

The Contributions of Indian Gaming to Oregon's Economy in 2006

A Market and Economic Impact
Analysis for the Oregon Tribal
Gaming Alliance

ECONorthwest

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Executive Summary

Assignment

The Oregon Tribal Gaming Alliance (“OTGA”) is a coalition of nine Indian tribes in Oregon. Each owns and operates a casino in the state. The OTGA retained ECONorthwest to conduct a market and economic impact analysis of the tribal casino gaming industry in Oregon for the year 2006. This is the fourth year such an analysis has been done.

The data presented in this report come from various sources, but primarily from OTGA member tribes. They provided audited operating data on their casinos and related activities such as hotels and restaurants. The tribes also prepared lists of charities and donations made by OTGA members through their charitable foundations and businesses. Riley Research Associates provided the results of a survey for this analysis. Statistics from state and federal government sources, such as the Oregon Lottery and the Bureau of Indian Affairs, were also used to produce this report.

This report replicates past work where the size and impact of tribal gaming in Oregon had been measured. Three additional research elements are included in this analysis. Overall, the following key topics are examined in this report:

- **Economic impacts of tribal gaming:** What was the total economic impact of tribal gaming on the Oregon economy in 2006 and how does it compare with previous years?
- **The size of the gaming market in Oregon:** How much gambling was conducted in Oregon in 2006 and how much money did Oregonians spend? What share of the total gaming in Oregon was attributable to the nine tribes and the Oregon Lottery? How has the market changed over the past decade?
- **Charitable contributions by tribes:** All nine tribes make donations to area charities and most have established charitable community foundations financed by casino gaming revenues. How much was donated in 2006? What types of charities benefited?
- **Survey results:** In 2004, ECONorthwest engaged Riley Research Associates to ask questions about casino gaming in their survey of Oregon voters. This survey was repeated on March 2008 and the findings were analyzed for this report.

Major Findings

This analysis of the gaming market in Oregon and the ultimate impacts of tribal gaming on the state economy in 2006 concluded the following:

- The nine federally recognized tribes in Oregon run Indian casinos; most are located in rural areas. Gaming commissions, the Oregon State Police, and the federal government closely regulate the casinos.
- The casinos directly employ thousands of workers. Casino jobs pay above industry average wages, and benefits are common and considerable.
- Tribal casinos paid for \$123.4 million in tribal government programs in 2006. These programs fulfill needs that would otherwise go unsatisfied and receive only partial funding from the state and federal government.
- The casinos, through impacts at many levels of the economy, resulted in 13,916 jobs in Oregon in 2006.
- Despite healthy absolute growth, Indian casinos' relative share of the Oregon gaming market declined for the first time in 2006. This is a result of the Oregon Lottery's even stronger growth.
- Tribal casinos gave more than \$8,100,000 in charitable donations in 2006.
- Oregonians hold positive opinions regarding tribal casinos in their state although the percentage believing otherwise has increased in the last four years.

Caveats

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

- Eight OTGA members provided full revenue and expenditure data. The Klamath Tribes, which has the second smallest casino in Oregon, provided only partial data for 2006.
- ECONorthwest conducted checks to ensure that the data provided by tribes was complete and consistent with other publicly- or privately-collected data.
- This analysis also relies on data from public sources, which are assumed to be 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 Reno-Sparks Convention and Visitors Authority, the U.S. Bureau of Economic Analysis, the U.S. Department of Transportation, the Las Vegas Visitors & Convention Authority, Population Research Center at Portland State University, the Office of Financial Management at the State of Washington, and the Charitable Activities Section of the Oregon Department of Justice.
- Due to lags in reporting from government sources, population and personal income data used in this analysis are subject to revisions.

Oregon Casinos and Tribes

There are nine federally recognized tribal governments based in Oregon. Each one operated a casino in 2006. Six also had hotels as part of their gaming operations and seven offered RV sites to patrons.

Although the tribes are sovereign nations, the State of Oregon exercises considerable control over the size and location, types of games, regulations, and other important features of the nine tribal 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 and a description of their facilities at year-end 2006. It is followed by a synopsis of the history and location of each tribe.

Casinos in 2006

Table 1 lists the names, locations, tribal ownerships, opening dates, and the numbers of hotel rooms and RV hook-up sites of the nine casinos in Oregon, as of December 31, 2006.¹

Table 1: A Summary of Oregon Casinos, Year-End 2006

Casino	City	Tribe	First Opened	At Year-End 2006	
				Hotel Rooms	RV Sites
Chinook Winds	Lincoln City	Confederated Tribes of Siletz Indians	May 1995	227	51
Kah-Nee-Ta	Warm Springs	Confederated Tribes of Warm Springs	May 1995	139	51
Kla-Mo-Ya	Chiloquin	The Klamath Tribes	July 1997	-	-
Old Camp	Burns	Burns Paiute Tribe	August 1998	-	18
Seven Feathers	Canyonville	Cow Creek Band of Umpqua Tribe of Indians	April 1992*	147	31
Spirit Mountain	Grand Ronde	Confederated Tribes of Grand Ronde	October 1995	250	93
The Mill	North Bend	Coquille Indian Tribe	May 1995	112	102
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	100	100
Total Lodging at Tribal Casinos				975	446

* 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 Opening dates refer to a tribe’s first gaming operations whether in a permanent or temporary facility. The Wildhorse and Chinook Winds casinos started in temporary structures. Three Rivers also began in a temporary structure that was replaced with a permanent casino building in late 2007.

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 Coos, Lower Umpqua, and Siuslaw, the Siletz, Cow Creek, Coquille, and Umatilla have amended their compacts similarly. So far the other tribes in Oregon have not chosen to expand into other forms of table games.

The tribes reported that they had catered to over 10.4 million visitors in 2006. The tribes sold 272,067 room nights at their hotels and 51,815 nights at their RV parks. Oregon tribes operated six hotels with 975 rooms at the end of 2006 and RV parks with 446 sites on them.

Casino Capacity

As shown in Table 2, the nine Indian casinos in Oregon had 7,078 VLTs and 125 gaming tables on December 31, 2006. In contrast, Oregon Lottery retailers had 11,376 VLTs and 2,940 keno outlets scattered throughout Oregon.

