

OKLAHOMA GAMING COMPLIANCE UNIT
ANNUAL REPORT
FISCAL YEAR 2016

OFFICE OF MANAGEMENT AND ENTERPRISE SERVICES



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EXECUTIVE SUMMARY

The State of Oklahoma collected more than \$132 million in tribal gaming exclusivity fees in fiscal year 2016 under the state-tribal gaming compact. The record amount is not only good news for Oklahoma education funding, but also continues an upward trend since the first decline two years ago.

Tribes paid the FY 2016 exclusivity fees based on nearly \$2.2 billion in revenue generated from Class III electronic games¹ and nonhouse-banked card games.

Compared to the previous year, FY 2016's 3 percent overall uptick mirrored an increase in fees derived from electronic Class III games, about \$113.5 million. Tribes do not pay exclusivity fees on revenue generated from Class II gaming.

FY 2016's collections are the second year in a row exclusivity fee payments have increased after the fees paid to the state by Native American tribes for exclusive gaming rights declined compared to the previous year for the first time since the implementation of the compact in 2005. A variety of factors has caused collections to increase by nearly \$9.4 million since FY 2014, including FY 2015 being the first full year during which new staff at the Office of Management and Enterprise Services Gaming Compliance Unit was in place and operating under improved policies and procedures.

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 received nearly \$116 million in FY 2016. The GRF received about \$16 million in FY 2016. 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 nonhouse-banked table games, although still significantly less than that from electronic games.

Until FY 2014, exclusivity payments had grown annually since 2005, when tribes first began operating under voter-approved, state-tribal gaming compacts. The compact established exclusivity payments, one-time startup and annual assessments for the operation of covered games.

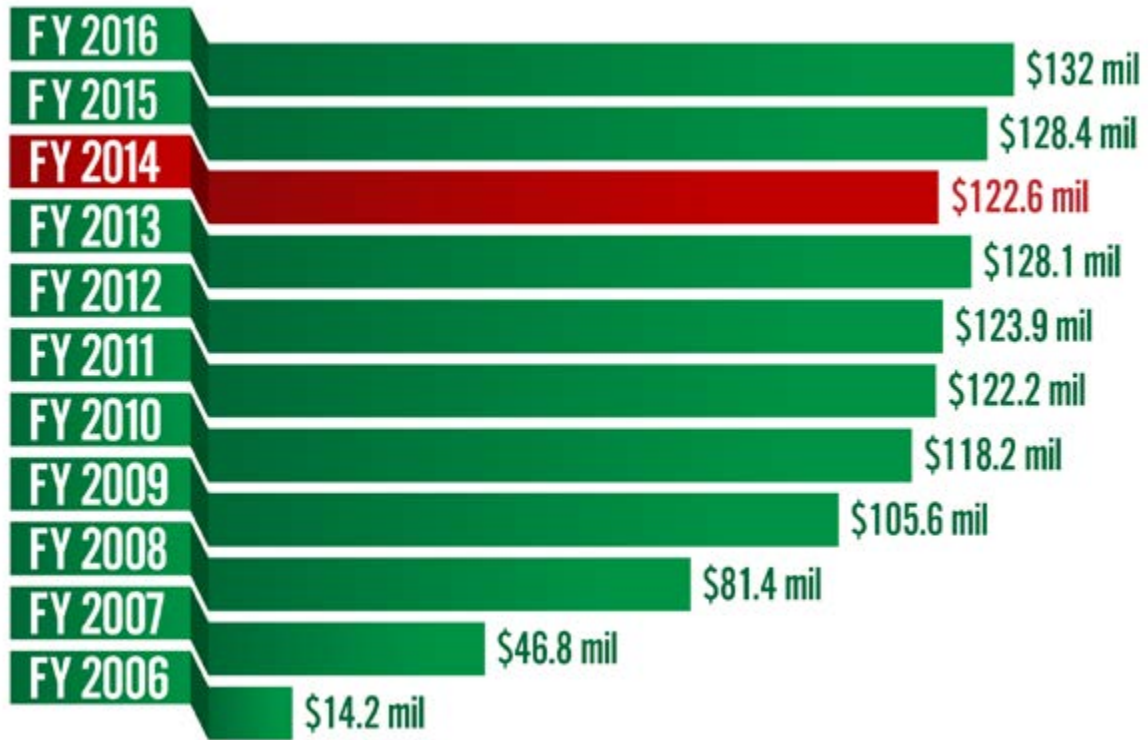
Under the compact, tribes pay monthly exclusivity fees based on a sliding scale for Class III electronic games. For the first \$10 million in revenue, tribes pay 4 percent to the state; for the next \$10 million, the payment is 5 percent; and for revenues more than \$20 million, the payment is 6 percent.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

