

## **Chairman Steve Stallings**

### **CNIGA State of the Industry Address**

Hello everyone. Welcome to the 22<sup>nd</sup> Annual Western Indian Gaming Conference. After so many years, I guess we should call it a CNIGA tradition. We owe a debt of gratitude to the sponsors, vendors, and seminar speakers, who have supported the conference all these years. The other group that has kept us committed to this conference is the attendees. That's all of you sitting out there. Thank you.

Whether, this is your first time, or one of many visits, we want you to return home feeling your time was spent well. Our staff and hosts – the Morongo Resort – are dedicated to creating an environment that inspires us to connect personally and professionally. I hope you will check out the variety of products and services of our vendors. Many have traveled long distances to be here. Please plan to attend the seminars. There is an impressive lineup of experts on the panels. We have put a great deal of thought into making the discussions timely and meaningful.

There are many, many people to thank for this year's conference. Right now, I would like to acknowledge our hosts – the Morongo Band of Mission Indians, and Chairman Martin -- for once again sharing Morongo's renowned hospitality with us. Thank you Morongo for your generous support of CNIGA today, and for all you have done over the past 25 plus years to advance tribal gaming.

I think we all are aware of the recent protest against the Dakota Access Pipeline by the Standing Rock Sioux of North Dakota. It's received a ton of news coverage. In the middle of the standoff with local and state law enforcement, social media

was buzzing with a negative comment about American Indians. The comment was attributed to the Morton County Sheriff Kyle Kirchmeier's Twitter account.

It was a comment that was bound to provoke anger in Indian Country.

Sheriff Kirchmeier is alleged to have said, **"Indians never know what's good for them."**

That's right, "Indians never know what's good for them."

I say alleged, because it was proven the Sheriff was not responsible for the remarks. Maybe, it was an Indian being sarcastic, or humorous. Or, maybe it was someone else hoping to provoke further hostilities among the resisters. Fake news, stolen identities, hacked internet accounts – all downsides of the new technological world we live in. As I will point out later, our gaming enterprises are also at this mercy of this fast changing digital world.

Regardless, of who authored the Twitter comment, it got plenty of attention. We get why it went viral. It is an affront – an insult to Indian people. Others have used this claim as an excuse for decades of mistreatment and marginalization of Indian people. This lie -- this rationalization – has been used to steal Indian children, Indian land and natural resources, and our culture. This excuse took Indian lives and held our future hostage.

It denigrates, negates, and stereotypes American Indians in ways that for decades made it impossible for our governments to move forward, claim our equal standing and sovereign rights, and participate in the country's economic progress.

It does not matter if the Sheriff posted this or not. What matters is that it still resonates. Sadly, it's still accepted as fact by some non-Indians. I also suspect, it still cripples the spirit and will of some of our own.

Today, many tribes are laying that myth about Indians to rest. We are proving we know what's good for us. What **is** good for us is having an economic base. What's good for American Indians is creating our own revenue. This conference -- all of you in this room -- is the best type of push back -- living examples of successful economic development. It's time to tell the real story. Our story—the true story of the renaissance in Indian Country forged by an economic strategy -- casino gaming.

Indians have always known what was good for us. It just wasn't possible to get what we needed: a commercial break, a seat at the economic table. With gaming, a door opened and we didn't hesitate.

Here's a news flash from *Casino Daily News*, Jan.19, 2017

“The entire gambling industry is still dominated by Native American casinos, as their number exceeds significantly the number of commercial casinos. The American Gaming Association's State of the States report, released in 2013, pinpoints that **land-based and riverboat casinos can now be found in 17 states, racetrack casinos now operate in 14 states, while Native American casinos are spread in 28 states.**”

A steady and reliable stream of revenue is critical for governments with a sovereign responsibility for your people and land. Until gaming, without a tax

base, only a few tribes were able to run governments based on agriculture or mineral and oil leases.

How our ancestors were able to keep the vision of sovereign nations alive without the critical funds needed to provide jobs, services, and infrastructure is a miracle. How they managed to fight for our survival as governments is equally miraculous. Gaming has fed our appetite for self-reliance, and our nascent governments have grown stronger with every year. Just as our business and political acumen is growing to meet the necessities and challenges of the times, we are becoming a presence in state Legislatures, and comfortable in corporate boardrooms.

