

The Contributions of Indian Gaming to Oregon's Economy in 2004

A Market and Economic Impact Analysis

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ECONorthwest

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Executive Summary

Assignment

The Oregon Tribal Gaming Alliance (“OTGA”) is a coalition of the nine Indian tribes in Oregon that own and operate casinos. The OTGA retained ECONorthwest to conduct a market and economic impact analysis of the tribal casino gaming industry in Oregon for the year 2004.

This work is a follow-up to a similar study, which focused on the results for 2003 and the socioeconomic benefits that had accrued to Indian tribes and their members because of the success of gaming as an economic development mechanism.

With the availability of new data from the tribes, this analysis focuses on the economic impacts of tribal gaming in Oregon in 2004 and compares the results of 2004 with 2003. This report specifically addresses the following two issues:

- **Tribal Gaming Market:** How large was the tribal gaming market in Oregon in 2004 and how has the market grown since 2003? How did it compare to other forms of gaming done in Oregon and by Oregonians?
- **Economic Impacts of Tribal Gaming:** What was the total economic impact of tribal gaming on the Oregon economy in 2004? How do 2004 impacts compare to 2003?

Findings

Our analysis of the gaming market in 2004 in Oregon shows:

- The total amount of gaming conducted inside Oregon is over \$1.174 billion, which is an increase of 7.22 percent from 2003.
- In 2004, Oregonians spent \$1.277 billion on gaming. The average Oregonian spent \$356.66 on gaming in 2004, which was 5.2 percent more than in 2003.
- This increase in per capita gaming was attributable mostly to a stronger economy. Spending on gaming as a share of personal income was about the same in 2004 as it was in 2003.
- Oregon casinos recorded \$419.6 million in gaming revenues in 2004. That was up 9.2 percent from the previous year—a gain helped in part by the opening of a new casino in the summer of 2004.

- Although casino gaming revenues grew, the overall share of the gaming market held by tribes increased only slightly, from 35.1 percent in 2003 to 35.7 percent in 2004. The Oregon Lottery remains the dominant player in the market, accounting for 57.6 percent of all the gaming done in the state.
- Over 8.6 million people visited Oregon tribal casinos in 2004. This is a 6.1 percent increase from 2003. With expanded lodging capacity, the casinos have been able to attract many more tourists. Room sales at casino hotels jumped 25.6 percent in 2004.
- The direct impacts are great. The nine tribal casinos generated about half a billion dollars in gaming and hospitality revenues, employed an annual average of 4,883 workers, and paid \$130.2 million in wages. In addition, money earned from most of the casinos was used to support about 816 jobs and \$41.7 million in wages and benefits at tribal government entities that provided healthcare, education, and housing services.

The analysis finds that the combined direct, indirect, and income-induced effects of tribal gaming on the Oregon economy were dramatic. In 2004, the total economic impacts associated with tribal gaming were:

- \$1.327 billion in output or sales (an increase of \$300 million, or 29.2 percent, from 2003).
- \$470.5 million in wages and benefits (an increase of \$121.6 million, or 34.8 percent, from 2003).
- 14,534 jobs (an increase of 3,566 jobs, or 32.5 percent, from 2003).
- \$53.8 million in state and local government taxes and other revenues
- \$68.7 million in federal government revenues (an increase of \$10.4 million, or 17.8 percent, from 2003).

Caveats

As with any economic research, ECONorthwest used the best data available. However, data are subject to revisions and estimation processes. Therefore, there are certain important caveats to any economic analysis, including this report:

- ECONorthwest used revenue and expenditure data provided by the nine Indian tribes that are OTGA members. ECONorthwest conducted checks to ensure the data provided by tribes was complete and consistent with other publicly- or privately-collected data.
- This analysis relies on data provided by public and private sources that we believe are accurate. Among the sources are the Oregon Lottery, the Oregon Racing Commission, the Washington Lottery, the Washington Gambling Commission, the Washington Racing Commission, the Oregon Employment Department, the Federal Aviation Administration, the Securities and Exchange Commission, and the Oregon Department of Justice.
- In cases where government data were reported on a June 30 fiscal year basis, the analysis estimated calendar year values using a simple extrapolation.
- Data on population and personal income come from the State of Oregon and the U.S. Bureau of Economic Analysis, respectively. Both are subject to revisions.

Oregon Casinos and Tribes

There are nine federally recognized tribal governments in Oregon. In 2004, each of the nine tribes operated a casino. Six also had hotels as part of their gaming operations.

Although the tribes that own these casinos are sovereign nations, the State of Oregon exercises considerable control over size and location, types of games, regulations, and other important features of casinos. To build and run a casino, a tribe and the Governor must first negotiate an agreement or compact (currently, in Oregon, these are called “Class III Gaming Compacts”) that determines the key features of the casino. For instance, Oregon gaming compacts limit tribes to one casino each.

This section begins with an overview of the casinos in Oregon today and a description of their facilities at year-end 2004. It is followed by a synopsis of the history and location of each of the nine tribes in the state.

Casinos

Table 1 lists the names, locations, tribal ownerships, opening dates, and the numbers of hotel rooms and RV hook-up sites (if any) of the nine casinos in Oregon, as of December 2004.¹

Table 1: A Summary of Oregon Casinos

Casino	City	Tribe	First Opened	Hotel Rooms	RV Sites
				Dec. 2004	Dec. 2004
Chinook Winds	Lincoln City	Confederated Tribes of Siletz Indians	May 1995	227	51
Indian Head	Warm Springs	Confederated Tribes of Warm Springs	May 1995	168	50
Kla-Mo-Ya	Chiloquin	The Klamath Tribes	July 1997	-	-
Old Camp	Burns	Burns Paiute Tribe	August 1998	-	17
Seven Feathers	Canyonville	Cow Creek Band of Umpqua Tribe of Indians	April 1992*	146	31
Spirit Mountain	Grand Ronde	Confederated Tribes of Grand Ronde	October 1995	100	94
The Mill	North Bend	Coquille Indian Tribe	May 1995	115	-
Three Rivers	Florence	Confederated Tribes of the Coos, Lower Umpqua & Siuslaw Indians	June 2004	-	-
Wildhorse	Pendleton	Confederated Tribes of the Umatilla Indian Reservation	Nov. 1994	99	100
Total Lodging at Tribal Casinos				855	343

* Opened as a bingo hall in 1992 and expanded into a casino in April 1994.

The first Indian gaming facility in Oregon was the Cow Creek Bingo Hall. It opened in April 1992 in Canyonville, south of Roseburg. The bingo hall was replaced on April 29, 1994 with a casino that included slot machine-like devices called video lottery terminals (VLTs), keno, and blackjack tables. By the end of 1995, five other tribes followed suit with their own casinos. Since then three others opened—the last being the Three Rivers Casino in June 2004.

¹ Two casinos opened in temporary buildings and were later replaced with permanent structures (Chinook Winds and Wildhorse). Opening dates on the table refer to the first time casino gaming was conducted whether in the permanent or temporary facility.

The initial gaming compacts limited tribes to only one type of casino table game—blackjack. In January 1997, the Grand Ronde negotiated a change that allowed them to install roulette, craps, and other casino table games in exchange for funding a charitable foundation with a share of the casino’s profits. Since then, the Siletz, Cow Creek, Coquille, and Umatilla have amended their compacts similarly. The other tribes have, so far, chosen not to expand into other forms of table games.

In 2004, the casinos catered to over 8.6 million visitors—an increase of 6.1 percent from 2003. The average casino visitor increased their spending on gaming by 2.9 percent, but their overall spending went up 3.6 percent mostly because of a 25.6 percent increase in overnight hotel stays at casino properties.

Casino Capacity

As shown in Table 2, the nine Indian casinos in Oregon had 5,964 VLTs and 131 table games at year-end 2004. The casinos also had 36 poker tables and 3,110 seats in six bingo halls. Four casinos offered the game of keno. Off track betting, which was once common at Indian casinos, was not being offered at any of the nine casinos in Oregon by the end of 2004. Competition from commercial off track wagering parlors and the widespread use of Internet wagering had made horse racing no longer viable for the casinos. Seating capacity at the restaurants, buffets, and lounges at Oregon casinos was 3,202.

Table 2: Indian Casino Gaming & Non-Tribal Gaming Capacity, Year-End 2004

Gaming Venue	VLTs	Table Games	Poker Tables	Bingo Seats	Keno Wagering Outlets	Restaurant & Lounge Seating
<u>Indian Casinos:</u>						
Chinook Winds	1,250	27	5	1,200	1	827
Indian Head	317	6	2	-	-	356
Kla-Mo-Ya	323	6	-	-	-	150
Old Camp	100	3	3	60	-	60
Seven Feathers	1,011	22	7	400	1	536
Spirit Mountain	1,500	41	15	800	1	585
The Mill	540	8	-	150	-	430
Three Rivers	274	6	-	-	-	70
Wildhorse	649	12	4	500	1	188
Indian Casino Total	5,964	131	36	3,110	4	3,202
<u>Non-Tribal Gaming:*</u>						
Oregon Lottery retailers	10,290	-	-	-	2,010	150,750
Charity bingo halls				28,130		

Sources: Tribal reports, Oregon Department of Justice, Oregon Lottery, 2002 Economic Census, and ECONorthwest, May 2006.

* Estimates

Lodging at Oregon Tribal Casinos

By the end of 2004, six of the nine casinos in Oregon had hotels with a total estimated capacity of 855 rooms. In addition, six casinos had RV parks with 343 spaces. Since that time, several tribes have added, or are in the process of adding hotel rooms and RV capacity as a means of attracting more overnight guests to their facilities.

Investment by Oregon Tribes on Casinos Facilities

The nine tribes have made a huge investment in casinos, hotels, and auxiliary visitor amenities. The cumulative investment, starting with the first bingo hall in 1992 through the end of 2004, was about \$416 million.² The tribes paid for these investments using their own resources and by borrowing money—largely from out-of-state lenders.