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

TOTAL EXCLUSIVITY FEES

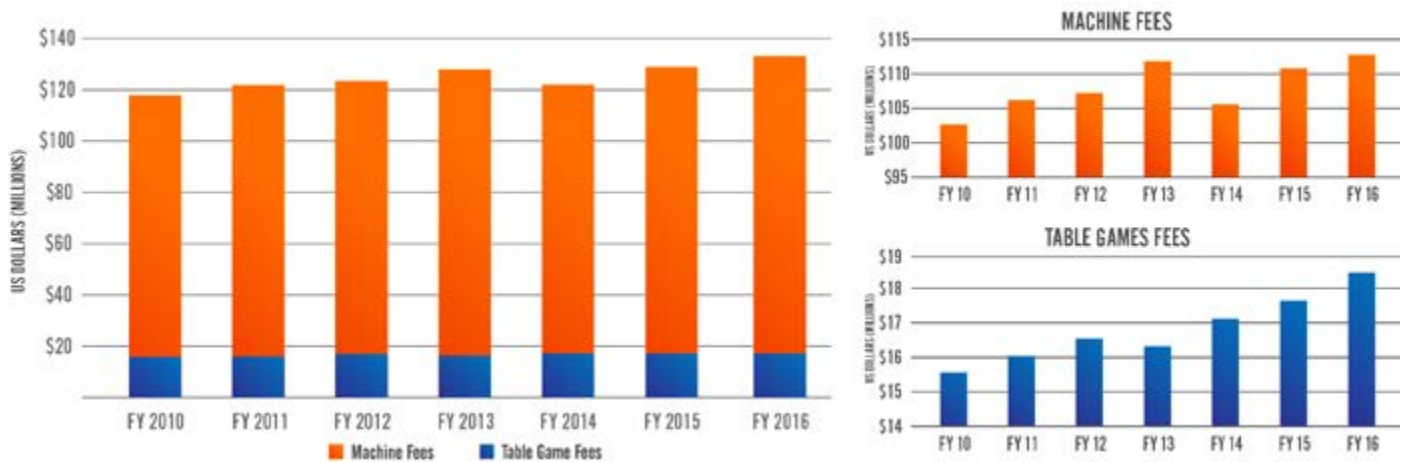
Exclusivity fee collections set a record for the second consecutive year in FY 2016, \$132,035,242. It was a \$3,657,355, or nearly a 3 percent, increase from FY 2015.



ELECTRONIC AND TABLE GAME FEES

The payment from electronic games is typically much greater than the payment received from table games, and FY 2016 was no different despite an all-time high in exclusivity fees from table games.

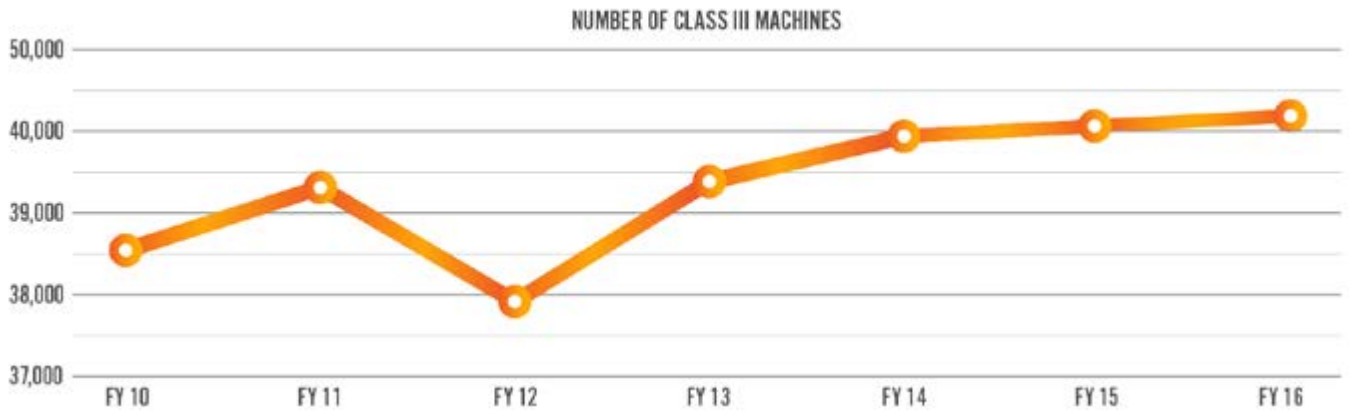
In FY 2016, tribes paid \$113,592,766 in electronic games fees, a \$2,878,369, or just more than a 2.5 percent, increase from the previous year. FY 2016 table games fees totaled \$18,442,476, a \$778,986, or nearly a 4.5 percent, increase from FY 2015.