As most of you remember, this commercial bonanza did not come easily. In California, tribes, like Morongo, San Manuel, Redding Rancheria, Sycuan, and other CNIGA founders and members, fought an eight-year political and legal battle with California's governor. The battle was for our sovereign right to game. He lost. We won. California tribal governments did something, even they weren't sure they could do. We went to war with California and Nevada's political giants and won. Political experts said, "tribes did not have the experience or political wherewith all to win." They were wrong.

Victory took great sacrifices of time and money – more than \$200 million -- and a unified determination of tribes across the state. We had been waiting a long time to climb out of clutches poverty and become self-sufficient.

You know the story. So why do I bring it up? I talk about this because it was a big deal. We should not forget that we owe a debt to these CNIGA founders, who overcame their differences, and united to win the future we are enjoying. There's a lesson here. The lesson is about unity and rising above fears, ego's, and having

the courage to gamble everything for an economic base. It was a historic. After the vote, Indians throughout the United States stood taller, thanks to California tribal leaders. We can only hope to have the same commitment and passion when it comes to protecting this hard fought economic gain.

Speaking of tribes who won over large majorities of California voters on tribal gaming ballot measures and Constitutional exclusivity for Class III gaming, I want to thank the tribes today, who have invested in our public relations. This is how we sustain the positive political profile earned by those campaigns.

It's also a big deal that our businesses continue to exceed expectations. The other good news is that there is public recognition of the tribes as the state's leading experts in gaming. The public also gives us high marks for a solid record of integrity. This, along with the generosity and goodwill we have generated in our local communities, accounts for the positive public feedback, and the acceptance of tribes as an undisputed force in the industry.

We have also done something that is important to protecting public support for our constitutional gaming exclusivity. We have enriched the California economy, benefitting all of the state's residents.

Today we are going to acknowledge and celebrate our success as entrepreneurs, business, and government leaders. We are going to congratulate ourselves for the economic benefits we bring to Californians from jobs, to services, to gifts of funds for public and social purposes.

Gaming is not just good for tribes; we have made it good for the state.

The real measure of our success -- the true impact-- is in this year's bi-annual impact study produced by Beacon Economics.

Recognizing that a recitation of a string of statistics is mind numbing, I hope you will bear with me as I go over some of the highlights of the current report. I will try to be brief.

However, I believe, it's just as important for us to recognize our accomplishments, as it is for state political leaders, and voting Californians. There is a saying that the first rule of long-term political survival is answering the question, "What have you done for me lately?"

Here is our official response!

- California Indian gaming governments infused \$7.8 billion to the state's 2014 economy. I repeat \$7.9 billion.
- \$2.9 billion represents earnings of our casino employees
- Tribes provide 63,000 jobs statewide. This represents real people, families, homes, careers, and taxpayers.
- Tribal gaming now generates more jobs than the state's pharmaceutical and manufacturing sectors. How's that for recovery from a recession?
- California tribal government casinos spent \$3.9 billion on gaming operations, and expenses, such as purchase of goods and services, (or approximately \$4.0 billion in 2016 dollars).

Contributions of non-gaming revenues and taxes to local economies have also grown as tribal governments invest casino profits into tribal government employment, services, economic diversification, and infrastructure -- all things needed to provide for members and reservations.

- Non-gaming operations in California generated an estimated \$3.3 billion in economic output.

- In 2012, California's tribal nongaming operations had approximately 14,800 employees; in 2014, employment grew to 21,300.
- In 2014, tribal gaming generated \$394.2 million in state and local tax revenues.
- The same year tribal non-gaming operations paid \$80.3 million in state in local taxes.
- Charitable contributions from gaming tribes and casinos underwrote an estimated 542 jobs statewide and an estimated \$137.9 million in donations.

Tribal gaming facilities often have a greater financial impact on local neighboring communities than other types of commercial interests. Across the state, 90 percent of tribal government employees are not-tribal members. Most of these facilities are in rural, remote, and economically depressed areas. The casinos are some of the biggest employers, service providers, and entertainment outlets in the region. In some cases, we are the only major source of employment and taxes.

Why Beacon Economics? Why pay for a statewide economic report? Beacon is a respected third party, and credible to business and political leaders. They provide economic consulting to cities, the state, and multinational corporations. For CNIGA, they accumulate confidential financial information from tribes, which enables us to educate Californians on the importance and value of Indian gaming. They do an excellent job, showing what a good job we are doing. The report gives us a tool to spread the good word about Indian gaming using sophisticated formulations grounded in research and analysis. It's typical of industry vehicles used to inform the public and government leaders.

