



OKLAHOMA GAMING COMPLIANCE UNIT  
**ANNUAL REPORT**  
FISCAL YEAR 2014

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# EXECUTIVE SUMMARY

**The State of Oklahoma** collected \$122 million in tribal gaming exclusivity fees in fiscal year 2014 under the state-tribal gaming compact.

For the first time ever, the fees paid to the state by Native American tribes for exclusive gaming rights declined from the previous year. The state's FY 2014 exclusivity fee revenue was the lowest in three years.

Tribes pay the exclusivity fees based on the revenue generated from Class III electronic games<sup>1</sup> and nonhouse-banked card games.

While several factors likely played a part, the nearly \$5.5 million decline from the previous year coincided with a decrease in fee revenues derived from electronic Class III games and a rise in the number of Class II electronic bingo machines in tribal casinos. Tribes do not pay exclusivity fees on revenue generated from Class II gaming.

The 4 percent downturn in exclusivity fee revenues occurred despite an overall increase in the number of Class III games, suggesting possible market saturation. An increase in Class II machines may have also played a part in the revenue decline.

Exclusivity fees are distributed to the Education Reform Revolving Fund (1017 Fund), the General Revenue Fund and the Department of Mental Health and Substance Abuse Services. The 1017 Fund saw a \$4.8 million, or 4.3 percent, decline in exclusivity fee revenue in FY 2014, while the GRF saw a \$657,000, or 4.3 percent, decline in exclusivity fee revenue. ODMHSAS statutorily receives a set \$250,000 annually from the exclusivity fees.

Data included in this report also show a steady increase in the amount of exclusivity fees from Class III table games, although still significantly less than that from electronic games.

Until last fiscal year, exclusivity payments had grown annually since 2005, when tribes first began operating under voter-approved, state-tribal gaming compacts. Payments continued growing as more tribes opened gaming establishments in subsequent years. The compact established exclusivity payments, one-time startup and annual assessments for the operation of covered games.

Under the compact, tribes pay monthly exclusivity fees based on a sliding scale for Class III electronic games. For the first \$10 million in revenue, tribes pay 4 percent to the state; for the next \$10 million, the payment is 5 percent; and for revenues more than \$20 million, the payment is 6 percent. Tribes pay 10 percent of the monthly net win from table games.

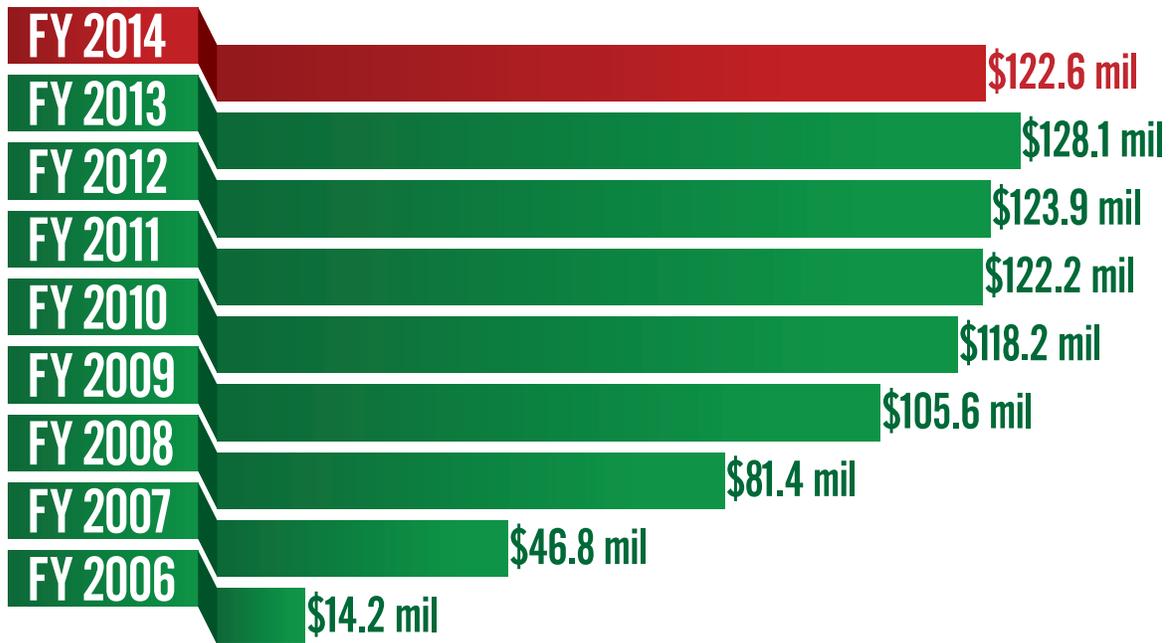
The compact also includes minimum state regulatory requirements on games, accounting and auditing standards, the licensing of employees, liability insurance, property claim procedures and several other provisions.