Table 2: Indian Casino Gaming & Non-Tribal Gaming Capacity, Year-End 2006

Gaming Venue	VLTs	Table Games	Poker Tables	Bingo Seats	Keno Wagering Outlets	Restaurant & Lounge Seating
<u>Indian Casinos:</u>						
Chinook Winds	1,231	24	5	1,200	1	1,051
Kah-Nee-Ta	323	6	3	-	-	356
Kla-Mo-Ya	340	6	-	-	-	119
Old Camp	134	-	-	60	-	60
Seven Feathers	1,290	22	7	346	1	536
Spirit Mountain	1,971	36	17	-	1	601
The Mill	714	13	4	-	1	90
Three Rivers	400	6	-	-	-	119
Wildhorse	675	12	3	350	1	154
Indian Casino Total	7,078	125	39	1,956	5	3,086
<u>Non-Tribal Gaming:*</u>						
At lottery retailers	11,376	-	-	-	2,940	162,975
At charity bingo halls				28,868		

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

* Approximate year-end numbers.

Between 2005 and 2006 Indian casinos in Oregon increased the number of VLTs in response to strong consumer demand and an amended compact, signed by Governor Kulongoski and the Grand Ronde, which allowed the Spirit Mountain Casino to expand. The number of VLTs went up by 1,048. There was a small decline in table games and an increase in poker tables, which reflect changing player preferences in the market. Bingo at tribal casinos saw a large drop of 1,026 seats in 2006 primarily because of the closure of the bingo hall at Spirit Mountain, which has since reopened.

In contrast, the Oregon Lottery continued its expansion with 655 more VLTs statewide. It added many retailers in 2006: 110 more VLT and 150 more keno outlets.

Table 3: Change in Gaming Capacity, 2005 - 2006

Gaming Location/Type	2005	2006	Change
<u>Indian Casinos:</u>			
VLTs	6,030	7,078	1,048
Table games	131	125	(6)
Poker tables	37	39	2
Bingo seats	2,982	1,956	(1,026)
<u>Oregon Lottery:</u>			
VLTs	10,721	11,376	655
Video lottery retail sites	2,063	2,173	110
Keno game retail sites	2,790	2,940	150

Sources: Tribal reports, Oregon Department of Justice, Oregon Lottery, and ECONorthwest May 2008.

Changes Made Since 2006 and Current Expansion Efforts

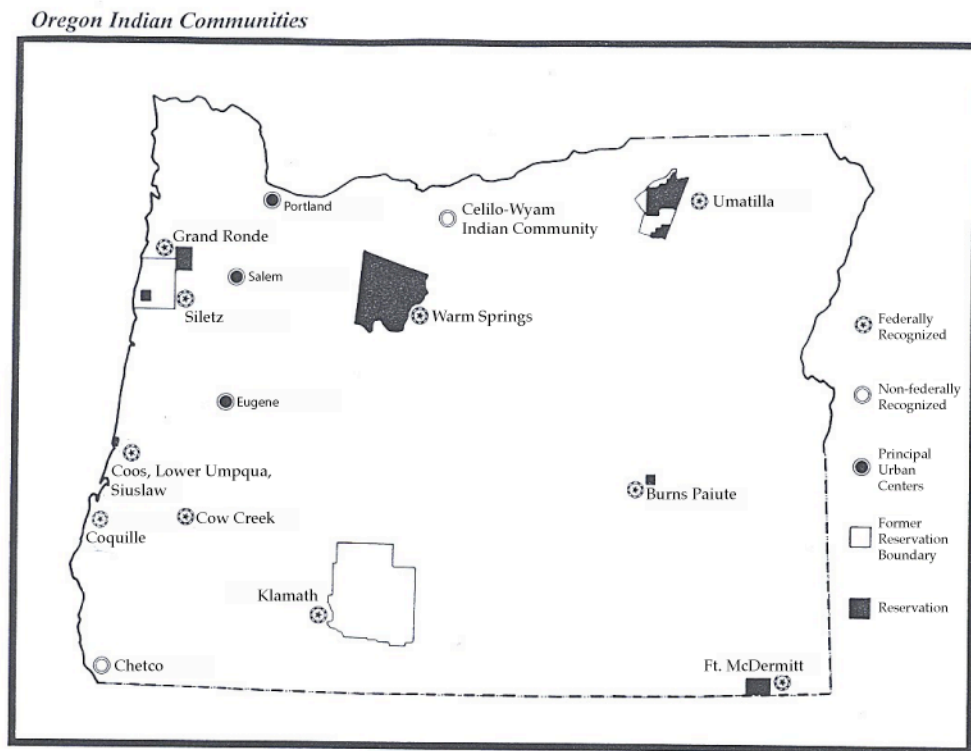
Since December 31, 2006, some tribes have made or are in the process of making substantial additions to their properties:

- In 2007, the Spirit Mountain Casino converted their bingo hall into a casino after negotiating a compact amendment allowing 2,000 VLTs. In May 2008, they resumed bingo after opening a large event and entertainment center, as part of a 135,196 SF expansion that included offices, parking, convention facilities, and a youth activity center.
- Three Rivers completed a \$56 million construction project with the opening of a new permanent casino, 8,500 SF events center, and a 93-room hotel in December 2007.
- The Mill opened a new lounge in 2007 and will launch a seven-story, 92-room hotel in June 2008. The casino will add about 200 VLTs.
- Wildhorse completed a major expansion in April 2007 with a new enclosed non-smoking casino, two restaurants, a nightclub, and lounge. More changes are on tap for 2009, including a 100-room upscale hotel, amphitheater, courtyard, pool, and more casino space.
- The Kla-Mo-Ya Casino is expanding its casino and restaurant. A new 40-room hotel is due to open December 2009.
- The Seven Feathers Casino will add 154 hotel rooms, a new spa, and a buffet in early 2009.
- Chinook Winds is renovating and expanding its golf course.

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. *2007-09 Oregon Directory of American Indian Resources*, page 34.

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 Indian communities in the state, the Chetco and Celilo-Wyam Indian Community, that are not federally recognized tribes. They, too, 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. It extended from the Cascade Mountain Range in central Oregon to 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 341 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.²

The Old Camp Casino serves a somewhat isolated market. Located in Harney County, which has a population of about 7,700, 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.

² <http://www.harneycounty.com/Paiute.htm>

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.³ The Tribes currently have 855 members.

In June 2004 the Coos, Lower Umpqua, and Siuslaw opened the Three Rivers Casino in a temporary structure. This was replaced in January 2008 with a permanent casino building and hotel. It is located about a mile east of Florence on the main highway linking Eugene to the coast.

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.⁴

The Coquille Indian Tribe has 819 members and 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 Coquille Tribe is in the midst of a hotel and casino expansion due for completion in the summer of 2008.