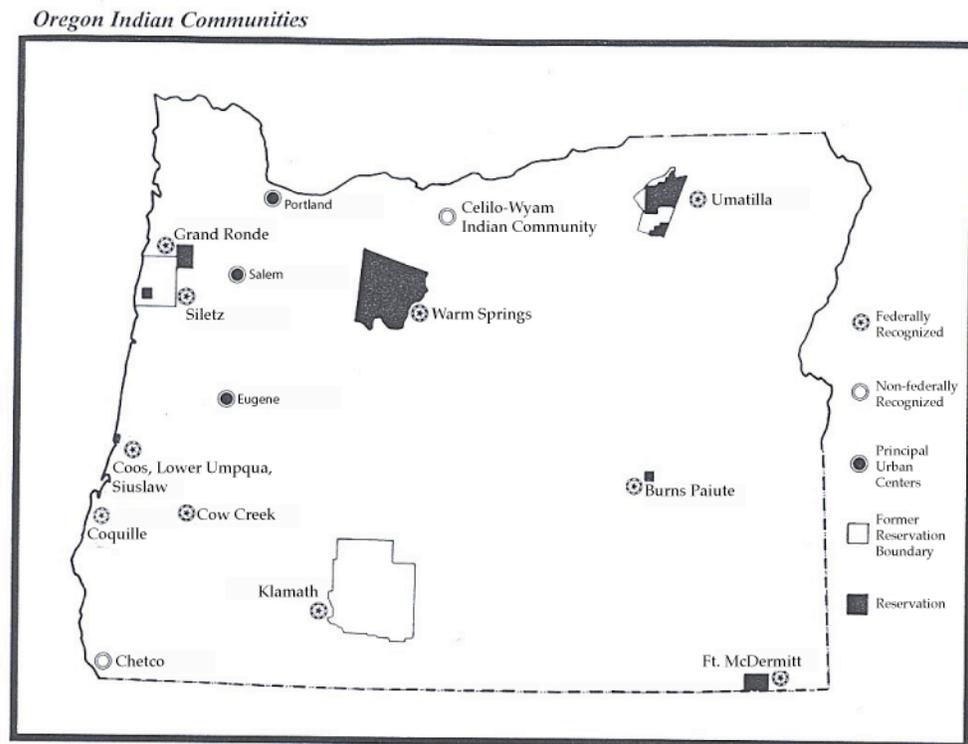
Tribal spending on casino facilities represents an extraordinary investment in rural tourism development. Using construction expenditure data from FW Dodge, ECONorthwest estimates that tribal capital expenditures on casino, hotels and other visitor amenities equals approximately 18 percent of total capital expenditures of the lodging, amusement, social, and recreation sectors in Oregon from 1992 to 2004. That equals about one out of every six dollars.

² This includes equipment spending and is based on an upward revision of the number reported in 2003 resulting from a data correction by one tribe.

Tribes in Oregon

Figure 1 is a map showing the principal locations of the nine federally recognized tribes based in Oregon. They are all in rural communities or in mid-sized cities such as North Bend. Beside the areas noted on this map, most tribes have land parcels that are not contiguous to these principal locations.

Figure 1: Tribes in Oregon



Source: Oregon Legislative Commission on Indian Services. 2005-07 Oregon Directory of American Indian Resources, page 24.

In addition to the nine tribes, a portion of the Fort McDermitt Paiute-Shoshone Indian Reservation extends into the southeastern corner of Oregon. That Tribe, however, is based in Nevada. According to the Oregon Legislative Commission on Indian Services, there are also two non-federally recognized tribes in the state, which are shown in Figure 1.

The Burns Paiute Tribe

The Burns Paiute Tribe descends from the Wadatika band of Paiute. They lived and seasonally migrated over a vast 5,200 square mile territory that extended from the Cascade Mountain Range in central Oregon and the Payette Valley north of Boise, Idaho, and from southern parts of the Blue Mountains near the headwaters of the Powder River north of John Day, to the desert south of Steens Mountain. In 1873, a 1.8 million acre Malheur Reservation was formed in southeastern Oregon for the tribes of the region. This land was taken from the tribes. In the winter of 1879, over 500 Paiute were marched to Washington, and forced to relocate on the Yakama Reservation and Fort Vancouver. Many of those at Fort Vancouver subsequently were relocated to the Warm Springs Reservation.

Many of the members of the Wadatika band on the Yakama Reservation moved back to Burns. In 1928, a local land company gave the Burns Paiute 10 acres of land just outside the city. In 1969, after a 35-year court case, the tribe was awarded a small sum of money for the lands taken from the Malheur Reservation. In 1972, the Burns Paiute were recognized as an independent Indian Tribe. Today the Burns Paiute Tribe has about 300 members and their reservation covers just 770 acres north of the city of Burns in Harney County. The tribe's Old Camp Casino is located there.³

The Old Camp Casino serves a somewhat isolated market. Located in Harney County, which has a population of only 7,650, the Old Camp is Oregon's smallest casino.

The Confederated Tribes of the Coos, Lower Umpqua, and Siuslaw Indians

The Coos, Lower Umpqua, and Siuslaw Indians are three tribes organized into a confederation. They occupied southwest Oregon coastal areas along the three major rivers in Coos, Douglas, and Lane Counties that were named after the tribes. In 1855, coastal tribes signed a treaty with the U.S. Government, but a year later the Rogue River War broke out south of Coos Bay and the U.S. Army, in a preemptive strike, rounded up the Coos Indians and forced them to live in an encampment. The Lower Umpqua Indians were soon forced in as well. Both tribes later refused to relocate to the Siletz Reservation and, instead, joined the Siuslaw Indians. In 1918, the three tribes formed a confederation and pursued land claims they were entitled to under the 1855 treaty.

Under a program by the Eisenhower administration in the 1950's, the U.S. Congress terminated the Confederated Tribes of Coos, Lower Umpqua, and Siuslaw Indians along with all other tribes of western Oregon. In 1984, after a long battle, the status of the Confederated Tribes of Coos, Lower Umpqua, and Siuslaw Indians was restored.⁴ The Tribes currently have 834 members.

³ <http://www.harneycounty.com/Paiute.htm>

⁴ http://www.ctclusi.org/cultural_historical.asp

In June 2004 the Coos, Lower Umpqua, and Siuslaw opened the Three Rivers Casino in a temporary structure. Located about a mile east of Florence on the main highway linking Eugene to the coast, the casino is small for its market.

The Tribes have broken ground for a new expanded Three Rivers Casino and Hotel, which is expected to open in the summer of 2007. The new casino will have 650 VLTs, eleven table games including craps and roulette, and a five-table poker room. In addition, a 93-room hotel is being constructed along with a 250-seat buffet, coffee shop, deli, high-end steak house and seafood restaurant, a sports bar and lounge, and a multipurpose room for bingo, meetings, banquets, and entertainment.

Coquille Indian Tribe

The Coquille Indian Tribe descended from people who inhabited the watershed of the Coquille River system, which covers approximately the region around the present day cities of Bandon, Coos Bay, and North Bend on the southern Oregon coast. The tribe signed treaties with the U.S. Government in 1851 and 1855, which ceded 700,000 acres of ancestral territory, however, the treaties were never ratified by Congress, so the Coquille were denied a permanent homeland. The tribe was terminated by the Eisenhower administration in 1954, but then subsequently restored by Congress in June 1989. The Coquille Indians were then able to acquire several land parcels.⁵

The Coquille Indian Tribe owns the Mill Casino-Hotel in North Bend, Oregon. It overlooks the waterfront off highway US-101. The casino has prospered because it offers highly competitive accommodations on the southern Oregon coast and is a much needed entertainment venue for locals. The Mill is adding a retail component and will open a new 102-space RV park in the summer of 2006.⁶

Cow Creek Band of Umpqua Tribe of Indians

For well over a thousand years, the Cow Creek Umpqua Indians occupied the inland areas of what is today Douglas County, Oregon. In 1853, soon after the discovery of gold in southwest Oregon, the tribe entered into a treaty which ceded their land to the Federal Government for 2.3 cents an acre—a tiny fraction of the true market value at that time. Three years later, the Cow Creek Umpqua Indians, along with the other tribes in western Oregon and parts of California, were rounded up and forced onto a reservation created in Grand Ronde.

⁵ http://www.npaihb.org/profiles/tribal_profiles/Oregon/Coquille.htm

⁶ “Home Depot plans store in North Bend.” The Eugene Register-Guard. Sherri Buri McDonald. December 14, 2005. Page E-5.

In 1954, Congress terminated the Cow Creek Band. After a long battle, the Federal Government reversed its position and disavowed termination. In 1982, the Cow Creek Band was restored.⁷ The tribe fought the Federal Government over the 1853 land claims and received about \$1.3 million.

The Cow Creek Band borrowed \$825,000 from the U.S. Bureau of Indian Affairs in 1991 to help pay for the construction of a bingo hall, which later grew to become a casino.

The Seven Feathers Hotel & Casino Resort is right off exit 99 on Interstate-5, which makes it very accessible to residents of Roseburg, Medford, Ashland, and Grants Pass, as well as travelers driving through the area on busy Interstate-5. It has expanded in stages over its history and recently added a new bingo hall and RV park.⁸

Confederated Tribes of Grand Ronde

The Confederated Tribes of the Grand Ronde Community of Oregon is comprised of over 20 tribes and bands whose traditional homelands extend from northern California to the north shore of the Columbia River. The antecedent tribes and bands of Grand Ronde ceded these lands to the United States through a number of treaties. Among these treaties is the Willamette Valley Treaty of January 22, 1855, which ceded the entire Willamette Valley Basin from Cascade Falls on the Columbia River in the east to Oak Point in the west.

With the treaties came the forced removal of the Willamette Valley tribes to the Grand Ronde Reservation, which was created by treaty and a June 30, 1857, executive order. The reservation covered over 60,000 acres of land on the eastern side of the Coast Range, on the headwaters of the South Yamhill River, about 60 miles southwest of Portland and about 25 miles from the ocean. Over time, much of the original reservation land was stripped from the Tribe by ill-conceived federal policies.

