facility operators, industry suppliers, investors, governments, and gaming associations. His consulting work has included economic research, analysis, and expert testimony in litigation and regulatory matters, damage analyses, industry and market analyses, economic and fiscal impact studies, feasibility studies, public policy analysis, analyses of land-in-trust gaming applications, and economic assessments of tribal-state gaming compacts and revenue sharing. Of particular note, he was previously commissioned by the National Indian Gaming Commission to independently analyze the economic effects of proposed changes in Indian gaming regulations. 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, which has been cited by the United States Supreme Court. His work has been used in matters before the U.S. Department of the Interior, U.S. Supreme Court, and the World Trade Organization. Dr. Meister can be reached at (949) 474-4955 or ameister@nathaninc.com. For more information on Nathan Associates, please visit: www.nathaninc.com.

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