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. According to the Legislative Commission on Indian Services, in 2007 there were 1,289 members of the Cow Creek.

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.

³ http://www.ctclusi.org/cultural_historical.asp

⁴ http://www.npaih.org/profiles/tribal_profiles/Oregon/Coquille.htm

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.⁵ 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 became 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. Highly successful, the resort is now undergoing an expansion.

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. It is the largest tribe based in Oregon and has 4,926 members.

The anteceding 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 that was created by treaty and an executive order given on June 30, 1857. 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.⁶

⁵ <http://www.cowcreek.com/story/x01history/index.html>

⁶ <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 nearly \$47 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 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. In 2007, there were 3,552 members of the Klamath Tribes.

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.⁷ 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. As such, they are planning to add a hotel and make other enhancements to their property.

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.

⁷ <http://www.klamathtribes.org/history.html>

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 County⁸ and 4,094 members.

The Confederated Tribes of Siletz Indians operate the Chinook Winds Casino in Lincoln City—a major coastal tourist community. They recently acquired and renovated a large oceanfront hotel next to the casino and have added a golf course and RV park to their repertoire of visitor amenities.

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.⁹ Tribal enrollment, in 2007, was 2,447.

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 casino has gone through a series of expansions. They are currently working on a hotel addition and the construction of other amenities to serve their guests.

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.

⁸ http://ctsi.nsn.us/WhoWeAre/history_culture.html

⁹ <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.¹⁰ Enrollment totaled 4,306 in 2007.

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 eleven 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. In 2001, the casino was merged into the lodge and the name was changed to the Kah-Nee-Ta High Desert Resort & Casino. 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

Indian casinos in Oregon are heavily regulated — considerably more so than commercial casinos are. There are three independently acting entities directly involved in regulating the operations of tribal casinos in Oregon. In addition, casinos spend millions each year on security and auditing.

The first layer of regulation is the gaming commission. There are nine in Oregon—one for each casino. Gaming commissions are independent of casino management. They license employees, monitor games to ensure legal compliance and fairness, establish control standards, and conduct audits.

The Oregon State Police regulate casinos. In 2006, tribes paid almost \$1.7 million to the Oregon State Police to fund the tribal gaming section. The police monitor casinos, run background checks on casino employees and suppliers, and ensure the integrity and fairness of games.

The National Indian Gaming Commission (“NIGC”) is an independent agency of the federal government that also regulates gaming at tribal casinos. The NIGC’s mission is to see that Indian tribes are the fair 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 checks. The NIGC is funded entirely by Indian casinos. Tribes in Oregon paid about \$232,000 in fees to support the NIGC’s work in 2006.

¹⁰ http://www.warmsprings.com/Warmsprings/Tribal_Community/History_Culture/

In 2006, tribes in Oregon paid almost \$14.2 million to gaming commissions, the Oregon State Police, and the federal government for gaming regulation and oversight. As shown in Table 4, less was spent regulating other forms of gaming. Tribes paid for 70 percent of all the gaming regulation and enforcement costs in Oregon in 2006.

Table 4: Federal, State & Tribal Government Gaming Regulatory and Enforcement Spending in Oregon, 2006*

Type of Gaming in Oregon	2006	Change from 2005
<u>Regulation Costs Paid by Oregon Tribes:</u>		
Oregon State Police - tribal gaming section	\$1,667,981	(\$60,705)
Nine tribal gaming commissions	12,082,286	1,401,560
National Indian Gaming Commission	231,994	(3,426)
Paid by Oregon Tribes	\$13,982,261	\$1,337,430
Oregon State Police, paid by gaming vendors	183,904	(90,671)
Total casino regulatory costs	\$14,166,164	\$1,246,758
<u>Oregon Lottery:</u>		
Oregon State Police contract	\$2,256,541	\$325,519
Security services	644,713	91,070
Other lottery security expenses	196,499	(54,260)
Total OR lottery regulatory costs	\$3,097,753	\$362,329
Charitable bingo, raffles & fundraisers	\$659,872	(\$89,129)
Horse racing	2,126,848	100,294
Total Gaming Regulation	\$20,050,637	\$1,620,252

* Note: Oregon Lottery data are for the fiscal year ending June 30, 2006. Horse racing and charitable gaming regulation by the state are estimated calendar year totals calculated from fiscal year or biennial budget data.

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

The Oregon Lottery spent nearly \$3.1 million on direct security and regulation in 2006. The cost of regulating and overseeing charitable gaming by the Oregon Department of Justice was over \$659,000 in 2006 whereas the Oregon Racing Commission's work exceeded two million dollars.

Statewide, about \$20.1 million was spent of gaming regulation and enforcement efforts. In addition, considerable yet unquantifiable amounts were spent on gaming security by casinos, the lottery, lottery retailers, racetracks, and charitable game operators.

Oregon Economic Impacts

Tribal gaming has grown to become a crucial tool for helping Oregon tribes meet the needs of tribal members. Tribal gaming also benefits the state economy. The many benefits of tribal gaming include:

- Tribal gaming has created stable employment for thousands of workers.
- Returns from casinos are funding essential tribal government jobs and services, paying for improvements to local infrastructure, and supporting healthcare, housing, and education programs.
- For members of tribes, casinos have meant 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.
- Casinos are a major source of jobs that pay above average wages and often include health insurance, retirement plans, and other benefits. Casino workers include tribal and non-tribal members. Most casino workers live in rural Oregon.

This section begins with a brief description of the methodology used to measure economic impacts. It is followed by an analysis of 2006 tribal gaming revenues, expenditures, and employment—basic data that drives downstream impacts. This section then offers a summary of the economic and fiscal impacts of tribal gaming in 2006, and concludes with an evaluation of the changes in gaming and its economic impacts between 2003 and 2006.

Economic Impact Analysis

Economic impact analysis is a way of measuring how an industry, such as tribal gaming, affects a state economy. It is done through the use of computer models that are designed to trace the flow of dollars through an economy as they move between businesses, consumers, and employees.

Methodology

Spending and employment by an industry will often generate impacts elsewhere in the economy. These downstream impacts are measured in terms of output, wages, and jobs.¹¹ A method called “input-output” modeling was developed by economists to measure them.¹²

An input-output model is a mathematical representation of an economy. It shows how different parts (or sectors) of an economy are linked to one another. Information about linkages comes from various sources, including U.S. Census reports on population and businesses.