In 1954, Congress terminated the federal status of the Grand Ronde tribes. The Tribal members were left with little more than a ten-acre cemetery and maintenance shed. Their federally recognized status was gone but the people of Grand Ronde continued as a community and Tribal leaders worked tirelessly to restore The Confederated Tribes of Grand Ronde's status as a federally recognized tribe. Their efforts led to the signing of the Grand Ronde Restoration Act on November 22, 1983. Five years later, President Ronald Reagan restored 9,811 acres of the original Reservation to the Grand Ronde Tribes.⁹

⁷ <http://www.cowcreek.com/story/x01history/index.html>

⁸ "Player friendly changes in the works for Seven Feathers Casino." The Roseburg News-Review. Juliana Renno. July 11, 2005.

⁹ <http://www.grandronde.org/misc/ourstory.html>

The Grand Ronde Tribe owns and operates Spirit Mountain Casino, which is on the main east-west route between Portland and Lincoln City. It is the largest casino in Oregon. Each year the Tribe dedicates six percent of the casino profits to The Spirit Mountain Community Fund. The fund supports non-profit organizations in Western Oregon. Since the fund was established in 1995, the Tribe has given over \$35 million to assist Oregon non-profit groups and civic institutions.

Spirit Mountain is the closest full-service casino to Salem and Portland metropolitan area residents; over 750,000 households live within 90 minutes of its doors. Spirit Mountain recently expanded its hotel and will soon add 500 VLTs and more table games to its gaming floor. It is one of the largest employers in the Polk-Yamhill County area. The Casino also supports numerous local vendors from food suppliers to linen services and printers, spending over \$1.5 million with local vendors each year.

The Klamath Tribes

The Klamath Basin of southern Oregon was the traditional homeland for the Klamath tribes, the Modoc, and the Yahooskin band of Snake Indians for thousands of years. After decades of hostilities with newcomers, the tribes ceded 23 million acres in 1864 and moved to a 1.8 million acre reservation. The Klamath tribes were very resourceful and built highly successful cattle and lumber operations on their lands.

By the 1950's, the Klamath were one of the wealthiest tribes in the country. That came to an abrupt end when the U.S. Congress passed the Klamath Termination Act. The Klamath Tribes were restored in 1986, but their land was not returned.

Gradually the Klamath Tribes are rebuilding their economy. In 1997, they opened their first business since termination—the Kla-Mo-Ya Casino, named for an acronym of the three tribes.¹⁰ Kla-Mo-Ya is off US-97, the main north-south route of central Oregon, in the town of Chiloquin. The casino is a popular gaming destination for residents in the Klamath Falls area, but has also become an attraction for tourists traveling on the highway.

¹⁰ <http://www.klamathtribes.org/history.html>

Confederated Tribes of Siletz Indians

The Siletz are a federally recognized confederation of many bands originating from northern California, western Oregon, and southwest Washington, who ceded 19 million acres to the U.S. and agreed to confederate on the Coast, or Siletz, Reservation on the central Oregon Coast in 1856. In 1865 and 1875, 900,000 acres of the “permanent reservation” were opened to settlement by presidential and congressional actions. Additional lands were lost through allotment and forced fee policies. By 1912, over half of the Siletz Indian allotments were no longer Indian owned. The Confederated Tribes of Siletz Indians were terminated in 1954-56, but in 1977, the Siletz became the first tribe in Oregon and second in the U.S. to gain restoration. The Siletz have a 5,000-acre reservation in Lincoln County.¹¹

The Confederated Tribes of Siletz Indians operate the Chinook Winds Casino in Lincoln City—a major coastal tourist community. The casino is Oregon’s largest in terms of building size and recently expanded by acquiring and renovating an adjoining full-service hotel.

Confederated Tribes of the Umatilla Indian Reservation

The Confederated Tribes of Umatilla Indian Reservation was established in 1855 by a treaty signed by the U.S. Government with the Cayuse, Umatilla, and Walla Walla tribes. Those three tribes occupied the Columbia River Plateau of southeastern Washington and northeastern Oregon. Of the 510,000 acres that were originally reserved in 1855, only 178,882 remain as part of the Umatilla Reservation and non-Indians own 48 percent of that.¹²

The Tribes own the Wildhorse Resort & Casino, which is located off Interstate-84 a few miles east of Pendleton—the largest city in Umatilla County. Wildhorse benefits from its proximity to the comparatively much more populous and affluent Tri-Cities area of nearby Washington and the steady stream of tourists and truck drivers who travel on I-84.

The Confederated Tribes of Warm Springs

The Confederated Tribes of Warm Springs consist of three distinct tribes. The Wasco and Walla Walla (later called the Warm Springs) bands lived along the Columbia River and its tributaries; they often would trade with one another, but had separate cultures and languages. The Paiute occupied the high deserts of southeastern Oregon and rarely had contact with the Wasco or Warm Springs.

¹¹ http://ctsi.nsn.us/WhoWeAre/history_culture.html

¹² <http://www.umatilla.nsn.us/>

In 1855, the U.S. government and the Wasco and Warm Springs tribes signed a treaty, which created the Warm Springs Reservation. It is located south of the Columbia River between the Cascade Mountains and the Deschutes River in north central Oregon. In 1879, the U.S. government began settling Paiute Indians from Fort Vancouver onto the Warm Springs Reservation. The three tribes, in 1937, organized themselves as The Confederated Tribes of Warm Springs Reservation of Oregon.¹³

The Warm Springs built forest products and tourism businesses on their reservation. In 1964 they opened Kah-Nee-Ta Village near a natural hot springs deep in Indian Head Canyon about 11 miles from the main road, Highway-26. In 1972, a lodge was built there.

The Indian Head Casino was added to Kah-Nee-Ta in 1995. Although halfway between the large and comparatively affluent cities of Portland and Bend, its long distance from both cities and location well off the main highway constrain its customer base largely to locals and regular hotel guests.

Gaming Regulation

There are three layers of regulatory oversight at Oregon casinos—tribal gaming commissions, the Oregon State Police, and the Federal government. In 2004, just over \$11 million was spent in Oregon to regulate casino gaming. The nine tribes paid for all but a small amount of that total.

¹³ http://www.warmsprings.com/Warmsprings/Tribal_Community/History_Culture/

Table 3: Federal, State & Tribal Government Gaming Regulatory and Enforcement Spending in Oregon, Estimates for 2004

Type of Gaming in Oregon	Cost
<u>Regulation Costs Paid by Oregon Tribes:</u>	
Oregon State Police - tribal gaming section	\$1,316,917
Nine tribal gaming commissions	9,155,454
National Indian Gaming Commission	255,000
Paid by Oregon Tribes	\$10,727,371
Oregon State Police, paid by gaming vendors	273,587
Total casino regulatory costs	\$11,000,958
<u>Oregon Lottery:</u>	
OR State Police contract	\$1,874,466
OR lottery security staff	460,615
Other OR Lottery security expenses	95,974
Total OR lottery regulatory costs	\$2,431,055
Charitable bingo, raffles & fundraisers	\$786,000
Horse and greyhound racing	1,926,261
Total Gaming Regulation	16,144,274

Sources: The Oregon Lottery, Charitable Activities Section of the Oregon Dept. of Justice, Oregon Racing Commission budget, Lynn Hillman (Grand Ronde Tribe), National Indian Gaming Commission, and the nine Tribes based in Oregon.

The nine tribal casinos paid tribal gaming commissions nearly \$9.2 million to oversee and regulate gaming. Gaming commissions are independent of casino management. They license employees, monitor games to ensure legal compliance and fairness, establish control standards, and conduct audits.

In addition, the Oregon State Police have a special tribal gaming section. They monitor casinos, run background checks on casino employees and suppliers, and ensure the integrity and fairness of games. Funding for this section comes entirely from the tribes and gaming vendors. In 2004, tribal casinos paid \$1,316,917 to the Oregon State Police’s tribal gaming section.

The National Indian Gaming Commission (“NIGC”) is an independent regulatory agency of the federal government that also regulated gaming at tribal casinos. The NIGC’s mission is to ensure Indian tribes are the beneficiaries of gaming revenue, assure that gaming is conducted honestly, and to shield tribes from corrupting influences. They do this by conducting audits, private investigations, and background investigations. The NIGC is a federal agency that is funded entirely by Indian casinos. The nine casinos in Oregon paid about \$255,000 in fees to support the NIGC’s work in 2004.

The Oregon Lottery spent over \$2.4 million on direct security and regulation in 2004. In addition to the amounts shown in Table 3, a significant amount of work done by the information technology and retail contracts staffs at the Lottery is dedicated to regulatory matters. However, the portion of total staff spending that goes to regulatory matters cannot be ascertained.

In 2004, more money was spent on regulating casinos than any other form of gaming in Oregon. As can be seen in Table 3, the nine tribes in Oregon paid for over two-thirds of the identified regulatory expenditures in Oregon for gaming.

Gaming Market in 2004

The gaming market is measured in terms of gaming revenues, which is approximately the difference between how much people wager and what they collect in prizes at lotteries, casinos, racetracks, and elsewhere.

For this analysis, the size of the gaming market in Oregon is measured by assembling data from the lottery, state agencies, tribes, and surveys. Because many Oregonians go across state borders to gamble, data was also collected for Washington and Nevada.

This analysis reports revenues from two perspectives: (1) gaming conducted inside Oregon and (2) gaming done by Oregon residents. A detailed explanation of how gaming revenues are measured and the major categories of gaming can be found in Appendix A, which begins on page 38.

Gaming Revenues in 2004

In 2004, revenues from gaming activities conducted in Oregon were \$1,174,235,835. As shown on Table 4, gaming in the state was up about seven percent from 2003. When measured in terms of the gaming done by Oregon residents, the analysis finds that the market total in 2004 was \$1,277,381,653, which was up 6.43 percent from the year earlier. Gaming revenue per capita was \$356.55 or about 1.16 percent of personal income.