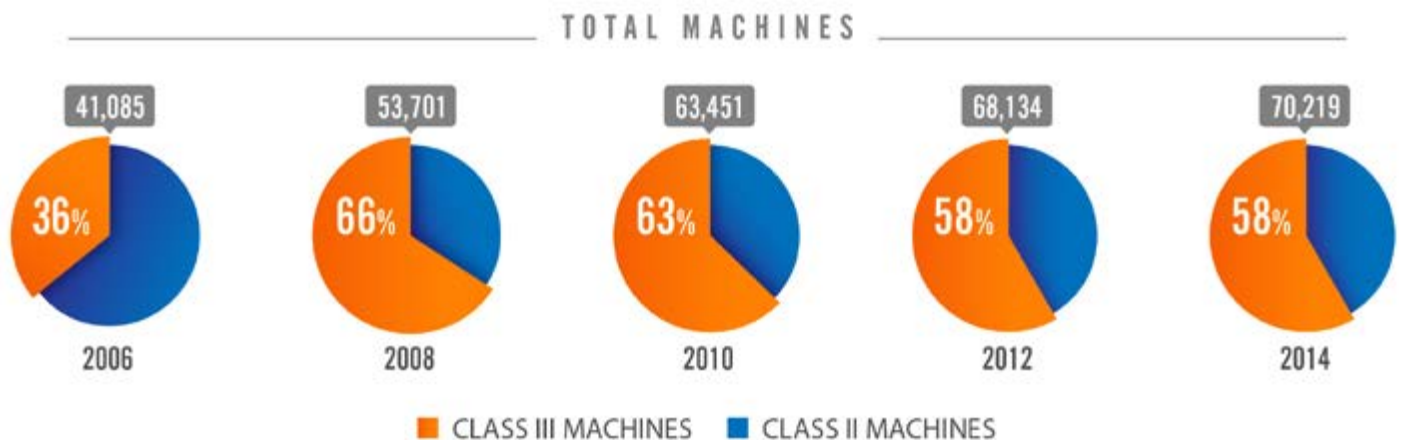
CLASS II AND CLASS III MACHINES

The number of Class III machines grew for the fifth consecutive year, which along with a coinciding increase in the number of Class II machines likely impacted the total revenue from all machines.

In FY 2016, there was a monthly average of 41,099 Class III machines compared to 40,667 in FY 2015.



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. While the number of Class III machines has steadily grown since 2012, available recent figures indicate Class II machines have grown at a faster pace as a percentage of total machines. The state collects exclusivity fees from Class III machines and nonhouse-banked card games but not Class II games.



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

STATE AND TRIBAL PORTIONS OF CLASS III REVENUE

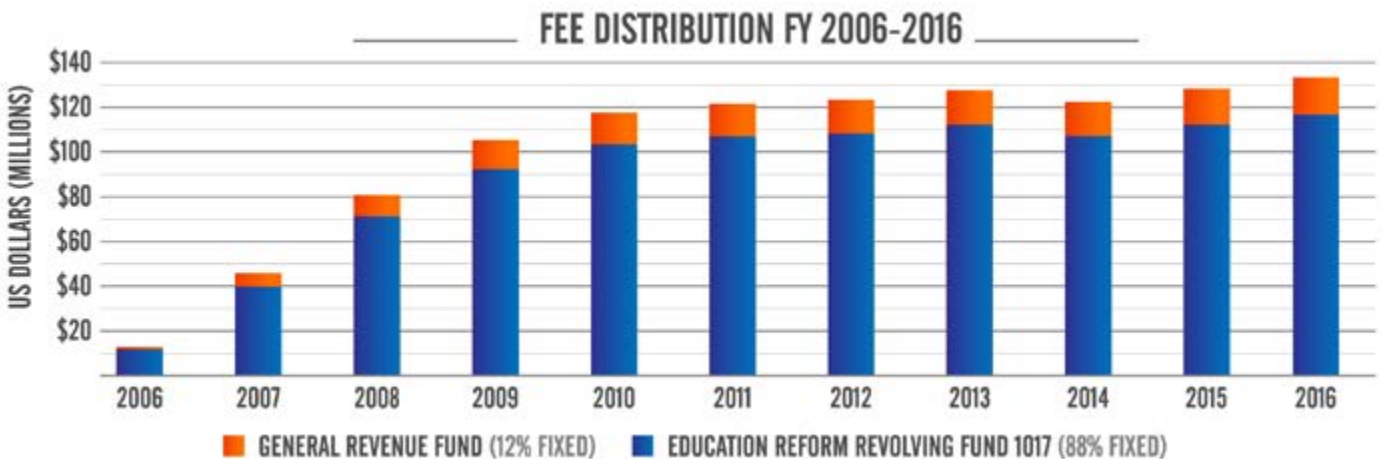
In FY 2016, tribal revenue from Class III games was \$2,194,584,994, of which tribes paid \$132,035,242 to the state.