The Gaming Compliance Unit of the Office of Management and Enterprise Services carries out the oversight responsibilities granted to the state under the compact.

<sup>1</sup> The state-tribal gaming compact allows for the play of the following electronic games: bonanza-style bingo, instant bingo and amusement games.

# TOTAL EXCLUSIVITY FEES

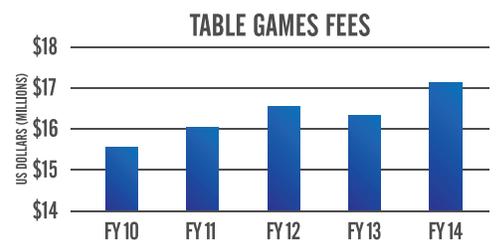
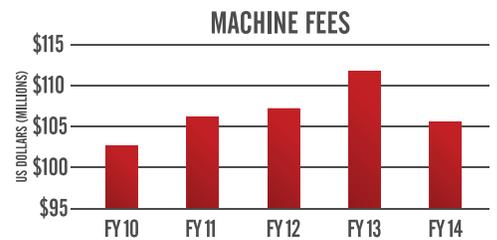
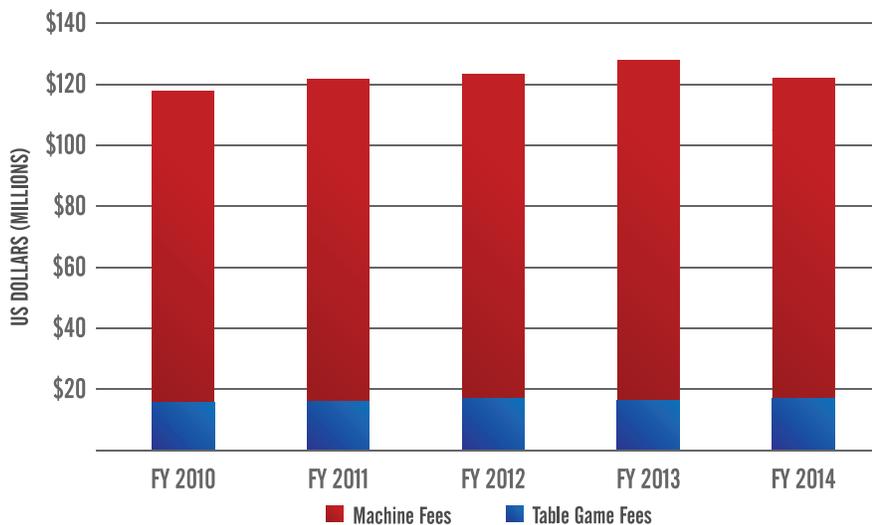
**For the first time** since the state started collecting exclusivity fees from tribes, the payments in FY 2014 declined from the previous year. In FY 2014, the state collected \$122,621,628. It was a \$5,476,840, or 4 percent, decline from FY 2013.



# ELECTRONIC AND TABLE GAME FEES

**The payment from electronic games** is typically much greater than the payment received from table games, and FY 2014 was no different despite an all-time high in exclusivity fees from table games.

In FY 2014, tribes paid \$105,509,640 in electronic games fees, nearly a \$6 million, or 6 percent, decrease from the previous year. FY 2014 table games fees totaled \$17,111,988, a \$792,453, or 5 percent, increase from FY 2013.

