

A portrait of Frank J. Fahrenkopf Jr., President and CEO of the American Gaming Association. He is an older man with short, light-colored hair, wearing glasses, a dark suit jacket, a white shirt, and a light blue patterned tie. He is smiling slightly and looking towards the camera. The background is a blurred outdoor scene with trees and a building.

FEATURE

We're In the Education Business

By Frank J. Fahrenkopf Jr., President and CEO
American Gaming Association

Editor's Note: Governments are important to gaming— they determine when and where legal gaming activities can take place and the rules and regulatory framework they must operate within. There are issues of taxation, licensing and the responsible implementation of gaming operations as well as educational efforts. While many gaming organizations have direct relationships with government, most, if not all, are represented by one or more of the three main gaming industry associations—the American Gaming Association, the Association of Gaming Equipment Manufacturers and the National Indian Gaming Association. Following are three essays from the leaders of each of these respective associations detailing their role in gaming and government relations.

Every two years, Americans across the country walk into polling booths and vote on a wide array of legislative items. From referenda to candidates, voters make important decisions on future policies that affect them, directly or indirectly, at the local, state and federal level. And no matter which party wins or loses, the debate on regulation and law continues, perpetually creating new opportunities and challenges for the gaming industry.

The American Gaming Association (AGA) was founded in 1995 with a fundamental goal: create a better understanding of the gaming entertainment industry by conveying important industry information to the general public, elected officials, other decisionmakers and the media through education and advocacy. Our mission is to ensure that the opinions and voices of the industry are a part of the broader debate.

Our members range from casino enterprises and equipment manufacturers to professional service

companies and state regulatory associations. The AGA strives, to the extent possible, for consensus among these diverse members on the overarching policy issues facing commercial gaming. In fact, prior to the founding of the AGA, many were skeptical about whether the various players in the commercial gaming industry could find common ground within an association. But for the past 15-plus years, our members have set aside competitive interests to address shared threats and work toward common goals.

The AGA educates legislators, industry employees and the general public about the positive role the commercial gaming industry plays in our economy and its role as a vital local, regional and national economic driver.

The AGA is also the first national clearinghouse for all facts and figures on the gaming industry. This is a vital tool for all audiences' understanding, as many constituencies are simply unaware of the breadth and depth of the commercial casino industry's impact on the economy.

To this end, the AGA annually publishes the *State of the States* report, now in its 13th year. The report serves as an indispensable tool that offers a comprehensive look at the commercial casino industry from an economic perspective. Economic impact data, such as gaming revenues, gaming tax contributions, employment and wages for the states where member companies operate, provides a clear picture of both the economic and geographic size of our industry.

The AGA continually searches for more granular data to accurately display and showcase the full scope of our industry's impact on the economy. For example, this year the AGA commissioned a study of local-level economic data to gain a detailed understanding of commercial casinos' impact throughout the supply-chain. The report underscores the tangible market benefits of commercial casinos that will only help to further educate audiences about the positive contributions the gaming industry makes to American communities across the country.

However, providing figures and facts is only half the battle. It is also critical that we engage lawmakers face-to-face by providing reasonable and understandable analysis of what the data actually means—as well as their implications for the future. By making members of Congress aware of this information, the AGA is highlighting the billions of dollars commercial casinos spend every year in their states and districts. Moreover, these studies and other AGA programs help fight the common misconceptions many people hold against the industry.

We are also constantly working to address the misconceptions and myths about the social impacts of our industry and in particular, those related to pathological gambling. Since its founding, the AGA has made promotion of responsible gaming a top priority, and in 2006 established the National Center for Responsible Gaming, the largest funder of research and education initiatives related to gambling disorders in the world.

The 2010 elections provide a perfect example of why education is necessary. Most of the 112 newly elected members that began their national political careers after that election had a less than comprehensive understanding of the commercial casino industry's role as a substantial driver of the American economy. The AGA has since delivered its story to these elected officials through a variety of mediums. Whether it is through a white paper, impact study, an industry day in Washington or social media outreach, the proactive education of and collaboration with lawmakers is the most effective way to build meaningful relationships. The AGA nurtures these relationships because many issues that will impact our industry—whether taxation, regulation or others—are certain to be debated on Capitol Hill. The only way to ensure that legislators differentiate appropriate rules from those that unnecessarily encumber business growth is by securing a seat at the table during negotiations rather than after the dust has settled.

