



NIGC Releases Economic Impact Study for Proposed Class II Regulations

Washington, DC, February 1, 2008 — The National Indian Gaming Commission (NIGC) today released an economic impact study in connection with its recently proposed Class II gaming regulations. The study was prepared by Dr. Alan Meister of the Analysis Group and follows a November 2006 study he did for the Commission on an earlier proposal.

The Commission intends the current set of proposed regulations to more clearly distinguish the “electronic and technological aids” Indian tribes may use to offer Class II Bingo and similar games from Class III casino gaming equipment such as slot machines or “electronic facsimiles of games of chance.” Class III gaming requires tribes to enter into compacts with the states where they are located; Class II gaming does not.

Because of the current lack of clarity between “technological aids” and “electronic facsimiles,” the Commission is concerned that much of the equipment now used to electronically connect bingo players may actually qualify as Class III gaming and be unlawful.

To address this lack of clarity, the Commission has proposed a package of regulations that will more clearly define how much electronic technology may aid bingo players before crossing into the areas constituting electronic facsimiles. The proposals would set game, technical, and internal control standards that equipment must meet before qualifying for play without tribal-state compacts. Compliance would be determined by tribal gaming regulatory authorities after examination by independent testing laboratories.

“If we adopt these proposed regulations or something similar,” NIGC Chairman Phil Hogen stated, “a lot of the equipment some tribes have placed on their Class II gaming floors today won’t meet the new requirements and compliant replacement equipment will likely be somewhat less lucrative. Thus, there will be some considerable short-run cost associated with these regulatory steps. However in the long run, stability will be brought to this important area, and the industry will be better served by our clearly informing tribes what they can legally invest in and operate, what banks will be willing to finance, and what the designers and manufacturers of these games can provide.”

Hogen went on to explain that in the Commission’s proposal, they have recognized these challenges and they provide for a five-year grandfather provision that would permit the continued use of non-conforming equipment during that period. In addition, grandfathered equipment is freely transferable to other tribal gaming operations.

The economic impact study finds that the proposal will cause a total nationwide loss of approximately \$1.2 billion in gaming revenue, the mid-point in a range of \$575.9 to \$1.8 billion. Discounting revenue generated by equipment that may actually qualify as Class III gaming cuts the loss by more than half, to \$481.9 million, the mid-point in a range from \$235.5 million to \$728.6 million. The study notes as well that the \$347.9 million in compliance costs is spread over the five-year grandfather period.

“Even though the Indian gaming industry generates over \$26 billion annually,” Hogen observed, “these are significant impacts, and of course not all gaming tribes will be impacted evenly,” the Chairman concluded.

The comment period for the proposed regulations was recently extended by the Commission to March 9, 2008, resulting in a 137 day-comment period since the proposed regulations were published in the Federal Register on October 24, 2007.

The Commission has created Tribal Advisory Committees to assist it in drafting these proposals, and those committees are scheduled to meet with the Commission again on February 29, 2008, in Washington, D.C. to review comments received by that date and to further advise the Commission.

To view a copy of the economic impact study, please click on the following link:

[Economic Impact Study](#)

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NIGC is an independent regulatory agency established within the Department of the Interior pursuant to the Indian Gaming Regulatory Act of 1988.