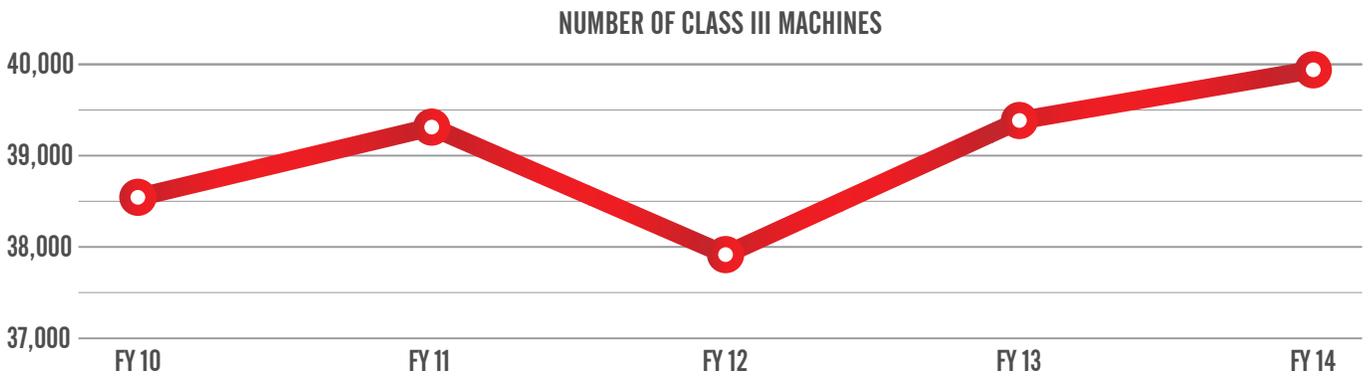


# CLASS II AND CLASS III MACHINES

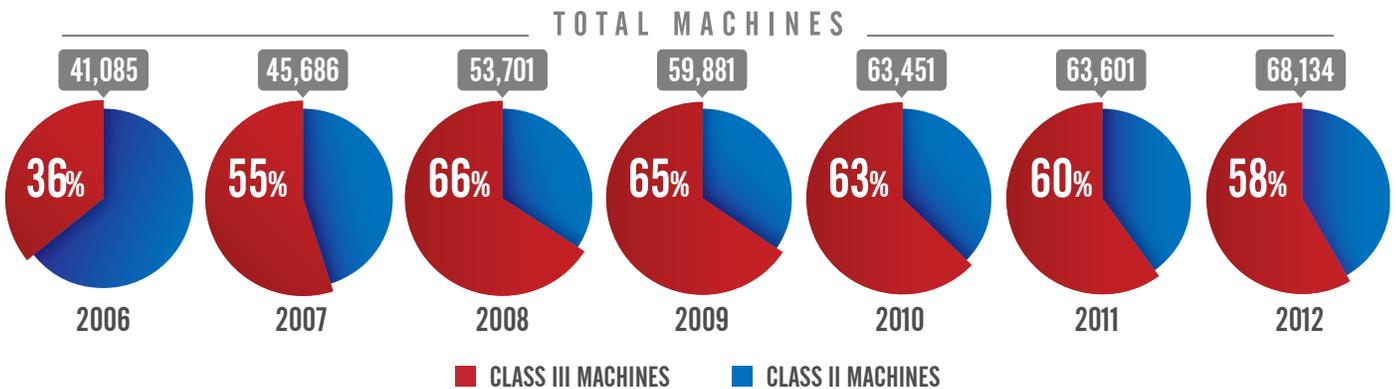
While the exclusivity fee payments from Class III machines declined, the number of such machines increased in FY 2014.

It's possible a coinciding increase in the number of Class II machines impacted the total revenue from the Class III machines. Tribes do not pay exclusivity fees on revenue generated from Class II gaming.

In FY 2014, there were 39,936 Class III machines compared to 39,393 in FY 2013.



The growth of Class III machines was strong from 2005 to 2008, but weakened after the National Indian Gaming Commission withdrew restrictive Class II regulations in 2008. Class II machines declined from 2005 to 2008 but have grown substantially since 2009. 2012 marked the fourth consecutive year with an increase in Class II machines as a percentage of total machines. Available 2013 figures indicate the trend has continued.