The most widely used input-output tool is IMPLAN, which is an acronym for “IMPact analysis for PLANning.”¹³ In simple terms, the IMPLAN model works by tracing how money generated in one sector of the economy is spent and re-spent throughout the rest of the economy.

For this analysis, an IMPLAN model was built to measure how the various activities attributed to tribal gaming impacted the Oregon economy in 2006.

Stages of Impacts

Impacts are felt at various stages or steps. Input-output models start with the **direct** impacts of the initial sector (in this case, tribal gaming and tribal government activities financed by gaming revenues). Spending by the tribes then **indirectly** affects backward-linked businesses that supply goods and services to the tribe and other businesses, and generates additional **induced** spending by households who directly or indirectly benefit from the increase in wages and purchasing power. These three types of impacts are discussed in the following section.

Direct impacts represent the first stage of impacts and are usually associated with the industry or activity that is the focus of the study. In this case, direct impacts include the output and employment of the nine tribal casinos and their related businesses, such as hotels and restaurants. In addition, because gaming revenues are used to help finance tribal government activities, the direct impacts also include the output, jobs, and wages for those tribal government activities that are financed by the casinos.

¹¹ *Output* is the broadest measure of economic activity. It is the total value of production. For hotel-casinos output is mostly gaming revenues, hotel room, and restaurant sales. However, for retail items, output is the difference between sales and the cost of goods sold. *Wages* are total payments to workers including benefits such as health insurance, life insurance, and retirement accounts. *Jobs* include both part and full time.

¹² Wassily Leontief first put input-output analysis to practical use 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.

¹³ IMPLAN was initially developed by the U.S. Department of Agriculture in cooperation with FEMA and the Bureau of Land Management to assist federal agencies in their land and resource management planning. Since 1993, the Minnesota Implan Group, Inc. has been maintaining IMPLAN and updating the data used in the models.

The second stage covers **indirect impacts**, which are all the effects on other sectors that supply tribal casino operations with goods and services. For example, when an Oregon casino hires a local contractor to install carpeting, the amount paid is an indirect output. Furthermore, when that contractor, in turn, buys carpet from a store in Salem, that purchase also contributes to the total indirect output, as does the extra work done by the contractor and store clerk. Indirect impacts can go back many steps from the originating direct source, albeit their size diminishes considerably as they do.

The third stage counts the **induced impacts** from higher incomes and additional purchasing power for casino workers and for businesses affected by tribal gaming operations. In the previous example, the extra wages of the carpet installer and store clerk along with the additional profits of their employers cause incomes in Oregon to rise. When this money is spent in Oregon, it stimulates downstream impacts on the economy. These are income-induced impacts and they are often quite large, especially in high-payroll industries like tribal gaming.

Adapting IMPLAN to Fit the True Spending Pattern of Oregon Casinos

This analysis used the IMPLAN software to develop a model of the Oregon economy. IMPLAN contains a mathematical description of the spending pattern (or “production function”) of a typical commercial hotel-casino in the United States. Tribal casinos in Oregon, however, have markedly different expenditure patterns. Unlike commercial casinos, tribal casinos in Oregon reinvest heavily in local communities, spend significantly more on employee benefits, donate much more of their revenues to local charities, and return their profits to support local tribal government programs.

In order to more accurately model the economic impacts of tribal gaming; this analysis used actual data from the nine tribes to develop a true spending pattern of casinos in Oregon. Furthermore, the additional spending on tribal governments that was underwritten by gaming was incorporated into the model. This was done so that the model would accurately measure the impacts of tribal government expenditures on social and economic development programs, healthcare, education, public works, and other similar local needs. This differs from a standard commercial hotel-casino assumed in IMPLAN, which would divert much of its cash flow to out of the state investors.

Basic Assumptions of the Impact Analysis

The scope, definitions, and other basic assumptions of the impact analysis conducted for OTGA include:

- The analysis measures the economic impacts for the 2006 calendar year.
- The definition of the tribal gaming sector 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 those portions of tribal government and other tribal needs that are underwritten by casinos.
- The analysis reveals the gross impacts of the casinos. These are all of the impacts that can be traced back to the original spending by the tribes in 2006 regardless of what spending would have occurred had the casinos not existed. In other words, all impacts linked to tribal gaming are reported without netting out possible substitution effects, such as the loss of an overnight stay at a non-casino hotel because a guest chooses to stay at an Indian casino hotel instead.

Tribal Gaming Operations in 2006

Data collected from individual tribes for the 2006 calendar year form the inputs into the economic impact analysis. This data includes tribal gaming revenues, the number of direct hires and their wages, and expenditures by major categories.

Revenues and Expenditures

Table 5 shows the revenue and spending data for tribal gaming operations in 2006. The casinos generated about \$487.2 million in gaming revenues, \$52.5 million from food and beverage sales, \$24.8 million from lodging, and \$15.7 million from all other sources for a grand total of \$580.2 million. Revenues from gaming, food and beverages, and lodging all increased from the previous year, with lodging posting almost an 18 percent gain from 2005.

Expenses also increased across most categories, with labor, construction, and equipment costs increasing the most.

Table 5: Revenues and Selected Expenditures by Tribal Casinos in Oregon, 2006

Revenues and Expenditures	2006
<u>Revenues</u>	
Gaming	\$487,154,637
Food and beverage sales	52,544,106
Hotels and RV parks	24,773,617
Gift ships, recreation and other	15,686,944
Total revenues	<u>\$580,159,304</u>
<u>Selected Expenditures</u>	
Labor	\$193,950,932
Advertising, marketing and sales	34,131,661
Costs of goods sold	32,820,335
Repairs and maintenance	3,063,209
Supplies	7,256,394
Professional services	4,538,953
Entertainment, comps, and other operating	60,794,808
Charity, community fees and donations	10,460,854
Construction and equipment purchases	65,799,990
Tribal government services and member support	<u>202,003,630</u>

Source: Tribal reports.

Labor Costs

Payroll is the biggest expense for casinos because it is a labor-intensive industry. Over 2006, the casinos employed an average of 5,190 workers. The average wage for these workers in 2006 was \$27,080. This was far greater than the statewide average wage for workers in the leisure and hospitality industry, which was \$15,555 in 2006.¹⁴

Benefits and payroll taxes paid by the casinos averaged \$10,605 per worker. Employer-paid healthcare alone was \$4,908 per worker (a 7.9 percent increase over 2005). Employees paid an average of \$5,697 in state, federal, and social security taxes on their wages earned at the casinos. These taxes are distinct from the payroll taxes paid by the casinos. Details of labor costs are shown on Table 6. In addition to these amounts, the tribes also paid for several hundred thousand dollars worth of temporary labor.