Table 4: Oregon Gaming Market, 2004

Type of Gaming	Gaming Revenues in 2004	
	Conducted in Oregon	Done by Oregonians
<u>Oregon Lottery:</u>		
Pull tabs or breakopens	\$812,789	\$811,975
Scratch tickets	44,127,574	44,040,511
Megabucks lotto	16,655,687	16,614,533
Powerball lotto	18,919,613	18,824,692
Keno	39,431,727	39,344,302
Sports action game	2,785,696	2,742,974
Pick-Four game	573,919	572,737
Win for life game	1,934,876	1,930,825
Scoreboard sports lottery game	260,334	259,764
Video poker	550,300,525	536,643,240
Oregon Lottery Subtotal	\$675,802,740	\$661,785,553
<u>Other Gaming:</u>		
Charitable bingo	\$13,346,262	\$13,321,994
Charitable raffles	3,822,548	3,817,979
Charity casinos & fundraisers	324,447	323,676
OR Indian casinos	419,598,735	345,267,812
WA casinos and card rooms	-	29,616,778
Casinos outside OR & WA	-	164,235,063
Live racetrack betting	1,757,764	1,394,762
Off-track & simulcast betting	12,091,927	9,313,650
Parimutuel account wagering	2,097,662	2,097,662
Misc. legal out of state gaming	-	812,974
Illegal Internet & other illegal	45,393,750	45,393,750
TOTAL	\$1,174,235,835	\$1,277,381,653
Increase from 2003	7.22%	6.43%
Gaming per person		\$356.55
Gaming as a share of income		1.16%

In and Out of State Flows

Non-residents and tourists accounted for over \$91.5 million or 7.8 percent of the total gaming revenues recorded in Oregon in 2004. However, Oregonians spent over \$103.1 million more on gaming outside the state than tourists spent gambling inside the state.

Table 5: Gaming Market by Player Residency, 2004

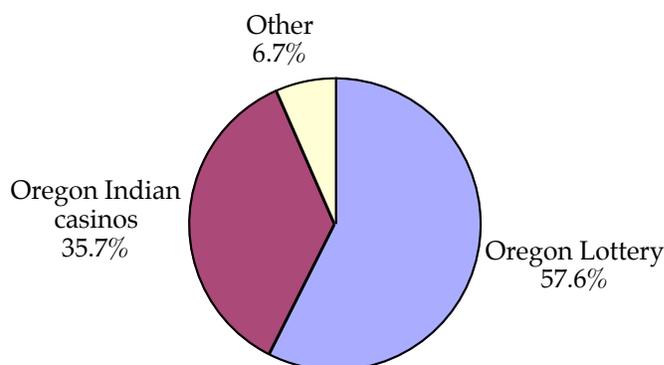
Gaming by Place & Residency of Player	Revenue 2004	% of Total
<u>Gaming Conducted in Oregon:</u>		
By Oregon Residents	\$1,082,716,838	92.2%
By Non-Residents & Tourists	91,518,998	7.8%
Total Gaming Inside Oregon	\$1,174,235,835	100.0%
<u>Gaming Done by Oregonians:</u>		
At Venues in Oregon	\$1,082,716,838	84.8%
At Venues Out of State	194,664,815	15.2%
Total Gaming by Oregonians	\$1,277,381,653	100.0%

Nevada and Washington were the primary out-of-state gaming destinations of Oregonians. In 2004, 503,290 passengers enplaned and deplaned flights between Las Vegas and Portland. Nationwide, Portland ranked as the 19th highest feeder market for Las Vegas—leading other major cities, such as Boston, Washington D.C., Tampa, Cleveland, and Baltimore.¹⁴

Market Shares

In 2004, the Oregon Lottery accounted for 57.6 percent of all the gaming conducted in the state, while the nine Indian casinos were 35.7 percent of the total.

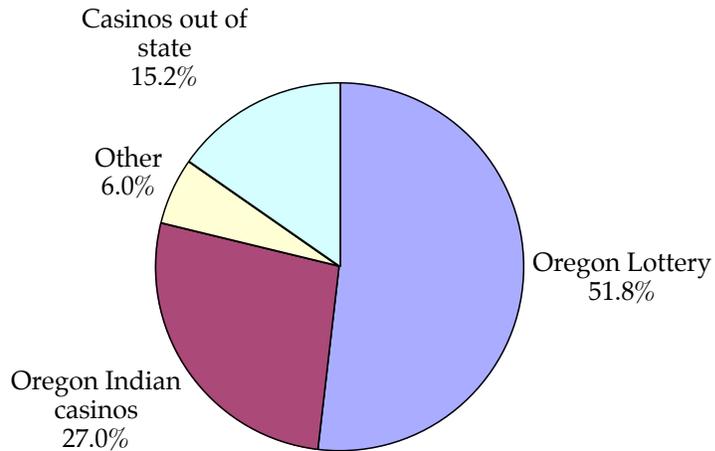
Figure 2: Market Shares of Gaming Conducted in Oregon in 2004



¹⁴ Marketing Bulletin, 2nd Quarter 2005 Summary. Las Vegas Convention and Visitors Authority. Page 10.

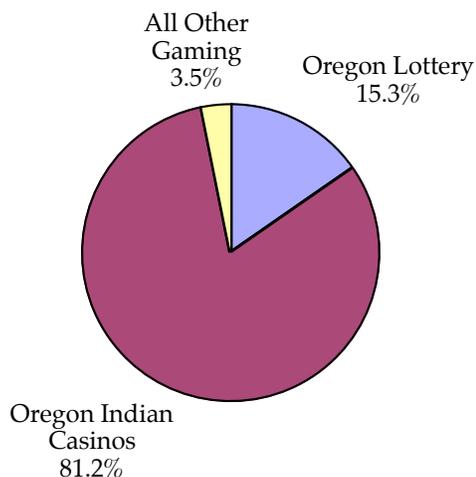
In terms of spending by Oregonians, the Oregon Lottery dominates the market. Indeed, in 2004, over half of the total gaming expenditures by Oregonians went to the lottery, while 27.0 percent went to the nine tribal casinos in the state.

Figure 3: Market Shares of Gaming Done by Oregonians in 2004



In 2004, tourists spent over \$91.5 million gambling in Oregon. Tribal casinos, being gaming destinations, attracted 81.2 percent of tourist gaming dollars. Lottery games, which are considered forms of convenience gaming, appealed more to local residents. The Oregon Lottery accounted for only 15.3 percent of the total gaming done by non-residents. Most of that was attributable to horse racing and the Oregon Lottery games of Powerball, Sports Action, and video poker played in the Portland metropolitan area.

Figure 4: Market Shares of Gaming Done in Oregon by Tourists and Other Non-Residents in 2004



Gaming in Oregon: Market Changes 2003 to 2004

Gaming overall increased in 2004 and the Lottery showed the greatest increase. Gaming revenues from Oregon Lottery games climbed \$38 million in 2004—all of it was attributable to video poker. Tribal casino gaming revenues went up approximately \$35.4 million. However, on a percentage basis, the revenue gains enjoyed by tribal gaming (+9.2 percent) exceed that of video poker (+7.7 percent). Non-residents account for a rising share of the growth at the casinos, which is a reflection of a strong tourism market, and the aggressive expansion of hotel rooms and RV parks by Oregon tribes.

Most other forms of gaming sustained losses in 2004. Live racing and off-track betting suffered because of competition from Internet wagering and faster forms of gaming—most notably video poker and casinos. In fact, by the end of 2004, all Indian casinos in Oregon had discontinued off track betting due to declining player demand.

Table 6 shows the net changes in gaming conducted in Oregon between 2003 and 2004.

Table 6: Changes in Gaming Conducted in Oregon, 2003 to 2004

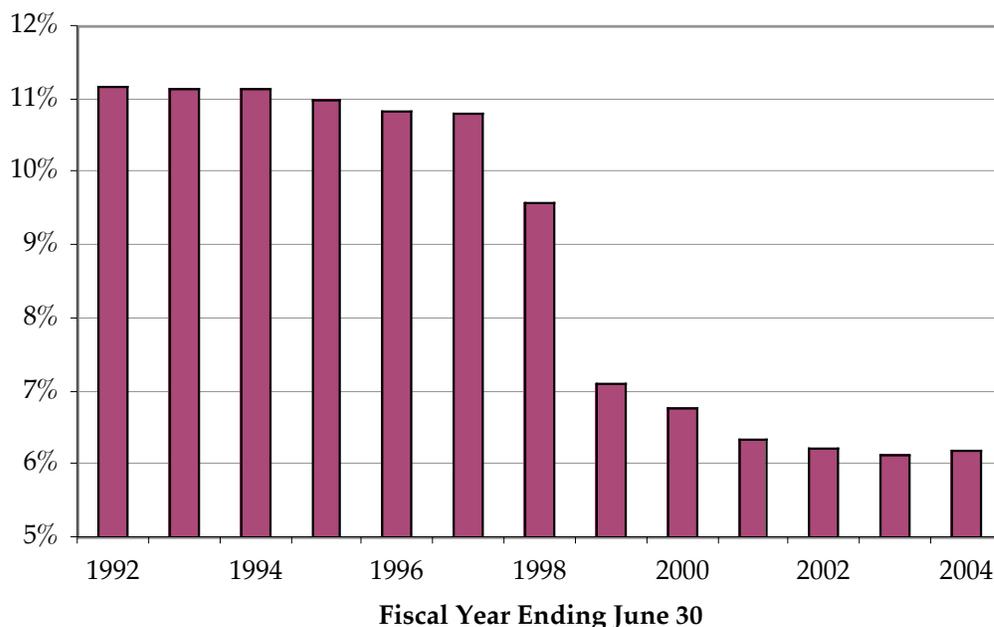
Type of Gaming	\$ Change	% Change
<u>Oregon Lottery:</u>		
Pull-tabs or breakopens	(\$274,881)	-25.3%
Scratch tickets	(153,009)	-0.3%
Megabucks lotto	427,285	2.6%
Powerball lotto	(2,791,944)	-12.9%
Keno	3,012,732	8.3%
Sports action game	(1,096,252)	-28.2%
Pick-Four game	(10,930)	-1.9%
Win for life game	406,586	26.6%
Scoreboard sports lottery game	14,975	6.1%
Video poker	38,468,485	7.5%
Oregon Lottery Subtotal	\$38,003,047	6.0%
<u>Other Gaming:</u>		
Charitable bingo	(\$225,150)	-1.7%
Charitable raffles	162,765	4.4%
Charity casinos & fundraisers	143,847	79.6%
OR Indian casinos	35,406,834	9.2%
Live racetrack betting	(542,586)	-23.6%
Off-track & simulcast betting	(813,378)	-6.3%
Parimutuel account wagering	144,067	7.4%
Instant racing VLTs	(15,050)	-100.0%
Illegal Internet & other illegal	6,814,131	17.7%
TOTAL	\$79,078,527	7.2%

Illegal forms of Internet wagering rose in 2004 because of the growing interest in competitive poker play online. This trend started with the broadcasting of the World Poker Tour on cable television and has renewed interest in the game both online and live. Some casinos and Washington card rooms have added poker tables in response to greater player demand.