Note: Numbers are based on year-end totals for comparison sake. Source for Class II counts is *Casino City's Indian Gaming Industry Report, 2014 Edition*.

# STATE AND TRIBAL PORTIONS OF CLASS III REVENUE

Under the state-tribal compact, tribes pay monthly exclusivity fees from Class III games revenue based on a sliding scale. For the first \$10 million in revenue, tribes pay 4 percent to the state; for the next \$10 million, the payment is 5 percent; and for revenues more than \$20 million, the payment is 6 percent. Tribes pay 10 percent of the monthly net win from table games. Tribes do not pay exclusivity fees from revenue derived from Class II games.

## CLASS III GAME REVENUE ALLOCATION

TRIBAL PORTION

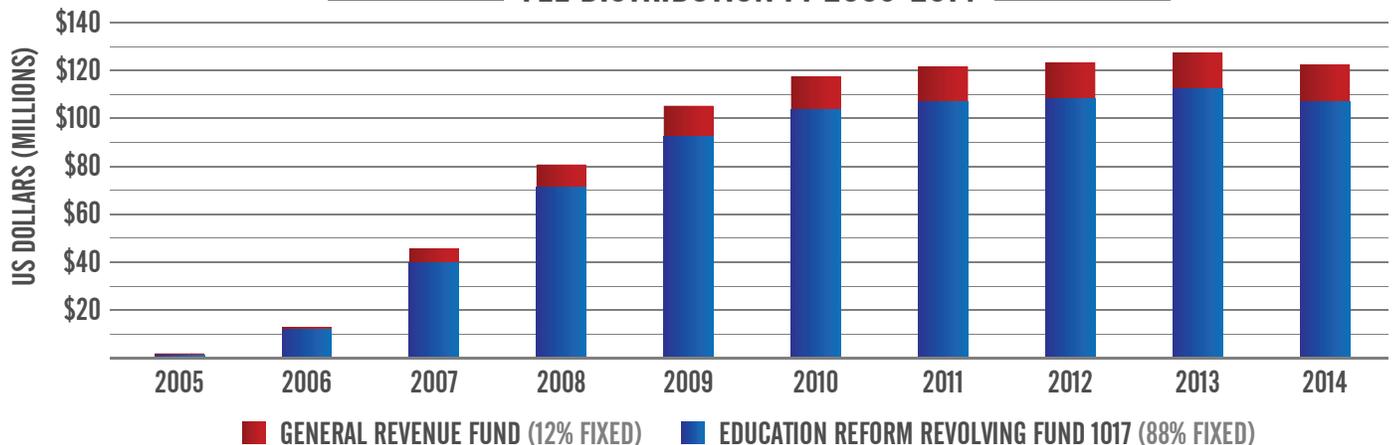
STATE PORTION



## WHERE DOES THE STATE MONEY GO?

As required by statute, the exclusivity fees go to the Education Reform Revolving Fund (1017 Fund), the General Revenue Fund and the Department of Mental Health and Substance Abuse Services. As set by statute, ODMHSAS receives \$250,000 annually. Of the remaining fees, the 1017 Fund receives 88 percent and the GRF receives 12 percent. The 1017 Fund received \$107,687,033.52 in FY 2014 compared to \$112,506,653.08 in FY 2013. The GRF received \$14,684,595.47 in FY 2014 compared to \$15,341,816.33 in FY 2013.

### FEE DISTRIBUTION FY 2005-2014



Note: In the 2007 legislative session, Senate Bill 820 amended the 12 percent recipient from OHLAP to the GRF, effective for FY 2008. OHLAP funds began being directly allocated from the GRF as requested by Oklahoma State Regents for Higher Education and approved by the Board of Equalization.