¹⁴ Oregon Employment Department website accessed on June 19, 2008, at <http://www.qualityinfo.org/olmisj/CEP>

Table 6: Wages, Taxes, and Benefits Paid by Tribal Casinos and Employees, 2006

Labor Statistics	2006
<u>Casino Labor Costs</u>	
Wages & salaries (including gratuities)	\$140,544,772
Payroll taxes	\$12,622,656
Healthcare benefits	\$24,716,325
Retirement, other benefits and compensation	\$16,067,179
Total paid by casinos	\$193,950,932
Avg. number of employees	5,036
<u>Per Employee</u>	
Wages	\$27,908
Benefits and taxes paid by casinos	\$10,605
State & federal income, and social insurance	\$5,679

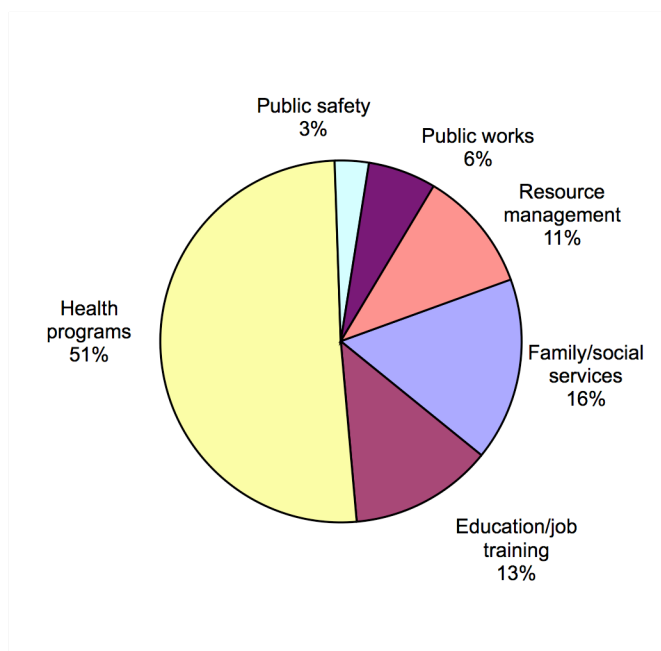
Sources: Tribal reports, Oregon Department of Revenue, Social Security Administration, and the Oregon Employment Department. ECONorthwest estimated taxes paid based on average tax returns of comparably compensated full-time Oregon residents.

Tribal Government Support

The main purpose of having casinos is to underwrite services to tribal members and to provide jobs and other economic development opportunities for tribal members and citizens in the surrounding communities.

All of the casinos provided much needed employment for tribal members. Eight of the nine tribes reported having earnings from gaming that—after paying for gaming operating expenses, capital costs, and debts— were available to also pay for tribal government services. A breakdown of how those funds were used to finance additional tribal government programs is shown in Figure 2.

Figure 2: Tribal Government Spending on Major Programs Financed by Gaming Revenues in 2006



Healthcare is the greatest tribal expense that casino gaming helped to fund. In 2006, approximately 51 percent of gaming revenues available to tribes were used to fund expanded healthcare services. Gaming revenues went to pay for various other essential services, such as family/social services and housing (16 percent), public works and public safety (collectively 9 percent), and education and job training (13 percent).

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 eliminated or curtailed, or the financial responsibilities of federal, state, and local governments would have increased.

Results of the Impact Analysis

In 2006, tribal gaming supported a total of \$703.6 million in direct economic output (a 4.3 percent increase over 2005) and \$239.0 million in wages and benefits (a 5.3 percent increase) in Oregon.

Direct impacts came from two sources. The first was from tribal casino operations (gaming, hotels, gift shops, restaurants, and related services). The second was the additional tribal government spending made possible because of support from tribal gaming operations. These direct economic impacts and their totals are shown in the first three rows of Table 7.

Table 7: Economic Impacts of Tribal Gaming in Oregon in 2006

Economic Activity	Economic Output	Wages and Benefits	Full- and Part-Time Jobs
<u>Direct Impacts Supported by Tribal Gaming</u>			
Gaming & Hospitality Revenues	\$580,159,300	\$193,950,900	5,190
Tribal Needs Supported by Casinos	\$123,427,400	\$45,048,800	904
Direct Impacts	\$703,586,700	\$238,999,700	6,094
<u>Indirect & Induced Impacts on Oregon's Economy</u>			
Natural Resources and Construction	\$59,425,500	\$16,988,100	580
Manufacturing	75,820,200	11,441,800	258
Wholesale and Retail Trade	112,428,500	41,032,600	1,346
Services	292,072,600	112,329,500	4,421
Other	176,838,300	55,652,200	1,217
Indirect & Induced Impacts	\$716,585,100	\$237,444,200	7,822
Total Impact of Casinos on Oregon's Economy	\$1,420,171,800	\$476,443,900	13,916

Note: "Other" includes transportation; communication; utilities; finance, insurance and real estate; and government sectors.

The bulk of the direct economic impacts came from the gaming and hospitality businesses of the nine tribes. These operations directly generated \$580.2 million in total economic output, and \$194.0 million in wages and benefits for 5,190 full- and part-time jobs in Oregon in 2006.

Revenues from tribal gaming generated another \$123.4 million in direct economic output as measured by the value of additional tribal government services. These tribal government services and programs required the work of 904 full- and part-time employees who received nearly \$45.1 million in wages and benefits in 2006.

Indirect and Induced Impacts

There are strong linkages between spending by tribes and their casinos and economic activity in other sectors of the state economy because Oregon tribes are, by definition, local. Thus, they direct much of their spending to in-state suppliers that employ Oregon residents. In economic terms, this spending is the first round of indirect impacts. There will be additional rounds of indirect effects as businesses buy from one another. Added to these are the induced impacts that arise from the spending of wages and income. Together, these indirect and induced impacts spread the initial direct impacts to other sectors of the Oregon economy.

When added together, the indirect and induced impacts are about as large as the original direct impacts. This is often described as a "multiplier" effect, since the direct impacts cause multiple impacts as they flow through Oregon's economy.

As can be seen in Table 7, the indirect and induced output associated with tribal gaming in 2006 was \$716.6 million. This additional output stimulated an additional 7,822 jobs and \$237.4 million in wages and benefits in Oregon.