The Oregon Lottery has been successful in retaining a large market share mostly through the expansion of video lottery games. Besides expanding the number of video poker retailers and raising the maximum number of machines from five to six VLTs per establishment, with the emergence of casinos the Oregon Lottery aggressively lowered the hold rates on their machines. The hold rate is the average percent of every dollar wagered that is lost by players. The effect of a lower hold rate is to stimulate more play by reducing the probability that players would face protracted periods of losses.

When video poker first became available in 1992, the hold rate was over eleven percent. In fiscal year 2004, the hold rate on Oregon Lottery poker machines was down to 6.18 percent. For perspective, the rate at the same time on the Las Vegas Strip was 6.45 percent. Thus, in 2004 Oregon Lottery machines were priced more aggressively than those on the Strip.

Figure 5: Average Hold Rates on Oregon Lottery Video Poker Machines, 1992 - 2004



Source: Oregon Lottery data.

Gaming by Oregonians: Market Changes 2003 to 2004

Between 2003 and 2004, gaming by Oregonians rose over \$77.1 million. The increase was slightly greater than the rise in personal income, as shown in Table 7. In recent years, gaming revenues by Oregonians have tracked personal income growth closely. This bodes well for 2005 because preliminary estimates by the Federal government indicate that Oregon personal income growth has accelerated to 6.5 percent. The average Oregonian spent \$17.66 more on gaming in 2004 than in 2003. The increase is mostly due to higher personal income and not a greater propensity to gamble.

Table 7: Changes in Gaming by Oregonians, 2003 to 2004

Type of Gaming	\$ Change	% Change
<u>Oregon Lottery:</u>		
Pull-tabs or breakopens	(\$274,607)	-25.3%
Scratch tickets	(152,380)	-0.3%
Megabucks lotto	425,954	2.6%
Powerball lotto	(2,776,796)	-12.9%
Keno	3,005,564	8.3%
Sports action game	(1,081,062)	-28.3%
Pick-Four game	(10,940)	-1.9%
Win for life game	405,743	26.6%
Scoreboard sports lottery game	14,947	6.1%
Video poker	37,785,804	7.6%
Oregon Lottery Subtotal	\$37,342,229	6.0%
<u>Other Gaming:</u>		
Charitable bingo	(\$226,075)	-1.7%
Charitable raffles	162,702	4.5%
Charity casinos & fundraisers	143,492	79.6%
OR Indian casinos	29,412,678	9.3%
WA casinos and card rooms	3,526,784	13.5%
Casinos outside OR & WA	857,153	0.5%
Live racetrack betting	(375,018)	-21.2%
Off-track & simulcast betting	(648,994)	-6.5%
Parimutuel account wagering	144,067	7.4%
Instant racing VLTs	(9,333)	-100.0%
Misc. legal out of state gaming	37,552	4.8%
Illegal Internet & other illegal	6,814,131	17.7%
TOTAL	\$77,181,369	6.4%
Per Capita Gaming	\$17.66	5.2%
Population July 1	41,100	1.2%
Personal Income	\$5,866,240,000	5.6%

Oregon Economic Impacts

Tribal gaming represents an increasingly important economic development opportunity for tribes in Oregon:

- Tribal gaming generates jobs and incomes for tribal members and non-members alike.
- Tribal gaming also enables tribal governments to pay for essential services, build local infrastructure, and promote economic development.
- For Oregon tribes, tribal gaming means less poverty, more employment, better standards of living, and less reliance on state and federal assistance.
- For Oregon, tribal gaming has emerged as a catalyst for tourism and as a major source of jobs that pay good wages and include health insurance, retirement plans, and other benefits—many of which go to rural Oregonians.

This section of the report begins with a brief description of our methodology and some basic definitions that outline the scope of the impact analysis. We then describe the tribal gaming industry in terms of its revenues, expenditures and employment, and then summarize the economic impacts of tribal gaming in Oregon in 2004. We also offer an analysis of the fiscal impacts of tribal gaming for state and local governments.

In addition, as discussed previously, this analysis is a follow-up to a similar study conducted in 2003. As such, we will also show how the economic and fiscal impacts have changed over this two-year period.

Economic Impact Analysis

Economic impact analysis provides a framework for analyzing how some activity—such as the entry or exit of an industry, changes in government policies, or a business expansion project—affects regional economic activity. Simply put, *economic impacts* are measures of the changes in economic activity because of some initial change in the economy. Although the initial stimuli can vary, economic impacts are typically measured as changes in output (or sales), wages, and jobs.¹⁵

¹⁵ *Output* is the broadest measure of economic activity. It represents the total value of production or, alternatively, business revenues. Output includes the costs of materials and labor, net business income (profits), and indirect business taxes. *Wages* represents the total payments to workers and includes benefits such as health insurance, life insurance, and retirement accounts. *Jobs* represent the number of additional jobs gained or lost as a result of some economic activity. Job impacts are the most popular measure of economic impacts because they are easy to understand.

Methodology

The most widely used modeling framework for economic impact analysis is known as input-output modeling.¹⁶ Input-output models are mathematical representations of the economy and how different parts (or sectors) are linked to one another.

Input-output models generally are not available for state and regional economies. As a result, special data techniques have been developed to estimate the necessary empirical relationships from a combination of national technological relationships and county-level measures of economic activity. This non-survey approach means that input-output models can be economically constructed using commercially available economic impact modeling software that relies on secondary source data collected by government agencies.

The most commonly used impact analysis software is called IMPLAN (for Impact Analysis for PLANning).¹⁷ ECONorthwest used this modeling software in this analysis. In simple terms, the IMPLAN model works by tracing how and where money spent at the casinos circulates through the economy.

There are three types of impacts; each is discussed below within the context of this analysis.

- **Direct impacts** include the output (basically revenues), jobs, and wages at the casino, hotel, and other related facilities. Because gaming revenues are then used to support tribal government spending, the direct impacts also include the output, jobs, and wages for those tribal activities that were financed from casino revenues.
- **Indirect impacts** occur as businesses or institutions buy from other businesses. The casino, for example, will purchase electricity, water and sewer services, landscaping services, and a host of other goods and services necessary to operate. The landscaping contractor will, in turn, purchase fuels, oils and repair services. These purchases of goods and services by businesses from other businesses indirectly generate sales, jobs, and wages for others.

¹⁶ Input-output analysis was first put to practical use by Wassily Leontief in the late 1930's. While at Harvard, Leontief used his input-output system to construct an empirical model of the United States economy. This research gave rise to his 1941 classic, "Structure of American Industry, 1919-1929." For his research, Leontief was awarded the Nobel Prize in Economics in 1973.

¹⁷ IMPLAN was initially developed by the Forest Service of the U.S. Department of Agriculture in cooperation with the Federal Emergency Management Agency and the Bureau of Land Management of the U.S. Department of the Interior to assist federal agencies in their land and resource management planning. Since 1993, IMPLAN has been developed and distributed by the Minnesota IMPLAN Group, Inc. ECONorthwest has applied the model to a variety of public and private sector projects including, most recently, an impact evaluation of Oregon's system of higher education and the potential loss of federal matching funds for long-term care services for seniors and persons with disabilities in Oregon and Washington.

- **Induced impacts** result from the increased income and purchasing power of households who are either directly or indirectly affected by tribal gaming. The casino employee, for instance, will take their family to dinner or purchase health care services for their children. Employees at the landscaping firm that maintains the casino grounds will spend their income in much the same way. This spending induces sales, jobs, and income for workers and businesses in other sectors of the economy.

ECONorthwest used the IMPLAN software to develop a model of the Oregon economy. Tribal casinos in Oregon, however, have a different expenditure pattern (or “production function”) than the typical commercial casino in the United States. Oregon tribal casinos spend significantly more on employee benefits, non-tribal charities, and tribal government programs (discussed below). They also have made significant capital investments in casino expansions and new lodging facilities. Thus, in order to model more accurately the economic impacts associated with tribal gaming, ECONorthwest used survey data from the nine individual tribes to develop a spending pattern that is more representative of tribal gaming in Oregon.

ECONorthwest also modeled the additional spending by tribal governments and tribal members that was made possible because of gaming revenues. Our efforts here were similar to those described above. ECONorthwest relied on survey data provided by the nine tribes to tailor the IMPLAN model so that it would accurately measure tribal government expenditures on social and economic development programs, healthcare, education, public works, and similar local needs.

Scope and Limitations of the Impact Analysis

As with any economic research, ECONorthwest defined the industry to be measured and the scope of the impact analysis. Below are some basic assumptions:

- The current analysis measures the economic impacts for the 2004 calendar year. All dollar amounts are in 2004 dollars. Comparisons to 2003 are on a nominal basis, i.e., dollars have not been adjusted for inflation.
- Our definition of tribal gaming includes the hotels, restaurants, and other ancillary activities and amenities directly associated with the casinos and offered to casino customers.
- Since gaming revenues are used to finance additional tribal government activities, the direct impacts also include the portions of tribal government and other tribal needs that are supported by the revenues from the casinos.

- We measured the total or gross impacts of the casinos. That means we are reporting the impacts that can be traced back to the spending by casinos in 2004. In other words, we found the total sales, jobs, income, and tax impacts that are directly and indirectly linked to tribal gaming. This differs from a net impact analysis, which would include “counterfactual spending” scenarios.

Impact Results

Data collected from the nine individual tribes for the 2004 calendar year form the inputs into the impact analysis. This data includes the gaming revenues (by source), the number of direct hires and their wages, and expenditures (by major expenditure category).