# EXCLUSIVITY FEES PAID BY TRIBES

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Absentee Shawnee	\$278,389.00	\$390,853.00	\$628,081.00	\$721,904.00	\$610,906.00
Apache	\$336,199.00	\$282,311.00	\$252,065.00	\$284,992.00	
Cherokee	\$12,208,041.49	\$12,567,245.86	\$13,112,792.23	\$13,772,410.30	\$13,637,467.04
Cheyenne & Arapaho	\$2,850,210.00	\$4,212,290.00	\$3,662,359.00	\$3,503,456.00	\$3,279,764.00
Chickasaw	\$33,330,424.00	\$35,233,474.00	\$39,549,519.00	\$41,094,012.00	\$42,303,348.00
Choctaw	\$22,753,832.00	\$22,142,497.00	\$19,961,755.00	\$20,748,876.02	\$19,698,064.00
Citizen Potawatomi	\$5,499,238.03	\$4,957,066.00	\$4,277,032.78	\$4,091,492.00	\$4,033,981.00
Comanche	\$2,277,850.00	\$2,849,990.00	\$3,137,040.00	\$6,184,429.92	\$3,171,941.00
Delaware	\$374,533.83	\$362,571.57	\$390,013.63	\$589,514.38	\$715,864.21
Eastern Shawnee	\$1,453,270.00	\$1,426,593.00	\$1,539,188.00	\$1,653,712.00	\$1,691,819.00
Ft. Sill Apache	\$1,461,604.00	\$1,573,519.00	\$1,543,765.00	\$1,757,540.00	\$1,772,842.00
Iowa	\$1,141,585.00	\$1,087,800.00	\$1,005,830.89	\$1,033,598.00	\$1,126,666.00
Kaw	\$394,151.94	\$406,946.00	\$349,186.00	\$293,800.00	\$233,246.00
Kickapoo	\$895,422.00	\$869,895.00	\$866,983.00	\$935,132.00	\$928,989.00
Kiowa	\$2,314,545.76	\$1,804,704.91	\$1,879,330.58	\$1,743,076.95	\$1,666,168.36
Miami					\$42,704.00
Modoc	\$343,742.00	\$350,975.00	\$345,436.00	\$315,018.00	\$264,735.00
Muscogee (Creek)	\$8,637,622.00	\$9,556,636.00	\$10,049,727.00	\$9,831,428.00	\$9,070,056.00
Osage	\$4,858,437.62	\$4,870,032.78	\$5,720,058.00	\$5,929,126.00	\$5,780,946.00
Otoe-Missouria	\$5,051,241.84	\$4,933,483.00	\$2,857,234.00	\$1,880,296.00	\$1,921,013.00
Ottawa	\$196,563.00	\$215,293.00	\$275,305.00	\$266,274.00	\$225,608.00
Pawnee	\$267,580.00	\$338,688.00	\$358,823.00	\$330,168.00	\$291,636.00
Peoria	\$470,940.00	\$463,907.00	\$535,786.00	\$758,418.00	\$793,199.00
Ponca		\$116,683.00	\$178,156.00	\$123,530.00	\$50,784.00
Quapaw	\$5,706,714.00	\$6,066,706.00	\$6,533,156.00	\$6,072,608.00	\$5,802,368.00
Sac and Fox	\$1,050,365.28	\$921,135.00	\$644,445.00	\$611,234.00	\$684,035.00
Seminole	\$250,537.16	\$356,721.04	\$439,798.00	\$439,485.00	\$520,744.00
Seneca-Cayuga	\$601,760.98	\$578,899.42	\$625,626.22	\$593,406.80	\$497,451.34
Thlopthlocco	\$12,116.00	\$101,687.00	\$144,972.00	\$149,622.00	\$128,432.00
Tonkawa	\$2,451,375.00	\$2,383,285.00	\$2,099,202.00	\$1,573,034.00	\$995,998.00
Wichita & Affiliated	\$309,075.00	\$414,139.00	\$522,469.00	\$500,097.00	\$441,415.00
Wyandotte	\$436,897.00	\$401,700.00	\$386,945.00	\$316,779.00	\$239,439.00
<b>TOTAL</b>	<b>\$118,214,262.93</b>	<b>\$122,237,726.58</b>	<b>\$123,872,079.33</b>	<b>\$128,098,469.37</b>	<b>\$122,621,628.95</b>

Note: *Red* indicates a decrease and *Green* shows an increase compared to the previous year.

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