These indirect and induced impacts are spread throughout the state economy. The service sector—Oregon’s largest—gained the most with \$292.1 million in additional output, 4,421 more jobs, and \$112.3 million in wages and benefits. Much of the earnings of tribal gaming and tribal government employees were spent on services that then supported the jobs of other Oregonians. Examples of such services include medical care, recreation, daycare, and car repairs. Thus, the service sector benefits considerably.

Workers in the trade sector, which consists of wholesalers and retailers, depend non-directly on the casinos for 1,346 jobs and \$41.0 million in wages and benefits. For example, in 2006, casinos made \$23.1 million on wholesale food and beverage purchases just to keep their restaurants running. In addition, casinos spent \$34.1 million on advertising and promotions. Overwhelmingly, this spending went to Oregon companies that, in turn, made additional purchases from other Oregon based businesses.

Table 7 shows that “Other” sectors of Oregon’s economy accounted for a large share (25.0 percent) of the indirect and induced output. Much of that was the result of the spending on housing by casino and tribal employees. It shows up as increased output in the banking and real estate industries, which are two of the largest “other” sectors. Workers in the western United States spend about 22 percent of their incomes on shelter.¹⁵ Dollars from casinos flow directly into home purchases, apartment rents, and remodeling projects—and ultimately into higher property taxes for local schools and communities.

Multiplier Effects

As noted, the total economic impacts of tribal gaming were much greater than the direct economic impacts alone.

Economic multipliers are used to gauge the effect that a given amount of economic activity in one sector, such as tribal gaming, has on the rest of the economy. For any given direct impact, the larger the multiplier, the greater its total effect on the economy.

The multiplier of greatest importance, especially in rural Oregon where so many casinos are located, is the jobs multiplier. Tribal gaming has a jobs multiplier of 2.28 in Oregon. This says that, on average, every job directly generated by tribal gaming supports another 1.28 jobs in other sectors of the state economy.

¹⁵ Western U.S. data from the US Bureau of Labor Statistics Consumer Expenditure Survey: <http://www.bls.gov/cex/home.htm>.

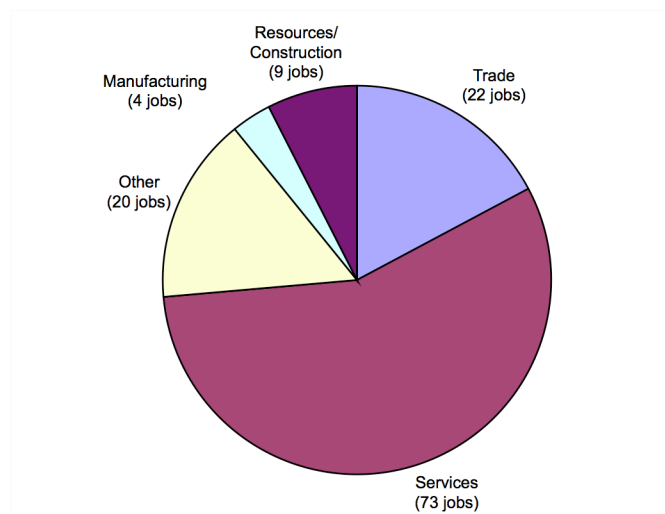
It is important to note that the 2006 multipliers across all impact categories—output, wages, and jobs—are less than in 2005. This is not due to any significant changes in tribal spending patterns. In general, spending by the tribes directly impacted the same industry sectors, and increased modestly between 2005 and 2006. Moreover, this is not due to any changes in the modeling methodologies. For consistent impact measures over time, ECONorthwest has carefully followed the same modeling approach over the 2003 to 2006 time periods.

The lower economic impact multipliers are due to the new 2006 IMPLAN model of the Oregon economy. This IMPLAN model shows that the indirect relationships among businesses are largely the same. However, the induced consumption spending by households has a smaller impact on the economy in the 2006 model than in 2005.

ECONorthwest evaluated the model and concluded that the main reason for the smaller multipliers is the increased tendency for Oregon households to purchase goods and services from non-Oregon suppliers (imports). Imports represent a “leakage” from the Oregon economy. Because of this greater propensity to import in 2006, the induced impacts are lower and so too are the multipliers.

Nevertheless, the multiplier process still exists to spread output, wage, and job impacts to other sectors of Oregon’s economy. To help illustrate these multiplier effects, Figure 3 shows the impact of a hundred tribal gaming jobs. After applying the job multiplier, a total of 128 jobs are supported around the state of Oregon through indirect and induced impacts. As can be seen from Figure 3, these additional jobs are found in sectors many steps removed from tribal gaming, including construction and manufacturing.

Figure 3: Indirect and Induced Job Impacts Felt in Oregon, by Sector, Resulting from 100 Tribal Gaming Jobs in 2006



Gaming results in similarly high multipliers for other measures. For example, the output multiplier is 2.02, which says that for every dollar of output directly generated by tribal gaming, another \$1.02 of additional output results elsewhere in Oregon. The wage multiplier in 2006 is 1.99. That means for every dollar in wages and benefits directly paid for by tribal gaming operations in Oregon, another \$0.99 in wages and benefits were supported in other sectors of the state economy.

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, administration, and social services. Some of this spending also directly benefits non-tribal members of the affected local communities through shared services for healthcare, recreation, and support for public schools. In addition, the contributions and donations made by tribal governments benefit all Oregonians.

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 support government services and public needs. In addition, many tribal governments do, in fact, pay state and local jurisdictions for services.

The greatest fiscal impact of tribal gaming comes in the form of income taxes paid by casino and tribal government employees, tribal members, and all the workers and businesses that earn money in non-direct ways because of gaming. In 2006, tribal gaming generated approximately \$23.2 million in Oregon personal and corporate income taxes and \$42.3 million in federal income tax revenues. In total, almost \$130.2 million in revenues to federal, state, and local governments in 2006 was attributable to the economic effects of the nine tribal casinos in the state.

Table 8: Taxes and Other Government Revenues Attributable to Oregon Tribal Gaming in 2006

<u>Jurisdiction/Source</u>	<u>Tribal Gaming Impact</u>
<u>State of Oregon</u>	
State personal & corporate income tax	\$23,178,100
Other state taxes, fees & licenses	15,653,600
Total State Taxes	\$38,831,700
<u>Local Governments in Oregon</u>	
Local property taxes	\$13,317,100
Other local taxes, fees & licenses	4,653,600
Total Local Taxes	\$17,970,700
<u>U.S. Federal Government</u>	
Federal personal & corporate income tax	\$42,285,500
Excise & retirement taxes	31,093,900
Total Federal Taxes	\$73,379,400
Total All	\$130,181,800

Recent Trends

Tribal gaming in Oregon is growing. Its growth has benefited tribal governments, which are able to increase services and support for members. The growth in gaming and the tribal services it supports have directly and indirectly helped the entire state economy.

