



Quick Search

- Africa
- Americas
- Asia
- Europe
- Latin America
- Tribal
- Market Analysis
- Regulatory News
- Regulatory Reports
- Special Reports
- Key Gaming Regulators
- Key Legislation and Regulation
- Video

Hot Topics

- Dutch Gambling Bill
- New Jersey Internet Gambling
- Social Gaming
- US DoJ Memo
- Spanish Gambling Act
- German Gambling Reform
- Nevada Internet Poker
- Black Friday

Search All Content

- Content
- Geography
- Sectors
- Topics

Latest Video



Barton Readies Fresh U.S. Poker Push

21 Jun, 2013

Revised Class II Rules Give Tribes Leverage In Compact Talks

25 Jun, 2013

Dave Palermo, GamblingCompliance

[«Previous](#) [Next»](#)

Technological advances to electronic bingo slot machines are providing American Indian tribes powerful leverage as they sit down with state officials to renegotiate expiring casino regulatory agreements, according to industry experts.

The devices, termed Class II machines by industry regulators, are often indistinguishable in appearance and play from Class III, Nevada-style slot machines.

But under the Indian Gaming Regulatory Act (IGRA) tribes can operate Class II machines without state regulatory oversight and revenue sharing required for Class III devices.

As a result, Class II machines are a valuable tool for tribal governments confronted with states demanding revenue and concessions to Indian sovereignty in exchange for tribal-state compacts and the ability to operate the usually more profitable and popular Class III machines.

"I think Class II plays an essential role in compact negotiations and provides a safety net, allowing something a tribe can do without a compact," said Alan Meister, principal economist with Nathan Associates and author of the annual Indian Gaming Industry Report.

"With technology and the way manufacturers have been able to incorporate the fun and entertainment of a Class III machine in a Class II device, it does give the tribe some leverage.

"Some tribes may say, 'If you [the state] make things too expensive for us, we'll go back to Class II.'"

"It certainly is leverage," said attorney Scott Crowell, who is involved in compact talks in **California** and elsewhere.

"The states could put themselves in a position of playing themselves out of the game if they pursue too much revenue sharing for Class III games."

Indigenous governments are getting a boost from a tribal-friendly National Indian Gaming Commission (NIGC), which this week is publishing in the Federal Register a proposed rule that would dramatically speed up the play of electronic bingo.

The "reinterpretation" of a Bush administration NIGC opinion banning "one-touch bingo" comes months after the regulatory agency issued **revised Class II regulations and machine technical standards** designed to promote the industry.

Distinguishing between Class II and Class III machines is complicated, legally and technologically.

With Class II machines, players simultaneously play against each other for limited prizes. With Class III devices, they play against a machine random number generator (RNG) for bigger prizes.

Pressured by the Department of Justice (DOJ), which suspected bingo machines violated federal law, the NIGC and former chairman Phil Hogen attempted to draw a "bright line" between Class III and Class II devices, slowing the play on the latter and limiting their profitability.

Related Content

- NIGC Working Group Explores Class II Machine Standards 13 Oct, 2011
- NIGC Rebuffs Alabama's Call For Electronic Bingo Crackdown 23 Mar, 2011
- Proposed Tribal Casino Regulations 'Not Set In Stone' 09 Apr, 2012
- NIGC Refuses To Budge On MICS, Machine Standards 08 Jun, 2012
- Class II Regulations To Cost Industry Billions, Says Indian Gaming Chief 26 Oct, 2007

Americas Most Popular Content

- **Brown Helping Tribes Struggling With Schwarzenegger Compacts**
- **Nevada Regulator Unfazed by Slow Online Poker Start**
- **California Tribes, Brown Ready To Talk Compacts**
- **Adelson Ups The Ante In U.S. Internet Gambling Debate**
- **U.S. Tribes Don't Bemoan Lack of Federal Internet Bill**

International Most Popular Content

- **Portugal**
- **Bulgaria**
- **Brazil**
- **Singapore**
- **Turkey**



GiGSE 2013: Bad Actors And Grey Areas

09 May, 2013

more

Tribes vehemently opposed Hogen's efforts and applauded the **more conciliatory approach** of current NIGC chairman Tracie Stevens, a President Obama appointee.

