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## Arizona sportsbooks aligned with Native American tribes lag behind in competitive industry

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Professional sports teams have made a lot more money than Native American tribes on sports betting in Arizona. Some experts say the way licenses were given out disadvantaged the tribes.

Arizona's sports betting legislation, which was signed into law in April 2021, is unique compared to other states because it requires the owners of the gaming license to be either a Native American tribe or a professional sports team or league.

The law allows for 20 total licenses — 10 to sports teams and 10 to tribes — of which 18 have been handed out.

The entities that were granted licenses were able to either create their own mobile and/or brick-and-mortar sportsbooks or partner with third-party sportsbook and gaming companies. Most partnered with existing sportsbook companies and have revenue sharing agreements with the firms. Examining the data from the first full year of sports betting data from the Arizona Department of Gaming, it is clear that sportsbooks that partnered with pro teams have done better than those matched up with tribes.

During the first full year of legal sports betting in Arizona, more than \$5.4 billion was wagered, with more than 95% of that happening across five platforms – DraftKings, FanDuel, BetMGM, Caesars and Barstool Sports.



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The We-Ko-Pa Casino Resort opened its sportsbook on Sept. 8, 2022.

When it came to landing a license, there was not that much competition on the professional sports team side. All the major teams plus Phoenix Raceway and TPC Scottsdale, where the WM Phoenix Open is played, were issued licenses. Two of the pro sports licenses have not been issued yet. But there are 22 tribes in Arizona, which set up more competition between them.

### **Tribes were 'left behind' from day one**

“The competition for the commercial licenses wasn’t there,” said Charlene Jackson, an attorney who represents rural tribes in Arizona. “From Day 1, those that knew they met Department of Gaming standards were free to start planning, spending the money, putting together their advertising, bringing in technology, seeking the licenses for that technology – expending that capital, and investing in sports betting. They did this while those of us on the tribal side were competing for a license.”

Jackson, who has represented tribes from her own law firm for several years, was appointed in October to be a judge in the Maricopa County Superior Court.

Because there wasn’t as much competition on the pro sports side as there was between tribes, the biggest players in sports betting partnered early with pro teams. FanDuel went with the Phoenix Suns, Caesar’s teamed up with the Arizona Diamondbacks, the Arizona Cardinals partnered with BetMGM, Phoenix Raceway aligned with Barstool Sports, and DraftKings, which has been the most successful in the state, made a deal with the PGA Tour and TPC Scottsdale.

“Our partners didn’t want to spend the millions of dollars on advertising, bringing in new technology and all the things that were necessary until we got the Department of Gaming to give us the go ahead,” Jackson said. “Quite frankly we were left behind. ... The numbers show that. There is a significant difference.”

In total, pro sports-connected sportsbooks had \$5.2 billion worth of wagers during the first year, while the tribal-linked platforms saw only \$208.5 million.

Wynnbet, which has market access through the San Carlos Apache Tribe, was the highest performing sportsbook connect with a tribe. Wynnbet was the sixth most wagered-on platform in Arizona and recorded \$142 million in bets during the first year of operations in Arizona or 2.6% of the total amount bet in the state.

After the top five behemoths associated with pro teams or leagues, no other sportsbook in Arizona had more than \$50 million bet on its platform during the first year of legalized betting. And not every sportsbook linked with a pro team topped the list — Sahara Bets, which is connected with the NHL's Arizona Coyotes and owned by the Alex Meruelo, the owner of the Coyotes, had the fewest amount

bet on any mobile platform, at \$461,816.31, according to data from the ADG.

### **Competition vs. exclusivity**

For decades, tribal communities were pretty much the only entities in Arizona that operated in the gaming space, but with the new legislation and an update gaming compact between the state and the tribes, that exclusivity is gone, and competition is fierce.

“The challenge is now we have these 10 licenses that are not tied to the tribes and not tied to the compact,” Jackson said.

While there are benefits from having a competitive marketplace, there is only so much competition a market can handle. Jackson said the negotiations over the sports betting between the state and tribes landed on 20 licenses because it was determined that the Arizona market could handle more than that. It appears that the market might not even be able to accommodate that many. For example, two mobile sportsbooks, Twin Spires and Fubo – both of which had market access from Native American Tribes – exited the Arizona market in 2022.

“[Tribes] have gotten used to an exclusive environment, which means a monopolistic environment,” said Stephen Hart, a partner at the Lewis Roca law firm. “Now we are moving into a competitive environment. Is a competitive environment someplace you can make money in? Absolutely. Is it something you can lose money at? Absolutely.”

Hart, who represents tribes including the Navajo Nation, said the fact that there are companies leaving the Arizona market says more about the sports betting landscape than it does about the specific tribes they were associated with. But it means that those tribes lose out on revenue sharing it would have had with the sportsbooks.

### **Sportsbooks vs other gaming**

Nonetheless, while sports betting has proven popular in Arizona, it isn't a huge money maker. Sportsbooks paid out \$5 billion in winning bets during the first year it operated in Arizona.

Multiple tribal communities have told the Business Journal that other measures in the new compact between the tribes and the state have led to significant earnings increases — more than sports betting ever would see.

Gila River Resorts and Casinos — the enterprise arm of the Gila River Indian Community — has added new table games like roulette, craps and baccarat in prominent positions in its casinos and told the Business Journal it has seen the number of players and the amount bet increase significantly.

The Salt River Pima-Maricopa Indian Community, which owns Talking Stick Resort and Casino Arizona near Scottsdale, significantly increased the number of slot machines in its casinos, even to the point where it needed to move its famed poker rooms from the building into a tent in the parking lot.

The odds of winning big on table games and slot machines are a lot lower, meaning that casinos make more from those than on sports and other event wagering.

Victor Rocha, the conference chairman of the Indian Gaming Association, said that he always lobbies for tribes to have exclusivity when it comes to all forms of gaming, but said that sportsbooks appear to be more of an amenity for a casino rather than a serious cash generator.

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