One of the most important points the AGA emphasizes time and again is that the commercial casino industry is about a lot more than

gambling; we're an entertainment industry. Those with little or no knowledge of modern casinos think we're solely built on games and wagers. Yet, more than 70 percent of casino-goers participate in entertainment other than gambling, and many who visit casino resorts rarely gamble at all. The same can be said about job offerings within the industry. In addition to jobs on the casino floor, commercial casinos employ a diverse set of accountants, human resource professionals, food service workers and others representing fields typical of any diverse, large-scale industry.

The AGA has worked hard to implement initiatives that provide opportunities to both minorities and women. Programs such as the AGA Diversity Task Force have helped turn the industry into a leader on diversity issues. In fact, commercial casinos employ more minorities than other businesses in the arts, entertainment, recreation, accommodation and food services sectors and have more minority officials and managers, professionals and technicians than these other businesses. This year the AGA launched Global Gaming Women, a new development program to nurture emerging female leaders in the international gaming industry.

This further emphasizes that the gaming industry is part of the mainstream economy and should be treated like any other business. Policymakers need to strike a delicate balance between necessary taxation and regulation and fostering a pro-business climate that continues to create jobs and revenues. Every day, the AGA works with members of Congress in discussing the economic impact of our industry, and it has proven to be effective. Our work has resulted in numerous successes for the broader industry, including protecting casino employee tips from unfair taxation and securing legislation to help gaming companies impacted by Hurricane Katrina. The clearer legislators can see the economic impact of balanced regulation that allows for stable growth and healthy job creation, the more likely they are to think favorably about the commercial casino industry.

The AGA also enhances the industry's voice on political issues that impact our business through our political action committee (PAC). The AGA PAC helps build relationships with elected officials, support candidates who support our views and make certain that our message resonates with lawmakers. Through this strategic support of those who back the industry, the AGA can develop long-term allies on the Hill. As the AGA PAC grows, it will play an instrumental role as the primary political vehicle for a unified industry.

Of course, the industry's message does not begin and end in Washington. Coordinated campaigns with similarly aligned groups and individual members are integral to our proactive approach in reaching out to lawmakers across the country.

The AGA also works regularly with companies and affiliated associations to assist them in educating state and local representatives about casinos' positive economic impact on local communities. The AGA also joins with national business and travel associations such as the U.S. Chamber of Commerce and the U.S. Travel Association to address important issues that affect our industries. When appropriate, grassroots and state-based organizations help educate state and local representatives about our industry as well.

The AGA's ongoing campaign to support federal legislation allowing states to license and regulate online poker is a prime example of engaging allied groups in efforts to advance key industry positions. Our launch of the AGA Online Poker Headquarters, which included the release of an Online Poker Code of Conduct as well as a viral video, was complementary of the efforts of FairPlay USA, a coalition also seeking to build momentum for a safe and secure online poker market.

As technology advances, the commercial gaming industry remains poised to innovate with it. The AGA may be using new tools to advocate for the commercial gaming industry, but one thing remains the same: The AGA will continue to be the voice of the commercial casino industry in Washington, and we will always provide strong leadership on the issues most important to our industry.



FEATURE

Working Together for a Common Good

By Marcus Prater, Executive Director
Association of Gaming Equipment Manufacturers

Gaming and government may seem like unlikely bedfellows, but in reality, the two are very closely intertwined for a wide variety of reasons that ultimately benefit both entities. In simple terms, without government, gaming would not have the framework that makes the business of wagering among the most regulated of any industry, which in turn allows players to challenge the house with a strong level of trust and fairness. Without gaming, the government—local, state and federal—would not have a dynamo of an industry that helps make the travel and tourism business a key driver of the overall economy.