"With Hogen and the DOJ, the games we were playing during those years were under tremendous threat," said an Oklahoma tribal official who requested anonymity.

"It was very questionable whether we would have Class II that was playable at all; that was not a clunky device."

Class II machines currently make up roughly 7 to 10 percent of the 350,000 electronic gambling devices in some 440 Indian casinos.

Many of the machines are in Oklahoma, which was late (2005) in getting into compacted gambling and has a large Class II customer base. About a third of the state's 65,000 slot machines are Class II devices.

There are also Class II casinos operated by the Lytton Band of Pomo Indians in California, Kickapoo Tribe in Texas, Miccosukee Indians in Florida, Ho Chunk Nation in Wisconsin, Poarch Band of Creek Indians in Alabama and tribes in Nebraska, Montana and Kansas.

Although there is a lack of data on the availability of Class II machines, they are also used to supplement machine inventory in many of the 28 states with Indian casinos.

With tribal-state compacts due to expire on or before 2020 in Oklahoma, California, Florida, Michigan, New Mexico and elsewhere, manufacturers anticipate a growth in the market.

"We're making investments in our Class II product, including numbers of games and better functionality, and we're making those investments as we speak," said Knute Knudson, vice president of Native American and Global Business Development at International Game Technology (IGT), the country's largest machine manufacturer.

"It is part of a multi-tiered strategy that includes evidence of Class II as a growing market and anticipation of the reliance on Class II in relation to compacts being renegotiated."

Much of the Class II machine market is controlled by Video Gaming Technologies, American Gaming Systems, Rocket Gaming, Amaya-owned Cadillac Jack and Multimedia Games.

"I think it is common knowledge tribes are seeking out productive Class II products," said Randy Carnett, vice chair of the Osage Tribe Gaming Enterprise Board in Tulsa, Oklahoma. "As to what that means as far as compact negotiations, I wouldn't speculate on that."

Although Oklahoma compacts have 15-year automatic renewal provisions, tribes are being pressured by budget-plagued state officials to renegotiate agreements that currently require revenue shares of 4 to 6 percent.

But Class III machines have not performed all that well in the state with "Native America" on the license plates. Some tribes are reconfiguring casino floors to make room for more Class II devices.

"Class II is the foundation of Indian gaming here in Oklahoma," Carnett said. "It's not surprising to me that [tribes] would retrace their steps a little bit."

"In Oklahoma I would anticipate that would be a key to what happens in 2020, especially when you look at the revenue sharing component of the compact," Crowell said.

"If it makes more economic sense to put in a Class II game, it's obviously what the tribe is going to do."

In states such as California, where most tribes have a compacted limit of 2,000 machines, Class II provides an opportunity to increase inventory without dishing out more money to the state.

Class II may also be an option in New Mexico, where compacts with four tribes expire in 2015. Tribes now pay 3 to 8 percent revenue shares for casino exclusivity despite competition from a thriving commercial racino industry.

“The market is already saturated now,” said a New Mexico tribal official.

“If we wind up in a situation where our compact expires, we’ll throw it in the trash can and swap out Class III machines for Class II.”

- Geography** [United States](#) [Alabama](#) [Arizona](#) [California](#) [Florida](#)
[Kansas](#) [Michigan](#) [Nebraska](#) [New Mexico](#) [\[+\]](#)
- Sectors** [Bingo](#) [Casino](#) [Slot Machines](#) [Tribal Gaming](#)
- Topics** [Machine/Technical Standards](#)
- Content** [Regulatory News](#)

Add New Comment

Your name

scottcrowell@ho...

Subject

Comment *

- No HTML tags allowed. [More information about text formats](#)
- Web page addresses and e-mail addresses turn into links automatically.
- Lines and paragraphs break automatically.

 