



## Tribal Gaming: Sharing Revenue with States

*By Judy Zelio*

Gamblers spent \$16.7 billion in Indian tribal operations in 2003, according to the National Indian Gaming Commission. That was one-fifth of the total gaming industry. In Arizona, California, Connecticut, Michigan, New Mexico, New York and Wisconsin some tribes have agreed to share casino revenues with the state, often in exchange for the exclusive right to conduct such gaming.

An agreement (compact) between tribal and state governments must be in place for a tribe to conduct casino-style or high-stakes gambling. Compacts usually are negotiated by the governor or a designee and sometimes require legislative approval. Tribes have regulatory responsibility for their operations, although compacts also may include a regulatory role for the state. The National Indian Gaming Commission provides general regulatory oversight.

The Indian Gaming Regulatory Act (IGRA) of 1988 specifies that states may not tax tribal gaming revenues. Tribes can agree to share a limited portion of their gaming proceeds with state and local governments, however, subject to approval by the secretary of the Interior.

The most well-known tribal casino is Foxwoods, operated by the Mashantucket Pequot Tribe near Ledyard, Conn. A 1989 Pequot agreement with the state specified the tribe's willingness to give the state either \$100 million or 25 percent of its net revenues annually, whichever was greater, as long as nontribal casinos were banned in the state. An agreement with a second tribe, the Mohegan, was reached in 1996. Connecticut's general fund will garner \$405 million in FY 2004 from the two tribal casinos, with local governments receiving \$85 million of the total.

Arizona voters in 2002 approved an

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### Gaming Revenues to States from Tribes

Fiscal Years 2004-2005  
(in millions, estimated)

State	FY 2004	FY 2005
Arizona	\$34.8	\$50.4
California*	\$130.0	\$130.0
Connecticut	\$320.0	\$345.0
Michigan	\$14.6	\$15.7
New Mexico**	\$34.7	\$36.4
New York	NA	NA
Wisconsin***	\$101.3	\$104.2

\*New agreements could generate an additional \$200 million per year.

\*\*The Mescalero Apache Tribe settled a compact disagreement in May 2004 and will make a back payment of \$24 million to be added to the FY 2004 estimate; FY 2005 revenues also will be higher because of additional tribal payments.

\*\*\*Estimated revenues are currently in question due to a May 2004 Wisconsin Supreme Court decision affecting compacts.

Source: State legislative fiscal offices, May 2004.

initiative directing the governor to enter into compacts that allow tribal slot machines and card and table games. Tribes share revenue on a sliding scale of between 1 percent and 8 percent of net win (amount wagered less payouts). Cities, towns and counties receive 12 percent of the tribes' total annual contribution, with the remainder going to the Arizona Benefits Fund. The fund allocates the money—\$34.8 million in FY 2004—for state regulatory and administrative costs, treatment of problem gambling, instructional improvement funds to school districts, trauma emergency services, tourism and wildlife conservation.

*In Arizona, tribes share revenue on a sliding scale of between 1 percent and 8 percent of net win.*

If Arizona law changes to allow anyone other than Indian tribes to offer slot machines or other gambling that is currently prohibited off reservations, tribal obligations to make contributions to the state are reduced and limits on slot machines, tables and gaming facilities are voided.

More than half of California's 107 federally recognized Indian tribes and rancherias (reservations) reached agreements with Governor Gray Davis in September 1999 for casino-style gaming, and the Legislature approved them. Under the compacts, tribes make payments to two state accounts, totaling more than \$130 million annually. The use of these funds is restricted to specific purposes. The California Gambling Control Commission is the primary regulator of the tribal compacts for the state, with its activities funded from tribal payments of about \$13 million annually. Governor Arnold Schwarzenegger recently reached agreements with tribes that could result in an additional \$200 million per year to the state. Legislative and federal approval are needed.

A 1993 court order in Michigan led to agreement with seven tribes operating 14 casinos that they would pay the state 8 percent of their net casino revenues. When those tribes lost the exclusive right to conduct electronic gaming within state borders, they stopped state payments. New compacts with other tribes, however, provide revenue sharing to both state and local governments. Tribal contributions to the Michigan Strategic Fund will approach \$15 million in FY 2004. Local governments, which receive 2 percent of tribal gaming revenues to help defray costs associated with the establishments, will receive \$17 million in FY 2004.

*In Michigan, when tribes lost the exclusive right to conduct electronic gaming, they stopped state payments.*

New Mexico reached agreements providing for a maximum of 8 percent of slot machine proceeds with 11 of 12 tribes and pueblos. A total of \$34.7 million in revenues to the state's general fund is projected for FY 2004, with the possibility of an additional \$24 million in back payments from the Mescalero Apache Tribe.

New York's governor has signed a compact with the Seneca Nation that provides for an initial 18 percent state share of revenue, capped in later years at 25 percent. The state received \$38 million in 2003, according to the New York State Racing and Wagering Board.

In Wisconsin, existing compacts were amended between 1998 and 1999 to begin providing tribal payments of approximately 7.6 percent of net revenues to the state. The funds were allocated to approximately 50 state accounts, many of which benefit tribes. Compacts were further amended in 2003, increasing the revenue sharing amounts. A May 2004 Wisconsin Supreme Court decision, however, struck down key portions of the newly amended compacts, throwing into question more than \$100 million in 2004 revenue sharing payments anticipated by the state.

*In Wisconsin, compacts were amended to begin providing tribal payments of 7.6 percent of net revenues to the state.*

### **Contacts for More Information**

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