Gaming Operations

According to data provided by the tribes, in 2006, visitation to the casinos increased approximately 17.0 percent, while the number of room nights sold increased 12.5 percent. Gaming revenues rose six percent. As in the Oregon market as a whole, occupancy and room rates were up, so lodging revenues at casinos also grew.

Table 9: Comparison of Tribal Gaming Visitation, Revenues, and Expenditures 2003 – 2006

	2003	2004	2005	2006
Visitation				
Casino	8,102,578	8,600,599	8,926,938	10,440,719
Hotels room nights	169,558	212,881	241,738	272,067
Revenues				
Gaming	\$384,192,000	\$419,599,000	\$459,689,000	\$487,155,000
Food and Beverage	41,672,000	45,633,000	49,082,000	52,544,000
Hotel, Lodging and RV	14,783,000	18,254,000	21,021,000	24,774,000
Other	13,098,000	15,552,000	16,393,000	15,687,000
Total Revenues	\$453,745,000	\$499,038,000	\$546,185,000	\$580,160,000
Major Expenditures				
Labor	\$162,935,000	\$174,161,000	\$185,588,000	\$193,951,000
Operating and Other	127,528,000	128,761,000	149,733,000	162,096,000
-Donations and Contributions	7,713,000	8,088,000	9,079,000	9,698,000
-Fees/ Contributions to S&L Govt	1,987,742	4,872,526	4,864,000	2,247,000
Construction/New Equipment	42,124,000	56,735,000	28,513,000	65,800,000
Support for Tribal Govts and Members	\$141,665,000	\$168,826,000	\$179,992,000	\$202,004,000

Catering to the needs of more visitors resulted in higher spending by the casinos. Labor costs grew by \$8.3 million. Other operating costs, especially on utilities, entertainment, and maintenance, jumped nearly \$12.4 million over the preceding year.

Tribes have continued making significant contributions to Oregon charities and non-profits. In 2006, donations and contributions reached another record high of \$9,698,000—about a \$619,000 more than in 2005.

Capital spending on construction, new equipment, and other fixed assets increased significantly in 2006, from \$28.5 million in 2005 to \$65.8 million in 2006. As predicted in our 2005 impact study, the construction slowdown that occurred in 2005 was short-lived. Indeed, seven of the nine casinos had major multi-million dollar expansions and improvements projects underway in 2006.

Since the first bingo hall opened in 1992, the nine Indian tribes of Oregon have invested \$510 million on hotels, casinos, and other tourism amenities. The tribes paid for these investments on their own, and by borrowing money at considerable risk and cost. Overall, these investments equal 19 percent of all the spending on the construction of lodging, amusement, social, and recreation facilities in Oregon between 1992 and 2006.¹⁶

¹⁶ Based on construction project data from F.W. Dodge.

Tribal Services

Increases in gaming visitors and revenues have meant more financial resources for tribal government activities. In 2006, approximately \$202 million in gaming revenues went to support tribal government and members—up \$20.0 million from the previous year. The money has gone to build or improve health clinics, housing, youth and cultural centers; pay down debt; 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.

Oregon tribal governments are planning more construction, infrastructure improvements, economic development projects, and spending on social programs. All of this 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.

Economic Impact Trends

Between 2003 and 2006, the continuing success of tribal gaming translated into steadily growing direct impacts on Oregon's economy. For reasons discussed earlier in this section, the induced impacts declined modestly in 2006 due to general structural changes in the economy, but were still significant. Table 10 shows the direct and total economic impacts associated with tribal gaming between 2003 and 2006.

Table 10: Comparison of Economic Impacts, 2003 – 2006

Impacts	2003	2004	2005	2006
Direct				
Output	\$563,671,000	\$619,269,000	\$674,785,000	\$703,586,700
Wages and Benefits	\$192,388,200	\$215,834,000	\$227,015,000	\$238,999,700
Jobs	5,328	5,699	5,939	6,094
Total				
Output	\$1,026,921,000	\$1,326,931,000	\$1,474,701,000	\$1,420,171,800
Wages and Benefits	\$348,874,000	\$470,454,000	\$509,407,000	\$476,443,900
Jobs	10,968	14,534	15,221	13,916

In total, tribal gaming directly and non-directly generated almost \$1.420 billion in economic activity in 2006—down less than four percent from 2005 but over 38 percent greater than in 2003. In addition, \$476.4 million in wages and benefits can be traced to tribal gaming in 2006—a slight decrease from 2005 but an increase of \$127.6 million from 2003. The number of jobs affected increased from 10,968 in 2003 to 13,916 in 2006.

Fiscal Impact Trends

As shown in Table 11, the economic impacts associated with tribal gaming generated additional federal, state, and local government revenues. In 2006, tribal gaming was associated with approximately \$130.2 million in revenues for local, state, and federal taxing jurisdictions. This is less than in 2005, but over the entire 2003–2006 time period, the economic activity generated by tribal gaming is directly or indirectly tied to almost \$493.8 million in tax and other government revenues.

Table 11: Comparison of Fiscal Impacts, 2003 – 2005

Fiscal Impacts (Taxes & Other Revenues)	2003	2004	2005	2006
State of Oregon	\$25,611,700	\$34,487,100	\$41,155,000	\$38,831,700
Local governments in Oregon	17,013,900	19,293,900	22,036,900	\$17,970,700
Federal government	58,289,400	68,693,700	77,072,700	\$73,379,400
Total	\$100,915,000	\$122,474,700	\$140,264,600	\$130,181,800

Gaming Market in 2006

The gaming market is measured in terms of revenues, which is approximately the difference between how much people wager and what they collect in prizes at lotteries, casinos, racetracks, and elsewhere. A detailed explanation of how gaming revenues are measured and the different types of gaming in Oregon can be found in Appendix A, which begins on page 47.

For this analysis, the size of the gaming market in Oregon was determined by assembling data from lotteries, state agencies, federal government sources, tribes, and surveys. Because many Oregonians go across state borders to gamble, data was collected for Washington and Nevada. Proprietary economic models were also used.

The size of the market in Oregon is measured in two different ways depending upon how the data are to be used. They are:

- (1) Gaming done in Oregon by residents and visitors to the state, and
- (2) Gaming by residents of Oregon regardless of whether it was done.