Tribal Gaming Operations in 2004

Using data supplied by the individual tribes, this analysis totaled the revenues, expenses, and miscellaneous cash outlays of all nine tribal casinos in 2004. As shown in Table 8, total revenue at the nine tribal casinos was over \$499 million in 2004. That is a gain of 10.0 percent from the previous year. Gaming had accounted for 84.1 percent of total casino revenues. Food and beverage sales were the second largest source of revenues (9.1 percent) followed by hotel and lodging (3.7 percent).

Table 8: Revenues and Selected Expenditures by Tribal Casinos in Oregon, 2004

Revenues & Expenditures	2004
<u>Revenues:</u>	
Gaming	\$419,598,735
Food & beverage sales	45,632,552
Hotels and RV parks	18,253,338
Gift shops, recreation & other	15,552,469
Total Revenues	\$499,037,095
<u>Selected Expenditures:</u>	
Labor	\$174,161,106
Utilities	5,843,865
Advertising, marketing, & sales	25,791,536
Costs of goods sold	31,249,834
Repairs and maintenance	3,428,842
Supplies	9,208,739
Professional services	3,861,138
Entertainment, comps & other operating expenses	35,556,605
Charity & community fund donations	8,948,234
Construction & equipment purchases	56,734,678
Tribal govt. services & member support	168,825,794

Source: Tribal reports.

Table 8 also contains tribal expenditures for selected operating and other expense categories. Expenditures on labor represented the largest single cost for casinos. This is because casino-hotels are labor-intensive businesses. The average tribal casino facility in Oregon requires one employee workday for about every seven to eight visitors.

To get a better understanding of the overall compensation package for individuals employed at tribal gaming facilities, total labor cost is broken out in more detail in Table 9. As can be seen, the tribes employed the average annual equivalent of 4,883 workers and paid casino workers over \$130.2 million in wages and salaries in 2004. In addition, tribes paid over \$21.0 million in healthcare benefits, \$3.6 million in 401-K retirement benefits, and nearly \$7.0 million in other benefits to their casino employees. When combined with payroll taxes paid by the tribes, the total casino employment costs incurred by the nine tribes was approximately \$174.2 million in 2004.

Table 9: Wages, Taxes, and Benefits Paid by Tribal Casinos and Employees, 2004

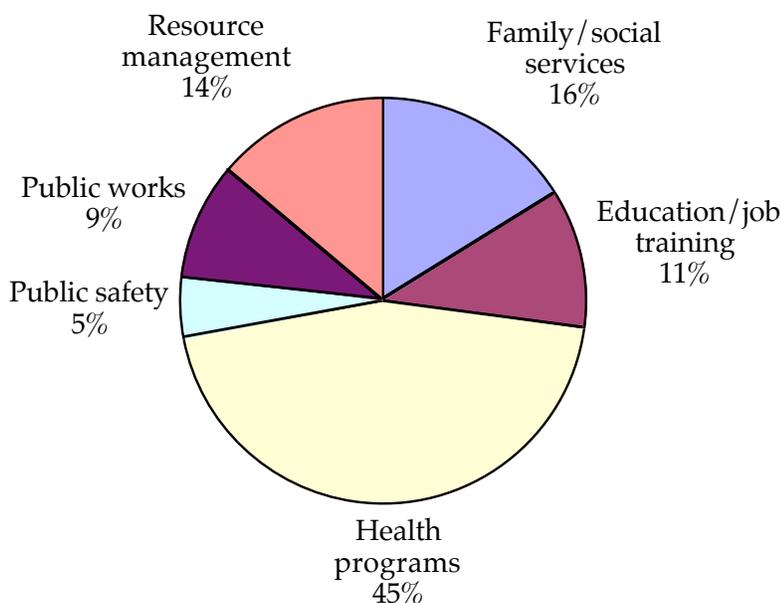
Labor Statistics	2004
<u>Labor Costs Paid by Casinos:</u>	
Wages & salaries (including gratuities)	\$130,212,087
Payroll taxes	12,336,852
Healthcare benefits	21,039,977
401-K retirement benefits	3,588,002
Other employee benefits	6,984,188
Total paid by casinos	\$174,161,106
Avg. number of employees	4,883
<u>Per Employee:</u>	
Wages earned	\$26,666
State & federal income, Medicare, & Social Security taxes paid by worker	\$5,409

Sources: Tribal reports, Oregon Department of Revenue, Social Security Administration, and the Oregon Employment Department. ECONorthwest estimated taxes paid based on full-time resident tax return averaged of comparably compensated Oregonians.

Table 9 also shows that the average full-year casino employee earned \$26,666 in wages and tips in 2004, and paid approximately \$5,409 in state and federal taxes in the form of income, Medicare, and Social Security taxes. The combined taxes paid by the 4,883 workers because of their jobs at the nine casinos totaled approximately \$26.4 million in 2004.

Most tribes had earnings, after paying debts, from their gaming operations. Those that did used the funds to pay for tribal government services. A breakdown of where those dollars went is shown in Figure 6.

Figure 6: Tribal Government Spending on Major Programs Paid for by Gaming Revenues in 2004



By far the largest cost faced by tribes is healthcare. Nearly 45 percent of casino gaming earnings went directly into the healthcare programs of tribes. Gaming revenues went to pay for various other essential services, such as family and social services (16 percent), public works and public safety (collectively 14 percent), education and job training (11 percent), and more.

In some cases, these services are available for both tribal and non-tribal members of the community. Without casino revenues, these programs likely would have been reduced or curtailed, or the financial responsibilities of federal, state, and local governments would have increased.

Results of the Impact Analysis

The direct economic impacts attributed to tribal gaming are shown in the first three rows of Table 10. The direct impacts include those from the casino operations (gaming and hospitality), and the additional tribal government spending that is made possible because of the full range of tribal gaming operations.

Gaming revenues are a measure of the direct output (or sales) from tribal gaming. The number of people working at the casinos and their payroll represent the direct jobs and wages from tribal gaming. Tribal gaming directly generated approximately \$499 million in economic activity, \$174.2 in wages and benefits, and 4,883 jobs in 2004.

Revenues from tribal gaming also supported approximately \$120.2 million in tribal government services, with \$41.7 million in wages and benefits for approximately 816 workers. In total, the direct economic impacts attributed to tribal gaming in 2004 include approximately 5,700 jobs and \$215.8 million in wages and benefits.

Table 10: Economic Impacts of Tribal Gaming in Oregon in 2004

Economic Activity	Economic Output	Wages and Benefits	Full- and Part-Time Jobs
<u>Direct Impacts Supported by Tribal Gaming</u>			
Gaming & Hospitality Revenues	\$499,037,000	\$174,161,000	4,883
Tribal Govt. Services Supported by Casinos	120,232,000	41,673,000	816
Direct Impacts	\$619,269,000	\$215,834,000	5,699
<u>Indirect & Induced Impacts on Oregon's Economy</u>			
Natural Resources and Construction	\$90,121,000	\$28,858,000	959
Manufacturing	67,204,000	14,299,000	313
Wholesale and Retail Trade	104,933,000	43,003,000	1,497
Services	262,098,000	105,607,000	4,367
Other	183,306,000	62,853,000	1,699
Indirect & Induced Impacts	\$707,662,000	\$254,620,000	8,835
Total Impact of Casinos on Oregon's Economy	\$1,326,931,000	\$470,454,000	14,534

"Other" includes transportation, communication, utilities, FIRE, and government sectors.

There are strong linkages between spending by tribes and their casinos and other sectors of the state economy because tribes are local and, thus, direct so much of their spending to in-state suppliers and workers. In economics terms, the expenditures associated with tribal gaming and tribal governments start the first round of indirect impacts. Subsequent rounds of indirect impacts, as well as the induced impacts associated with household spending, will create what is often described as a “multiplier” effect on the Oregon economy.

As can be seen in Table 10, the indirect and induced economic impacts associated with tribal gaming are significant. In 2004, approximately \$707.7 million in additional economic activity in other sectors of Oregon’s economy is attributed to tribal gaming operations. For workers and households in Oregon, this means that tribal gaming supported an additional 8,835 jobs and \$254.6 million in wages and benefits.

These indirect and induced impacts are spread throughout many sectors of the state economy. The service sector—Oregon’s largest—gained the most with 4,367 jobs and \$105.6 million in wages. This is logical, given the labor-intensive nature of tribal gaming and tribal government. It is also very important because the service sector encompasses a wide range of occupations, with workers of different skills and abilities. Tribal gaming, therefore, supports employment and income opportunities for a wide range of people, from day care providers to doctors.

Workers in the trade sector, which consists of wholesalers and retailers, depend on the casinos for almost 1,500 jobs and \$43 million in wages and benefits. Much of that support begins with the purchases of goods and services by the casinos (as shown previously in Table 8). For example, in 2004, casinos spent over \$20.8 million in wholesale food and beverages just to keep their restaurants running. Overwhelmingly those purchases are made through Oregon suppliers. The retail trade sector benefits from the spending by the 5,700 employees whose jobs are directly dependent upon the casinos. Much of the \$215.8 million they earned in pay and benefits in 2004 was spent in Oregon stores and restaurants.

Table 10 also shows that “Other” sectors of Oregon’s economy—including transportation, communications, utilities, finance, and government sectors—account for more than a quarter of the entire indirect and induced output impacts. Much of that was recorded by the banking and real estate industries, which derived revenues from tribal gaming primarily through benefiting employees. Workers in Oregon spend over 29 percent of their incomes on housing.¹⁸ Dollars from casinos flow directly into home purchases, apartment rents, and remodeling projects—and ultimately into property taxes for local schools and communities.

The “Other” sector also includes utility purchases. Casinos are heavy consumers of electricity and water because they cater to so many visitors, have large building areas with extensive heating and ventilation requirements, use huge amounts of electrical equipment, and most are open 24 hours a day.