Think of it as a report card we produce, grading ourselves. During the 1990's tribes convinced Californians to grant us an exclusive right to Class III gaming. As mentioned before, It was achieved through an expensive education and advocacy campaign. As Indians, with a history of broken promises, we know that what state and federal governments give, they also can take away. Better safe, and smart, than sorry. These bi-annual reports are important to assuring California

voters they made right decision when they voted to support tribal government gaming.

We have handouts that offer more detail and the entire report is available through Carlos Valdez, deputy director of public affairs.

Carlos, can you stand up and wave. Thank you. To any of you who have not yet read the full document, I urge you to do so. It's impressive. I guarantee it will impress your tribal members, neighbors, local elected officials, and even the media.

We also conduct surveys to stay in touch with how others grade Indian gaming in relationship to other forms of wagering in California. Our past surveys, including last year's, continue to give tribal gaming higher marks than all other forms of legal betting. We would not be getting this type of positive re-enforcement, if people did not have a means of judging us.

Our public relations, like the Beacon Report and the CNIGA media campaign, combined with your own local positive community relationships, keep the voters of California feeling good about what we do. Because they can see we are keeping our campaign promises to provide jobs for our members, reduce public assistance, and meet our modern government responsibilities. They also see how they benefit.

I cannot stress the value of this research and the need for tribes to participate. In local communities where our enterprises exist, the public is supportive because they directly reap the benefits. They see the integrity with which the tribes operate our casinos, work with local governments, and contribute generously to the local welfare. This is not true of all Californians. Not everyone has a casino in their neighborhood.

The Beacon Report is valuable because it incorporates the individual economic progress of each sovereign government with other gaming tribes statewide. This gives all Californians an overall picture of our industry's worth, and its collective impact on the state economy.

It has been a good year and a great ride for our gaming enterprises. We have expanded into related profit centers that are synergistic such a resorts, family vacation attractions, business and meeting centers, recreational vehicle parks, golf courses, and a wide variety of food and beverage attractions. Entertainment events from pool parties to live celebrity events create new foot traffic. Some have opened gas stations and fast food stops. New businesses from olive oil manufacturing, to a microbrewery have sprouted from the entrepreneurial spirit, and revenues created by gaming.

Another strong motivation is having an economic default should the gaming market change.

We not only know economic development is good for us, but we also understand that to keep our businesses profitable, we have to prepare for present and future challenges. As government leaders, we have a personal investment and obligation that Las Vegas and other commercial casino owners do not have.

Our enterprises fund governments. This income protects our sovereignty, and cares for our members and land. Commercial businesses go bankrupt; move to other states; and start other businesses. The loss is to owners and investors. If we lose, our people lose. We have lives riding on gaming, including future generations of Indians.

There are going to be challenges and stiff competition for gambling dollars in the future. Whether it's sports betting, race tracks, online lotteries, bingo, eSports, or social and other hybrid games. Preserving brick and mortar play, and hooking into these expanding digital markets, requires preparation now.

We need to think about what and when, as well as how. We can have confidence in turning challenges to opportunity because we have had experience -- the **Cabazon Supreme Court Decision** of 1987. To turn changes to opportunities, we are going to have to be willing to take risks, to know what risks to take, and commit financially, as well as verbally in new technologies.

In addition, we will have to mobilize collectively to advance our economic interests.

Before I get to my list, I want to make a few observations. Preparing for the future is important, so is the present. Before we become carried away with future challenges, we need to remember to pay attention to what's right in front of us. We dare not neglect the large baby boomer market, just now retiring, seeking entertainment and experiences. There are more Boomers than Millennials. They also have more disposable income. Plus, this market enjoys the current social and gaming venues we offer. They are not looking for exotic types of digital stimulation. Improving access and accommodation will pay off. No matter how good our marketing and service departments, there is always room for improvement in winning and keeping loyal consumers.

Attention to pricing and value will always be important. There's always the specter of an economic downturn wreaking havoc with our bottom lines. As we have learned, economies have cycles. Some things that can hurt us are beyond our control. Still, we must plan for them anyway. We all know that shift in the state or national economy effects disposable income. Gaming, vacationing, dining out and other types of entertainment are the first to go when people feel financially insecure or see reductions in their paychecks. A downturn in the economy means cutting payrolls, lowering overheads and painful reductions in per capita's and government spending.

