The Impact of Indian Gaming on State and Local Public Finance

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Oct. 26, 2007
Impacts on Government Expenditures

• reduced social service costs, namely public assistance
• increased local service costs such as law enforcement, fire protection, courts, health service
• increased infrastructure costs for roads, water, sewer, etc.
Impacts on Government Revenues

- State income taxes
- State and local sales taxes
- Property taxes
- Hotel/lodging taxes
- Tobacco and liquor taxes
- Lottery sales
- Tribal revenue sharing
Tribal Payments to State and Local Governments

• Payments to local governments for infrastructure, law enforcement costs, etc.
• Payments to state government to cover administrative and regulatory costs
• Revenue sharing with state governments in exchange for exclusivity
Arizona Tribal Payments

• Must cover state administrative and regulatory costs
• Exclusivity payments =
  1% of first $25 million class III net win +
  3% of next $50 million +
  6% of next $25 million +
  8% of net win above $100 million
  (88% of these payments go to AZ State Benefits Fund and 12% to local governments)
California Tribal Payments

1999 Tribal-State Compacts (61)

• Contributions to the Revenue Sharing Trust Fund: annual license fees ranging from $900 to $4,350 per gaming device for devices above 350.

• Contributions to the Special Distribution Fund: percentage of net win from gaming devices equal to 0% on the first 200 devices, 7% on 201 to 500 devices, 10% on 500 to 1,000 devices, and 13% on more than 1,000 gaming devices.
California Tribal Payments

2003 Tribal-State Compacts (3)
- 5% of net win to state general fund
- No RSTF or SDF payments required

2004 Compacts and Amended 1999 Compacts
- some RSTF payments set as fixed amounts up to $1.5 million per year
- payments to state general fund as fixed fees per device ranging from $250 to $25,000 or as percent of net win ranging from 10% to 25%.
California Tribal Payments

2007 Compacts

- Fixed payments to RSTF of $2 or $3 million
- Payment to state General Fund: Percentage of net win on newly added gaming devices generally 15% of net win from first 3000 additional devices and 25% on additional devices above 3000.

Tribal Agreements with Local Governments
Connecticut Tribal Payments

- Payments to the state to cover regulatory and enforcement costs (approx. $3 million/yr)
- 25% of slot machine revenues paid to state
- If either tribe’s contribution falls below $80 million in any year, the rate increases to 30% to guarantee a combined minimum of $160 million per year.
- Payments to local government in lieu of property taxes (one tribe)
Michigan Tribal Payments

- Reimburse state for administrative, regulatory and enforcement costs
- 2% of Class III slot machine revenue to local government
- 8% of Class III slot machine revenue to the state for some tribes under newer compacts
Minnesota Tribal Payments

• Tribes make payments to state to cover administrative and regulatory costs (a combined total of $150,000)
• No tribal-state revenue sharing
• Minnesota Indian Gaming Association reports $15.9 million paid to local governments as payments in lieu of taxes
New Mexico Tribal Payments

- Reimburse state regulatory costs in amount of $100,000 (2001) per tribe per year, increasing 3% per year
- 0.25% of net win to support programs to treat compulsive gamblers
- State revenue sharing = 3% of 1st $4 million of net win + 8% of rest if net win is less than $12 million or 8% of net win if net win is greater than or equal to $12 million.
New York Tribal Payments

- Reimburse state regulatory costs
- Exclusivity payments to the state ranging from 18% of net revenue from slot machines in the first year of operation up to 25% in the seventh year and after.
Oregon Tribal Payments

- Tribes must pay their share of Oregon State Police costs
- Tribes must contribute either 5% or 6% of the gaming facility net income to a ‘community benefit fund,’ part of the proceeds of which go to local governments
Washington Tribal Payments

- Must reimburse actual regulatory costs incurred by state gaming agency
- Share up to 2% of table net win and 0.5% of video lottery terminal (VLT) net win with local governments
- Contribute 0.13% of total net win to help reduce problem gambling
- Contribute 0.13% of net win from VLTs to organizations that help discourage tobacco use
Wisconsin Tribal Payments

• Reimburse state regulatory costs
• Share a percentage of gaming revenue with the state ranging from 1.75% to 8% depending on net win
• Beginning in 2007, a share of the above payment is allocated to the county
• Currently subject to legal dispute over constitutionality
# 2006 Direct Payments to State and Local Governments