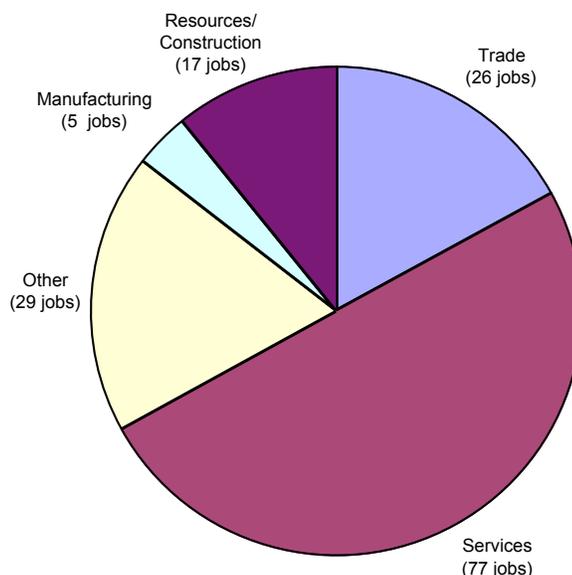
As the preceding discussion indicates, tribal gaming clearly has a multiplier effect on the Oregon economy. Economic multipliers measure how spending in one sector affects all other sectors in an economy. In other words, multipliers can be used to gauge the interdependence of sectors—in general, the larger the multiplier, the greater the interdependence of the sector on the rest of the economy.

The output, wage, and job multipliers for tribal gaming in 2004 are 2.14, 2.18, and 2.55 respectively. This means, for example, that every dollar of casino revenue is associated with approximately \$1.14 in sales in other sectors of the Oregon economy.

The multiplier of greatest importance, especially in rural Oregon where so many casinos are located, is the jobs multiplier. Tribal gaming has a job multiplier of 2.55. This says that, on average, every 100 tribal jobs support another 155 jobs in other sectors of the state economy. Figure 7 provides a sector breakout of these job impacts.

¹⁸ Portland MSA data from the US Bureau of Labor Statistics <http://www.bls.gov/cex/home.htm>.

Figure 7: Job Impacts, by Sector, of 100 Tribal Gaming Jobs in 2004



Tax Impacts

Tribes are governments unto themselves. They earn revenues and then use them to pay for affordable housing projects, healthcare, education, police services, public works, road construction, and social services. Much of this spending also directly benefits non-tribal members of the affected local communities by providing access to various tribal services such as healthcare, fire protection, and support for public schools. In addition, the contributions and donations made by tribal governments indirectly benefit Oregonians by alleviating pressure on federal, state, and local government resources to attend to the needs of communities.

Casinos in Oregon are part of tribal governments, much as the Oregon Lottery is part of Oregon State government. Neither the Oregon Lottery nor the tribal casinos are subject to income and property taxes, but their cash flows are both used to pay for government services and needs. In addition, many tribal governments do, in fact, pay state and local jurisdictions for services and some remit lodging taxes to local government.

Tribal gaming is associated with approximately \$122.5 million in revenues to federal, state, and local governments in 2004.

Table 11: Taxes and Other Government Revenues Attributed to Oregon Tribal Gaming in 2004

Jurisdiction/Source	Tribal Gaming Impact
<u>State of Oregon:</u>	
State personal & corporate income tax	\$20,405,800
Other state taxes, fees & licenses	14,081,300
Oregon Government Revenues	\$34,487,100
<u>Local Governments in Oregon:</u>	
Local property taxes	\$14,416,500
Other local taxes, fees & licenses	4,877,400
Local Government Revenues in Oregon	\$19,293,900
<u>U.S. Federal Government:</u>	
Federal personal & corporate income tax	\$39,155,300
Excise & retirement taxes	29,538,400
Federal Taxes	\$68,693,700
Total Federal, State & Local Revenues	\$122,474,700

The greatest fiscal impact of tribal gaming comes in the form of income taxes paid by casino employees, tribal members, and all the workers and businesses that earn money indirectly through downstream spending of tribal casinos and tribal governments. In 2004, tribal gaming generated approximately \$20.4 million in Oregon income taxes and \$39.2 million in federal income tax revenues.

Changes Between 2003 and 2004

By any dimension, tribal gaming in Oregon grew between 2003 and 2004. Visitation increased approximately 6.1 percent and the number of room nights sold increased 25.6 percent. Revenues across all activities increased. Gaming revenues increased 9.2 percent between 2003 and 2004. With the expansion and construction of additional hotel rooms, as well as additional recreational vehicles sites, lodging revenues increased 23.5 percent, or by almost \$3.5 million, over the same period.

Table 12: Comparison of Tribal Gaming Visitation, Revenues, and Expenditures (2003 – 2004)

Tribal Gaming	2003	2004	Change	Percent Change
<u>Visitation</u>				
Casino	8,102,578	8,600,599	498,021	6.1%
Hotels and lodging (room nights)	169,558	212,881	43,323	25.6%
<u>Revenues</u>				
Gaming	\$384,192,000	\$419,599,000	\$35,407,000	9.2%
Food and Beverage	41,672,000	45,633,000	3,961,000	9.5%
Hotel, Lodging and RV	14,783,000	18,254,000	3,471,000	23.5%
Other	13,098,000	15,552,000	2,454,000	18.7%
Total Revenues	\$453,745,000	\$499,038,000	\$45,293,000	10.0%
<u>Major Expenditures</u>				
Labor	\$162,935,000	\$174,161,000	\$11,226,000	6.9%
Operating and Other	127,528,000	128,761,000	1,233,000	1.0%
-Donations, Contributions and Fees	8,702,000	12,421,000	3,719,000	42.7%
Construction/New Equipment	42,124,000	56,735,000	14,611,000	34.7%
Tribal Govt. Services & Member Support	141,665,000	168,826,000	27,161,000	19.2%

As with visitation and revenues, expenditures across all categories increased. While operating and other expenses (in aggregate) increased just 1.0 percent, expenditures on the personnel needed to operate the casinos increased by 6.9 percent, or approximately \$11.3 million, between 2003 and 2004.

Increases in tribal gaming revenues also enabled the tribes to continue making significant contributions to Oregon charities and non-profits, and increased fees and contributions to local governments. In 2004, donations, contributions and fees paid to local governments increased approximately \$3.7 million, or by 42.7 percent, from the previous year.

Tribes also responded to the strong demand for gaming and gaming-related activities by significantly increasing capital expenditures between 2003 and 2004. In 2003, the tribes collectively spent approximately \$42.1 million on the construction of new facilities, and the purchase of new gaming and other equipment. In 2004, this spending increased to approximately \$56.7 million, or by almost 35 percent. Importantly, a larger share of the tribes' capital expenditures went to construction of new facilities. In 2003, approximately 43 percent of capital expenditures went towards new construction. In 2004, almost 60 percent of a larger capital expenditure budget was allocated to new construction.

For the tribes, increases in gaming visitors and gaming revenues means more financial resources for tribal government activities. In 2003, approximately \$141.7 million in gaming revenues went to support tribal government or tribal members. In 2004, an additional \$27.2 million in gaming revenues were used by the tribes to build or improve health clinics, housing, youth and cultural centers; provide medical and job training services; pay for education programs ranging from Head Start classes to college scholarships; and increase the standard of living for tribal members. In total, gaming revenues provided approximately \$168.9 million in support for tribal governments and tribal members in 2004.

Currently, Oregon tribal governments are planning more construction, infrastructure improvements, and spending on social programs. All of this spending will enhance the economic capacity of the communities, tribal members, and affected employees and their families for years to come. Much of this spending, however, is dependent on the success of the tribes' major economic development program—tribal gaming.

The increases in tribal gaming activity and revenues bodes well for gaming employees—both tribal and non-tribal members—and tribal governments and tribal members. In addition, expenditures made on behalf of tribal gaming or tribal governments have had a significant and growing impact on local communities and the Oregon economy. Table 13 compares the economic impacts associated with tribal gaming in 2003 and 2004, and shows how the increases in direct impacts translate into larger impacts for the state.

With expanded gaming operations, the direct impacts increased significantly between 2003 and 2004. Output increased by \$55.6 million (+ 9.9 percent), wages and benefits increased \$23.5 million (+12.2 percent), and employment increased by 370 jobs (+6.9 percent). In addition, these larger direct impacts also had larger multiplier effects for other sectors of the Oregon economy in 2004 than in 2003.

The expansion of the multiplier effect is likely the result of two inter-related issues. First, tribes purchase goods and services locally, and their expenditures in 2004 were more oriented towards industry sectors that are in adequate supply in this state and that have larger multiplier effects themselves. For example, tribal expenditures on construction increased significantly between 2003 and 2004. In Oregon, this industry is sufficiently large and developed to accommodate nearly all the construction spending by the tribes.¹⁹ It also purchases many intermediate goods and services that are available in Oregon, and pays relatively high wages that then facilitate large induced spending impacts.

Second, the Oregon economy grew both in scale and scope.²⁰ Some industries that are major providers to tribal gaming increased in size. Other sectors that provide goods and services to households grew. As a result, a given change in the economy will have a larger ripple effect because the Oregon economy is better able to absorb the initial increase in spending, as well as subsequent rounds of indirect and induced spending.

¹⁹ In economics terms, the “Regional Purchase Coefficient” for this sector is 100 percent, i.e., the Oregon construction sector can supply 100 percent of the demand for construction services.

²⁰ In the previous 2003 analysis, ECONorthwest used 2001 IMPLAN data for Oregon. In the current analysis of 2004 impacts, ECONorthwest used recently released 2003 IMPLAN data for Oregon.

Table 13: Comparison of Economic Impacts (2003 – 2004)

Economic Impacts	2003	2004	Change	Percent Change
<u>Direct</u>				
Output	\$563,671,000	\$619,269,000	\$55,598,000	9.9%
Wages and Benefits	\$192,388,000	\$215,834,000	\$23,446,000	12.2%
Jobs	5,328	5,699	371	7.0%
<u>Total</u>				
Output	\$1,026,921,000	\$1,326,931,000	\$300,010,000	29.2%
Wages and Benefits	\$348,874,000	\$470,454,000	\$121,580,000	34.8%
Jobs	10,968	14,534	3,566	32.5%

Overall, the economic impacts of tribal gaming increased significantly between 2003 and 2004. In total, tribal gaming directly and indirectly generated almost \$1.327 billion in economic activity in 2004. This represents a 29.2 percent increase from the previous year. In addition, tribal gaming generated approximately \$470.5 million in wages and benefits and approximately 14,534 jobs in Oregon in 2004. Wages grew 34.8 percent while the number of jobs rose 32.5 percent from the year before.