Ironically enough, the Association of Gaming Equipment Manufacturers (AGEM) was formed in 2000 when whispers of governmental action prompted Aristocrat, Bally, IGT and WMS—the big four slot machine companies of that particular era—to set aside their fierce competitive battles to sit at the same table to discuss a potential taxation issue that was simmering in Carson City, Nev., where gaming regulations are considered the gold standard and are often copied by other states.

Ultimately, the taxation issue never materialized, but AGEM was born and has been active in governmental affairs ever since.

From the original big four slot companies, AGEM grew slowly at first, reaching 30 members in 2007 and then taking off in 2008 and beyond, ultimately reaching a high of 113 members in 2011. Those member companies now include all of the biggest and most influential machine companies, along with companies that manufacture and distribute everything needed to outfit a casino, including table games, chairs, flat screens, signs, bill validators, ticket printers, systems, software, hardware, chips, cards—you name it.

With such impressive growth that has brought in members from around the world, AGEM's influence has grown accordingly and now allows the organization to address a vast array of issues that affect our members. And those issues typically lead to gaming and government once again colliding in a positive way.

In most states, the agency that oversees the gaming industry is typically a governmental agency. While many people equate "government" to everything from the governor's office to the police force, those in gaming know that "government" is really organizations such as the Nevada Gaming Control Board (GCB), the Nevada Gaming Commission, and the Casino Control Commission (CCC) or the Division of Gaming Enforcement (DGE) in New Jersey. These are the bodies all gaming companies have to report to, whether it be for licensing corporations or products, or simply to follow the rules as outlined in state statutes.

AGEM often focuses on Nevada because most of the members have headquarters or offices in Las Vegas or Reno, and because what happens in Nevada doesn't actually stay in Nevada and in fact, is copied and followed in gaming jurisdictions around the world. For that reason, AGEM has full-time advocates representing its interests in Carson City, where the Nevada legislature officially convenes every other year. Moreover, AGEM is active in Nevada politics, contributing money to the campaigns of those running for state office who share AGEM's pro-gaming viewpoint.

AGEM and its member companies interact with governmental agencies in many states on a daily basis, but oftentimes an issue surfaces that prompts all sides to work together for a common good. This past legislative session in Nevada is a good example, as AGEM hired outside counsel to help re-work the language of a previously enacted regulation that was forcing slot companies who use independent contractors to go through an onerous licensing or registration process. As new technology and game content have evolved, slot companies have increasingly reached out to leaders in other creative industries to produce what you ultimately see on the casino floor. When you consider video slots and the stunning animations and bonus sequences, it's easy to make a comparison to the other video gaming industry—the one where Electronic Arts (EA), PlayStation, Wii and Xbox innovate and do business.

As traditional slot companies looked to improve their content, they wanted to retain some of the talent from the EA world without having to license or register independent contractors who were simply providing graphics, animations, bonusing events or other elements that do not affect the code that determines the outcomes for players. Ultimately, the Nevada Gaming Control Board and the Nevada Gaming Commission agreed with that position and approved new wording in the regulation without weakening the standards that protect the integrity of the games for players.

AGEM has also interacted with different state governments when the enabling legislation to bring gaming to a particular state was found to be so stringent that it actually prevented gaming from being implemented. One such example was in Kansas, where the legislative language originally mandated the any ownership interest holding up to 5 percent in a company attempting to be licensed would have to go through the full licensing process. With publicly traded companies such as Aristocrat, Bally, IGT, Konami, WMS and others, the ownership structure can change on daily basis as shares trade and change hands. Many states have a 0.5 percent ownership threshold, and it was almost like Kansas forgot to move the decimal. Ultimately, AGEM became involved in getting the language changed so licensing could take place and gaming could go live. Now, several years later, AGEM is facing a similar situation with the enabling legislation in Ohio and is currently engaged at the state legislative level and with the Ohio Casino Control Commission in an attempt to once again improve short-sighted language.