Inflation, loss of jobs, foreclosures, bankruptcies, health care costs, and gas prices affect lifestyles and purchasing choices. Consumers having to cut back on traveling, pay more for food and water due to droughts, weather disasters, threats of a market crash, political and international crisis's are only a few of events that make available funds and disposable cash a real issue for tribal enterprises.

Politically, we need to ensure that states and the federal government respect tribal interests and economic needs. We will always have to fight for tribal inclusion and consultation when laws and regulations are written to legalize new forms of wagering, especially in the arena of new technologies.

The recent nine-year experience trying to get I-Poker legalized in California is a sad indicator of the complexity of the learning curve and competition we face in protecting and expanding our gaming status. It also is a commentary on our need to settle differences and compromise in private among ourselves, and unite behind policies and issues. Disagreements in the media and legislator's offices, only provides excuses for legislators to do nothing.

Another threat is erosion of our sovereignty by courts, Congress or states, whether it's labor laws, land into trust, taxes, or increased gambling regulations, tighter testing and oversight. There will be new laws and regulations to accommodate the digital and viral age of technology; some may work for us, many may not. Our job is to stay informed, forewarned, and organized to make sure our voices are heard at the state and the federal levels.

We may face competition from a push by state-owned lotteries to increase sales and markets. The lottery is still the nation's biggest moneymaker. It's accessible, convenient and pays big dollars. Changes may be in the works for online lottery betting and mobile device apps, giving it a boost in wagering with increased convenience, instant gratification, and even bigger prizes.

This brings us to the new technology. Moving from the analog to the digital world is occurring faster than most of us are prepared for. Many of us find ourselves asking our kids for help with computers, smart phones, other mobile devices, and apps. Crash courses in the use of the assortment of strange interconnected, yet independent, robotic, mobile devices and apps, is not unusual. Ready for the self-driving car? Drones delivering mail? The Smart house powered by computers? Only science fiction writers are prepared to predict what type of viral world today's pre-schoolers will inherit.

I have seen mothers' distracting babies with laptop notebooks while they shop or travel on planes. Like all consumers, future markets are going to pay for thrills and entertainment that have been standard fare in their lives. The gaming

industry has worked itself into frenzy over the idea that slot machines, even table games are too slow for Millennials, which, today at their oldest are only age 35.

The next future market -- the Millennials -- is a cause of consternation and curiosity. They are used to fast play, skill based competition, and social interaction during games. There are 24/7 video internet games by teams of players seated in their bedrooms, who simply click on, join in and play at their convenience. How to profit from this market is one of the questions with which the gaming industry is wrestling.

Gaming manufactures and tribes will learn to live with this generation and their new level of skills, and find ways to adapt and accommodate their interests --only, if they are profitable. Being on the cutting edge isn't the goal of tribal gaming. The goal is to be on the cutting edge, when it generates revenues for our communities.

Changes in laws in sports betting, like Daily Fantasy Sports (DFS), will open the door to online sports and eBetting, such as eSports. However, another form of online gaming -- the social gaming market -- produces 15-20 times as much revenue as DFS and New Jersey's gaming industry combined. The market was expected to reach \$4 billion in 2016.

Every technological advancement, every new product, brings with it a certain amount of politics, risks to sovereignty, trial and error, investment and testing costs. Tribes will have to consider the upsides and downsides of each new market and technology.

A partial list of present and potential future completion to tribal gaming includes:

- Online casino gaming
- Online state lotteries with increased prizes and mobile apps
- App-based gambling for mobile devices that have instant winners/prizes
- Legalized sports wagering, like Daily Fantasy Sports, and online eSports.

- New games that are fast moving, skill based, complete, and provide a social network, or arcade-like experience.
- Race tracks raising the ante on high profile races, with larger stakes; filling dead time between races with gambling machines; and incorporating innovative social events to attract younger patrons – such as concerts, beer-tasting festivals.
- International online gambling
- Illegal gaming and internet cafés

Who really knows what, given the current speed of technological advancement, the future poses for the gaming dollar 10 to 20 years down the road. Without a crystal ball, the best we can do is keep up, keep calm, do our research, share ideas and information, seek expert advice, debate and discuss policies, politics and unify around actions that protect tribal interests and advance our profitability.

Today is a good day to start talking about the competition, and discussing our best economic offense and defense. All of our challenges come with contradictory advice and counsel, potentially unpleasant tradeoffs, complex political and legal minefields, and lots of unknowns. This is the point of today's conference and CNIGA – helping tribal leaders, help each other to stay ahead of the game.

Have a great conference.

Thank you.