<table>
<thead>
<tr>
<th>State</th>
<th>Revenue (millions)</th>
<th>Payments to State and Local Government (millions)</th>
<th>Payments as % of Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>California</td>
<td>$7,714.8</td>
<td>$308.5</td>
<td>4.0%</td>
</tr>
<tr>
<td>Connecticut</td>
<td>$2,498.1</td>
<td>$437.5</td>
<td>17.5%</td>
</tr>
<tr>
<td>Arizona</td>
<td>$2,071.2</td>
<td>$102.1</td>
<td>4.9%</td>
</tr>
<tr>
<td>Oklahoma</td>
<td>$1,972.0</td>
<td>$30.2</td>
<td>1.5%</td>
</tr>
<tr>
<td>Minnesota</td>
<td>$1,507.0</td>
<td>$16.1</td>
<td>1.1%</td>
</tr>
<tr>
<td>Washington</td>
<td>$1,385.8</td>
<td>$14.3</td>
<td>1.0%</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>$1,214.5</td>
<td>$83.9</td>
<td>6.9%</td>
</tr>
<tr>
<td>New York</td>
<td>$1,000.3</td>
<td>$113.0</td>
<td>11.3%</td>
</tr>
<tr>
<td>Michigan</td>
<td>$945.5</td>
<td>$20.5</td>
<td>2.2%</td>
</tr>
<tr>
<td>New Mexico</td>
<td>$755.3</td>
<td>$54.1</td>
<td>7.2%</td>
</tr>
<tr>
<td>Oregon</td>
<td>$578.5</td>
<td>$13.6</td>
<td>2.4%</td>
</tr>
</tbody>
</table>

Source: Meister, Alan. 2007. *Casino City's Indian Gaming Industry Report*
# 2006 Revenue Sharing Payments to State Governments

<table>
<thead>
<tr>
<th>State</th>
<th>Revenue (millions)</th>
<th>Tribal-State Revenue Sharing Payments (millions)</th>
<th>Payments as % of Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>California</td>
<td>$7,714.8</td>
<td>$270.7</td>
<td>3.5%</td>
</tr>
<tr>
<td>Connecticut</td>
<td>$2,498.1</td>
<td>$433.6</td>
<td>17.4%</td>
</tr>
<tr>
<td>Arizona</td>
<td>$2,071.2</td>
<td>$81.9</td>
<td>4.0%</td>
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<td>$29.0</td>
<td>1.5%</td>
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<td>Minnesota</td>
<td>$1,507.0</td>
<td>$0.0</td>
<td>0.0%</td>
</tr>
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<td>$1,385.8</td>
<td>$0.0</td>
<td>0.0%</td>
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<td>$1,214.5</td>
<td>$75.2</td>
<td>6.2%</td>
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<tr>
<td>New York</td>
<td>$1,000.3</td>
<td>$97.2</td>
<td>9.7%</td>
</tr>
<tr>
<td>Michigan</td>
<td>$945.5</td>
<td>$2.5</td>
<td>0.3%</td>
</tr>
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<td>New Mexico</td>
<td>$755.3</td>
<td>$52.7</td>
<td>7.0%</td>
</tr>
<tr>
<td>Oregon</td>
<td>$578.5</td>
<td>$0.0</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

Source: Meister, Alan. 2007. *Casino City's Indian Gaming Industry Report*
# Commercial Gambling Taxes 2006

<table>
<thead>
<tr>
<th>State</th>
<th>Total Taxes (millions)</th>
<th>Adjusted Gross Revenues (billions)</th>
<th>Effective Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nevada</td>
<td>$1,002</td>
<td>$12.19</td>
<td>8.2%</td>
</tr>
<tr>
<td>Illinois</td>
<td>$706</td>
<td>$1.87</td>
<td>37.8%</td>
</tr>
<tr>
<td>Indiana</td>
<td>$803</td>
<td>$2.48</td>
<td>32.4%</td>
</tr>
<tr>
<td>New Jersey</td>
<td>$413</td>
<td>$4.81</td>
<td>8.6%</td>
</tr>
<tr>
<td>Missouri</td>
<td>$422</td>
<td>$1.57</td>
<td>26.9%</td>
</tr>
<tr>
<td>Louisiana</td>
<td>$394</td>
<td>$1.84</td>
<td>21.4%</td>
</tr>
<tr>
<td>Mississippi</td>
<td>$274</td>
<td>$2.24</td>
<td>12.2%</td>
</tr>
<tr>
<td>Iowa</td>
<td>$162</td>
<td>$0.76</td>
<td>21.3%</td>
</tr>
</tbody>
</table>

Source: Indiana Gaming Commission. *Annual Report 2006*
Conclusions

The impacts of Indian gaming on state and local finance vary according to:

- Location, especially proximity to urban area
- Size of facility and amenities available
- Number and location of competing facilities
- State and local tax structure
- Revenue sharing arrangements
Areas Needing Further Research

- Tribal use of gaming revenues
- Displacement / Substitution
- Recapture
- Impact on tourism