Under the state-tribal compact, tribes pay monthly exclusivity fees from Class III game revenues 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.



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. 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 \$115,971,013 in FY 2016 compared to \$112,752,541 in FY 2015. The GRF received \$15,814,229 in FY 2016 compared to \$15,375,347 in FY 2015.



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 2012	FY 2013	FY 2014	FY 2015	FY 2016
Absentee Shawnee	\$628,081.00	\$721,904.00	\$610,906.00	\$573,958.00	\$526,351.00
Apache	\$252,065.00	\$284,992.00			
Cherokee	\$13,112,792.23	\$13,772,410.30	\$13,637,467.04	\$14,279,243.10	\$15,290,046.32
Cheyenne & Arapaho	\$3,662,359.00	\$3,503,456.00	\$3,279,764.00	\$3,146,603.00	\$2,898,332.00
Chickasaw	\$39,549,519.00	\$41,094,012.00	\$42,303,348.00	\$45,395,343.00	\$46,861,383.00
Choctaw	\$19,961,755.00	\$20,748,876.02	\$19,698,064.00	\$20,993,444.00	\$22,444,606.00
Citizen Potawatomi	\$4,277,032.78	\$4,091,492.00	\$4,033,981.00	\$3,751,619.00	\$4,079,849.00
Comanche	\$3,137,040.00	\$6,184,429.92	\$3,171,941.00	\$3,643,416.00	\$3,992,720.00
Delaware	\$390,013.63	\$589,514.38	\$715,864.21	\$707,034.43	\$644,843.43
Eastern Shawnee	\$1,539,188.00	\$1,653,712.00	\$1,691,819.00	\$2,237,663.00	\$2,593,546.49
Ft. Sill Apache	\$1,543,765.00	\$1,757,540.00	\$1,772,842.00	\$1,730,967.00	\$1,813,945.00
Iowa	\$1,005,830.89	\$1,033,598.00	\$1,126,666.00	\$1,376,630.00	\$1,184,686.00
Kaw	\$349,186.00	\$293,800.00	\$233,246.00	\$190,465.00	\$274,384.00
Kickapoo	\$866,983.00	\$935,132.00	\$928,989.00	\$849,860.00	\$862,455.00
Kiowa	\$1,879,330.58	\$1,743,076.95	\$1,666,168.36	\$1,559,659.00	\$1,488,654.00
Miami			\$42,704.00	\$41,381.00	\$45,049.00
Modoc	\$345,436.00	\$315,018.00	\$264,735.00	\$237,139.00	\$215,858.00
Muscogee (Creek)	\$10,049,727.00	\$9,831,428.00	\$9,070,056.00	\$8,974,265.00	\$8,531,353.00
Osage	\$5,720,058.00	\$5,929,126.00	\$5,780,946.00	\$5,937,879.00	\$5,775,990.00
Otoe-Missouria	\$2,857,234.00	\$1,880,296.00	\$1,921,013.00	\$1,916,777.00	\$1,957,047.00
Ottawa	\$275,305.00	\$266,274.00	\$225,608.00	\$198,998.00	\$176,747.00
Pawnee	\$358,823.00	\$330,168.00	\$291,636.00	\$353,483.37	\$321,650.00
Peoria	\$535,786.00	\$758,418.00	\$793,199.00	\$861,254.00	\$983,743.00
Ponca	\$178,156.00	\$123,530.00	\$50,784.00		
Quapaw	\$6,533,156.00	\$6,072,608.00	\$5,802,368.00	\$5,850,767.00	\$5,923,005.00
Sac and Fox	\$644,445.00	\$611,234.00	\$684,035.00	\$767,792.00	\$576,159.00
Seminole	\$439,798.00	\$439,485.00	\$520,744.00	\$564,840.00	\$444,953.68
Seneca-Cayuga	\$625,626.22	\$593,406.80	\$497,451.34	\$565,642.31	\$403,250.30
Thlopthlocco	\$144,972.00	\$149,622.00	\$128,432.00	\$122,022.00	\$125,652.00
Tonkawa	\$2,099,202.00	\$1,573,034.00	\$995,998.00	\$823,407.00	\$943,095.00
Wichita & Affiliated	\$522,469.00	\$500,097.00	\$441,415.00	\$488,105.00	\$431,725.00
Wyandotte	\$386,945.00	\$316,779.00	\$239,439.00	\$238,231.00	\$294,164.00
TOTAL	\$123,872,079.33	\$128,098,469.37	\$122,621,628.95	\$128,377,887.21	\$132,035,242.22

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

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