Other states such as Illinois are even more problematic, where the Video Gaming Act was signed into law more than two years ago and yet a single new machine has yet to be turned on. AGEM has been active with the Back to Work Illinois (BWI) coalition that is working to get the Video Gaming Act successfully implemented so that AGEM members can benefit from what could be a business environment with 30,000 new machines being sold. This effort brings gaming and government together at even the small-town level. Under terms of the Video Gaming Act, municipalities—cities, small and large—can choose to "opt out" of the process and not allow gaming in their individual location. BWI has spent a great deal of energy educating those municipalities about what gaming can do for them and how gaming revenue will allow for the funding of capital projects throughout the state of Illinois.

If Illinois is a challenge, then Mexico is the ultimate challenge. Everyone at AGEM would rather work with small towns in Illinois than the various state governments in Mexico all the way up to the federal government at the presidential level. However, with Mexico currently being such a volatile market in the aftermath of the casino fire in Monterrey, it's more important than ever that AGEM protect the interests of its members who do business in Mexico. Over the past five to seven years, Mexico has been a tremendous growth market for gaming suppliers, led by the big slot companies. There can be good growth ahead as well, as long as the market remains regulated and stable, something AGEM is working to ensure by partnering with other entities in Mexico that have similar interests in working with the government to introduce a new law that essentially would be the first comprehensive update to the 1947 law that currently governs gaming.

AGEM members are also members of the American Gaming Association (AGA) and the National Indian Gaming Association (NIGA) and encourage those organizations take the lead on federal gaming and Native American issues. AGEM provides appropriate support to the AGA and NIGA when working together for a common good benefits the industry as whole. All three organizations know that gaming and government are forever linked in a unique and effective partnership that has helped spread gaming entertainment throughout the U.S. and the world.



FEATURE

Indian Gaming & Tribal Governments

By Ernie Stevens Jr., Chairman
National Indian Gaming Association

Gaming and government is a fitting theme to describe the history of Indian gaming and the National Indian Gaming Association (NIGA).

Indian tribes governed their lands and all who entered their territories long before contact with European nations, successfully prospering with activities, including gaming and economic development. After contact, the nations of England, France and Spain acknowledged tribes as sovereigns, entering into treaties with tribes to establish commerce, trade and peace agreements.

When the United States was formed, it too recognized the governmental status of Indian tribes. The U.S. Constitution's Commerce Clause specifically acknowledges tribes as distinct governments, and the Supremacy Clause provides that treaties shall be the supreme law of the land. Through hundreds of treaties with the U.S., tribes ceded hundreds of millions of acres of tribal homelands to help build this great nation. In return, the U.S. promised to provide for the education, health, public safety and general welfare of Indian people.

Many know the dark history of U.S. policies that abrogated these promises, caused the death of hundreds of thousands of our ancestors, stole additional millions of acres of tribal homelands and destroyed tribal economies. One of the most tragic examples was the federal policy of assimilation, during which the U.S. forcibly took Indian children from their homes, placing them in government-run boarding schools where they were forbidden from speaking their language or practicing their Native religions.

Tribes and tribal culture, however, persisted. The perseverance of Indian people demonstrated to the federal government that Indian country was not going to fade away.

After suffering through generations of these and other failed policies, tribes took matters into their own hands in the 1960s and 1970s when they began to use gaming as a means to generate revenue to meet tribal community needs.¹

These events coincided with the federal policy shift toward supporting Indian self-determination, which seeks to improve Indian education, foster tribal culture and enhance tribal economies. Indian gaming is Indian self-determination.

As Indian gaming grew, state governments and commercial gaming operations challenged the authority of tribes to conduct gaming on their lands in the courts and before Congress.

Tribes acknowledged these threats, and to better address the challenge, formed the National Indian Gaming Association (NIGA) in 1985. NIGA was formed just as the state and commercial gaming legal challenges found their way to the U.S. Supreme Court. In 1987, the *California v. Cabazon Band of Mission Indians* decision upheld the right of tribes, as governments, to operate gaming on their lands free from state interference. A little more than one year later, in 1988, Congress stepped in and enacted the Indian Gaming Regulatory Act (IGRA).