Table 14: Comparison of Fiscal Impacts (2003 – 2004)

Fiscal Impacts (revenues)	2003	2004	Change	Percent Change
State of Oregon	\$25,611,700	\$34,487,100	\$8,875,400	34.7%
Local Governments in Oregon	17,013,900	19,293,900	\$2,280,000	13.4%
Federal Government	58,289,400	68,693,700	\$10,404,300	17.8%
Total	\$100,915,000	\$122,474,700	\$21,559,700	21.4%

As shown in Table 14, the increases in economic activity attributed to tribal gaming resulted in more revenues for federal, state, and local governments in 2004. In total, tax revenues generated because of tribal gaming increased by approximately \$21.6 million, or 21.4 percent, between 2003 and 2004.

Appendix A

Measuring the gaming market is complicated by what forms of gambling to consider and how to measure them. The following explains some of the definitions and intricacies of how gaming markets are measured.

Gaming Revenues

People often confuse the terms gaming and gambling. They have two very different meanings. Gambling is the activity that consumers do when they make a wager—usually at a venue such as at a lottery retailer, casino, or bingo hall. Gaming revenue is the difference between the total amount players bet and how much they win in cash and prizes. Another way to look at it is to consider gaming revenue the amount that consumers, in total, lose or spend on gambling. Gaming revenue is the standard unit used to measure the market.

Social Gambling

Not all gambling produces gaming revenues. Informal social games, such as office Super Bowl pools and many private poker games, do not produce gaming revenues because the players in total do not lose money. The sum of the amounts won by some players equals the losses of all the others. Money simply changes hands between them.

The same is true for social gaming outside of homes and offices. Oregon permits social gaming at fraternal clubs, restaurants, and bars only where local ordinances allow it. Cities, such as West Linn and John Day, for example, allow social gaming such as blackjack played among customers at clubs. No money in net is taken from all the players and given to the business, so there are no gaming revenues. As a result, neither informal nor formal social gaming appears in our assessment of the Oregon gaming market.

Amusement Games

Amusement games, which are carnival and crane games played for prizes at fairs and supermarkets, are an exception. People put up money for a skill game where the prize is a toy, watch, or some novelty. Although considered a form of gaming in Washington State, in Oregon we do not count amusement games as a form of gambling.

Using Expected Values

Complications arise when measuring the gaming market because it is conceivable that for a given game, winnings can exceed wagers. For example, in October 2005 a man in Jacksonville, Oregon won a record \$340 million Powerball prize. Therefore, winnings from the Powerball lottery game in 2005 would far exceed wagers made in Oregon and, technically, Powerball lottery gaming revenues would be negative.

A similar problem exists for casinos that have VLT game titles with million dollar grand prizes that are connected in a system with VLTs at other casinos around the state or country. Wherever the grand prize is won, in a sense gaming revenues are negative while elsewhere they are unusually high.

Similar negative revenues can occur when measuring gaming on the county level for games with lesser prizes. Indeed it is difficult to determine how much prize money was won from the wagers of games, such as lotteries, on the county level because winning tickets can be cashed in counties other than those where the tickets were bought. Thus, as a standard, it is a common practice to measure gaming revenues using expected values.

The expected value for revenue is the average player loss per dollar bet on a particular game. Thus, for example, if a lottery game keeps on average 30 cents of every dollar bet, we estimate that the revenues for a particular county would be 30 percent of that lottery game's sales. Using expected values takes out potentially large swings due to where people cash tickets and where they buy them. In Oregon, for example, all tickets worth over \$800 must be cashed in Marion County (at the Lottery headquarters). However, the greatest problem that using an expected value corrects for is in big prize lottos, such as Powerball, where there can be a single hundred million dollar winner.

For casinos with a VLT title that has a high grand prize, the VLT manufacturer often takes the responsibility of paying the top prize, but charges all casinos with the VLTs a percentage that approximates the appropriate expected value.

Two Ways of Measuring the Market

There are two ways to measure a gaming market: (1) by counting all the gaming done inside a state and (2) by measuring all the gaming that residents of the state engage in, whether it is inside the state or out of state.

Where it is Conducted

The simplest measure counts all the gaming conducted in a given geographic location. This is a good way to assess the size of the gaming industry in a state. However, it is not useful for comparisons to a state's population or income because people often travel across state lines to gamble.

How Much Residents Spend on Gaming

The second method counts all the gaming by residents, whether it is done in the state where they live or outside the state. Only the gambling done by residents is counted, so any gambling by tourists visiting the state is excluded. The advantage of this measure is that it is a component of the budgets of residents. Thus, it tracks closely with changes in local population and income.

Categories of Gaming

ECONorthwest collects revenue data on many forms of gaming. For this report, we combined some of the categories and reduced the market analysis down to a set of 22, one of which is no longer active, which make up the Oregon gaming market. The 22 categories of gaming are:

1. **Pull-tabs or breakopens.** Pull-tabs, which are also known as breakopens, are games where players buy a piece of paper for a specific game. The players pull off paper tabs to reveal symbols. These symbols indicate whether a player has won a prize. Pull-tabs or breakopens are roughly similar to a paper form of a slot machine. They are available in Oregon, but only by the Oregon Lottery. In Washington pull-tabs are much more popular than they are in Oregon. In Washington, pull-tabs are produced by commercial gaming companies and sold in bars.
2. **Scratch tickets.** These are traditional lottery scratch off tickets, usually for small to mid-sized prizes, which typically are sold for \$1 to \$5 at convenience stores and markets throughout Oregon and Washington. They are called scratch or instant tickets because the player determines whether they have won by scratching off a waxy coating to reveal numbers or symbols that indicate if they are a winner.
3. **Oregon Lottery Megabucks lotto.** The Megabucks game was the original lotto game in Oregon. Lotto is a game where players buy a ticket with numbers or symbols and then await the outcome of a drawing where numbers or symbols are randomly selected. Megabucks drawings are done three times a week and the top prize is at least a million dollars.
4. **Powerball.** This is a multi-state lotto game sold in Oregon. When the carryover pool is large, many out of state residents will play the game as well. Only the revenues from sales of Powerball tickets sold inside Oregon are counted in this category.
5. **Oregon Lottery keno.** Keno is a game where 20 out of 80 random numbers from one to 80 are drawn. Prizes are paid according to how many correct numbers a player chose in advance of the draw. In Oregon, the Lottery operates a centrally determined game that is played every four minutes and transmitted throughout Oregon to 2,715 keno retailers (year-end 2004).
6. **Oregon Lottery sports action game.** This is a parlay card based on NFL football games. Sports Action is popular with out of state residents and is being discontinued because it was believed to have hindered Portland's attempts to attract NCAA basketball games.

7. **Oregon Lottery pick-four game** is a once a day lotto with a modest prize payout, which is similar to numbers games on the East Coast.
8. **Oregon Lottery Win For Life game** is a three times a week, four number lotto game that pays winners a top prize of a thousand dollars a week for life.
9. **Oregon Lottery Scoreboard game** is similar to an office football pool where players pick the last digits of game scores. Unlike many office pools, the number selection in this Oregon Lottery game is done randomly. It is available at Oregon Lottery retailers during football season.
10. **Oregon Lottery video poker.** At the end of 2004, there were 2,010 retailers in Oregon and they had 10,290 video poker VLTs. To be allowed to have VLTs a retailer must have a license to serve beer, wine, or hard liquor, restrict VLT access to people over 20, and pass a criminal background check. Most retailers are bars or restaurants. They are limited to six VLTs per establishment. In June 2005, line games were added, so many video poker VLTs give players the choice to select from several common casino slot machine titles.
11. **Charitable bingo.** This includes bingo games run by charities and licensed by state government. Bingo sessions held at casinos are reported under casino revenue. Games with handles below the state minimum for licensing (\$5,000 in Oregon) are excluded.
12. **Charitable raffles.** All state licensed charitable raffles and fifty-fifty games are included here.
13. **Charity casinos and fundraisers.** Some charities run events called casino nights or Monte Carlo nights. These are licensed by the states of Oregon and Washington. Casino night revenues may include small amounts from raffles, pull-tabs, and other gaming activities that are done at some charitable casino events.
14. **Oregon Indian casinos.** In 2004, there were nine Indian casinos in Oregon.
15. **Washington Indian casinos and card rooms.** In 2004, there were 32 Indian casinos, including bingo halls and slot venues not under state compact, in Washington. There were 117 licensed commercial card rooms at year-end 2004. Card rooms, also known as mini-casinos, can offer poker and usually house-banked card games, such as 21 and *pai gow* poker.

16. **Casinos outside of Oregon and Washington.** This category is the sum of all the gaming dollars spent by Oregonians physically visiting casinos and card rooms located out of state. This would include Indian casinos, commercial casinos, and cruise ships.
17. **Live racetrack betting.** This includes wagering at horse and dog racetracks on the live races (as opposed to televised or simulcast races).
18. **Off track & simulcast betting.** This is the revenue from all wagering at racetracks and at commercial off track betting parlors inside the state where betting on races being conducted at other locations is allowed.
19. **Parimutuel account wagering.** Wagering done inside the state on races conducted outside the state placed by telephone or by using the Internet, and paid for by using an account that is legal according to the state.
20. **Instant racing VLTs.** An instant racing VLT is a parimutuel racing simulation machine, similar to a video slot machine, which takes wagers from a network of machines and pools them. Legal in Arkansas, Wyoming, and Oregon, these were tried in Portland in 2003 and later removed because they got little action.
21. **Miscellaneous legal out of state gaming.** This covers all other forms of legal gaming, but the largest component is betting on lotteries outside of Oregon. It also would include such things as non-casino slot play in Montana, wagering on Jai Ali, and video poker at bars in Nevada and Louisiana.
22. **Illegal Internet and other illegal.** This is a catchall category for all forms of illegal gaming. It is estimated based on national averages and comparisons to local personal income levels. The main forms of gaming in this category are illegal sports betting (other than the Oregon Lottery, Nevada sports books, and similar legal outlets), simulated casino gaming over the Internet, dog fighting, cock fighting, non-casino *pai-gow*, unlicensed poker games with house rakes, Internet poker games with house rakes, and other illegal Internet gaming.