IGRA was a compromise. It sought to foster tribal economic development and strengthen tribal governments, while establishing a federal framework to regulate Indian gaming. The act established the National Indian Gaming Commission (NIGC). While there are dozens of forms of gaming in America, the NIGC is the only federal commission to regulate any form of gaming in the United States.

Historically, tribal leaders do not favor IGRA. Simply put, it is a diminishment of tribal sovereignty. Despite this and the fact that the act is far from perfect, with the U.S. Supreme Court adding to its imperfection, tribes continue to make the best of it. For over 23 years, more than 200 tribes nationwide have made IGRA work to help begin and rebuild their communities.

For four decades, Indian gaming has proven to be the most successful tool for economic development for many Indian tribes. Indian gaming revenues have been used to put a new face on Indian country, improving health and elder care, enhancing education and rebuilding our communities.

For many tribes, Indian gaming is simply about jobs. In 2010 alone, Indian gaming generated more than 600,000 direct and indirect American jobs. Without a doubt, we're putting people to work, Indians and non-Indians alike.

In 2010, Indian gaming generated close to \$13 billion for struggling federal, state and local government budgets through revenue sharing and cooperative agreements, indirect employment, income taxes for employees of Indian gaming, and sales taxes on goods sold and services provided at our operations. In the face of the toughest economic times since the Great Depression, Indian gaming is saving thousands of American

jobs for health care workers, fire fighters, police officers, and many other local officials that provide essential services to children, elders and others. In short, Indian gaming has become a vital piece of the national economy.

Tribes are accomplishing these feats in a responsible manner that involves funding the strongest gaming regulatory system in the world. In 2010, tribes spent more than \$375 million on tribal, state and federal regulation. Indian gaming employs more than 3,400 expert regulators and staff to protect tribal operations. Our regulatory system is costly, it's comprehensive, and our record and our experience shows that it's working.

Today, NIGA represents 184 federally recognized tribal governments. Our mission is the same today as it was on day one: protect tribal sovereignty and preserve the rights of tribal governments to conduct gaming to develop our economies and move our people forward.

The late Tim Wapato is widely acknowledged as the engineer toward reigniting and forging the growth of tribal involvement related to gaming in Washington, D.C. Wapato, along with his wife Gay Kingman and NIGA Chairman Emeritus Rick Hill, saw that in order to reorganize NIGA, the most critical component was rallying the strength and unity of tribes together. Tribes embraced the challenge and today the organization has one of the most powerful presences on Capitol Hill. Wapato, Kingman and Hill will go down in history for their leadership in this role, but will always be the first to give credit to the dedication of tribal leadership for their support and commitment to bringing this vision to reality.

The legislative and legal attacks on tribal sovereignty and Indian gaming have remained constant since the enactment of IGRA. However, thanks to the strong voices of NIGA's member tribes, I'm proud to say that we defeated each and every legislative attack that has come our way. Because of the lead taken in this effort by the well-established NIGA/NCIA task force and the regional organizations, Indian country continues to step up to the plate and staunchly defend tribal sovereignty.

One reason for our success is the empowerment of tribal leaders, and strengthening our collective voice before Congress. At NIGA, we have done this through regular communications with our membership and constant contact with decisionmakers on Capitol Hill.

This success is possible because of NIGA's ability to build consensus and build coalitions.

NIGA is made up of 184 diverse member tribes, all facing different needs at home in many different communities. Our membership is our strength, and we are strongest when our voice is unified. In addition, I can't stress enough how important our regional tribal organizations are to educating people on the ground about the importance of Indian gaming and mobilizing to defend against attacks. Building strong coalitions with these regional organizations and others has been a key component to NIGA's success.

With this solid formula for success, we are fully prepared to address the challenges that lie ahead. NIGA will continue to work with our membership to build unity behind our core values of protecting tribal sovereignty and maintaining the integrity of IGRA. These are two constants that bind all tribal leaders, and the base on which our success is built.

¹ Gaming has a historical role in tribal culture and tradition. For centuries, tribes have played hand, bone and stick games and engaged in horse and foot races that involved a wide variety of wagers.