Gaming Revenues in 2006

Table 12 shows 2006 gaming revenues by both measures. The first, gaming conducted in Oregon, totaled \$1,502,375,037. Of that, visitors to the state accounted for \$114.7 million of the money spent on gaming in Oregon. This is an increase of \$16.3 million from the year before and is a reflection of strong tourism growth and the marketing efforts of tribes. The analysis also reveals, using the second measure, that Oregonians gambled \$1,602,013,992 in 2006. About \$214 million or 13.4 percent of that was spent out of state, primarily in Nevada and Washington.

Table 12: Gaming Market by Place & Residency, 2006

Where Gaming was Done and Where Players Came from	Revenues in 2006	% of Total
<u>Gaming in Oregon:</u>		
By Oregon Residents	\$1,387,662,126	92.4%
By visitors to Oregon	114,712,911	7.6%
Total Gaming Inside Oregon	\$1,502,375,037	100.0%
<u>Gaming by Oregonians:</u>		
Done in Oregon	\$1,387,662,126	86.6%
At places out-of-state	214,351,867	13.4%
Total Gaming by Oregonians	\$1,602,013,992	100.0%

Oregon Lottery games dominate the gaming market, as indicated on Table 13. About \$923.8 million was spent on Oregon Lottery games in calendar year 2006 and \$899.8 million of that came from Oregon residents. Indian casinos in Oregon accounted for \$487.2 million of the gaming done in the state and \$399.1 million of the gaming by Oregonians.

Table 13: Oregon Market by Type of Gaming, 2006

Type of Gaming	Gaming Revenues in 2006	
	Conducted in Oregon	Done by Oregonians
<u>Oregon Lottery:</u>		
Breakopens	\$490,282	\$475,457
Scratch tickets	41,986,494	41,662,355
Megabucks lotto	9,240,841	9,168,902
Powerball lotto	27,844,990	27,548,105
Keno	38,014,458	37,709,618
Sports action game	4,819,840	4,717,510
Pick-Four game	560,658	555,850
Win for life game	2,001,817	1,986,791
Scoreboard sports lottery game	194,583	193,210
Lucky Lines	869,294	862,782
Video poker	382,940,209	371,939,406
Video line games	414,864,744	403,000,206
Oregon Lottery Subtotal	\$923,828,210	\$899,820,192
<u>Other Gaming:</u>		
Charitable bingo	\$12,837,946	\$12,806,166
Charitable raffles	3,861,609	3,857,067
Charity casinos & fundraisers	449,425	448,370
OR Indian casinos	487,154,637	399,111,967
WA pulltabs	-	100,598
WA casinos and card rooms	-	35,024,806
Casinos outside OR & WA	-	178,192,589
Live racetrack betting	743,873	610,853
Off-track & simulcast betting	10,463,904	7,972,079
Parimutuel account wagering	2,369,542	2,369,542
Misc. legal out of state gaming	-	1,033,875
Illegal Internet & other illegal	60,665,891	60,665,891
TOTAL	\$1,502,375,037	\$1,602,013,992
Increase from 2005	11.71%	13.41%
Gaming per person		\$434.09
Gaming as a share of income		1.30%

Residents spent \$35.0 million gambling at casinos and card rooms (mini-casinos) in Washington and \$178.2 million at casinos elsewhere outside of Oregon. Internet-based illegal gambling and other forms of illegal wagering accounted for an estimated \$60.7 million spent by Oregonians in 2006, with much of that going to on-line poker, sports wagering, and simulated casino games.

Overall, 11.71 percent more was spent on gaming inside Oregon during 2006 than in 2005. The amount spent by Oregonians gambling both in Oregon and outside the state rose 13.41 percent to \$434.09 per resident. This level of gaming equaled 1.30 percent of personal income.¹⁷

In contrast, Washington residents spent less—an average of \$389.56 or 1.02 percent of their personal income in 2006 on gaming. Nevada residents spent considerably more—about \$1,345 per person or 3.45 percent of personal income.

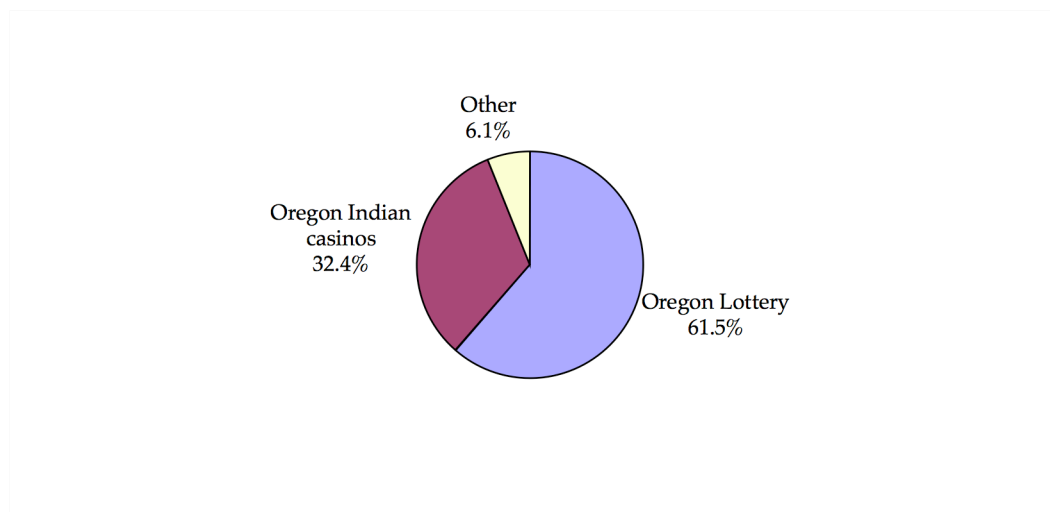
Market Shares

The analysis examines market shares from the perspectives of gaming done in Oregon, the amount spent by Oregonians on gaming, and the share of tourist and other visitor spending on gaming in the state.

Share of Gaming Conducted Inside Oregon

Oregon Indian casinos sustained their first decline in market share in 2005 and the trend continued in 2006. Tribes accounted for 32.4 percent of the gaming done in Oregon during 2006 compared to 35.0 percent a year earlier. The decline is primarily attributable to the strong gains made by the Oregon Lottery's line games. The market share of the Oregon Lottery jumped to 61.5 percent in 2006 from 57.6 percent just two years before.

Figure 4: Market Shares of Gaming Done in Oregon in 2006

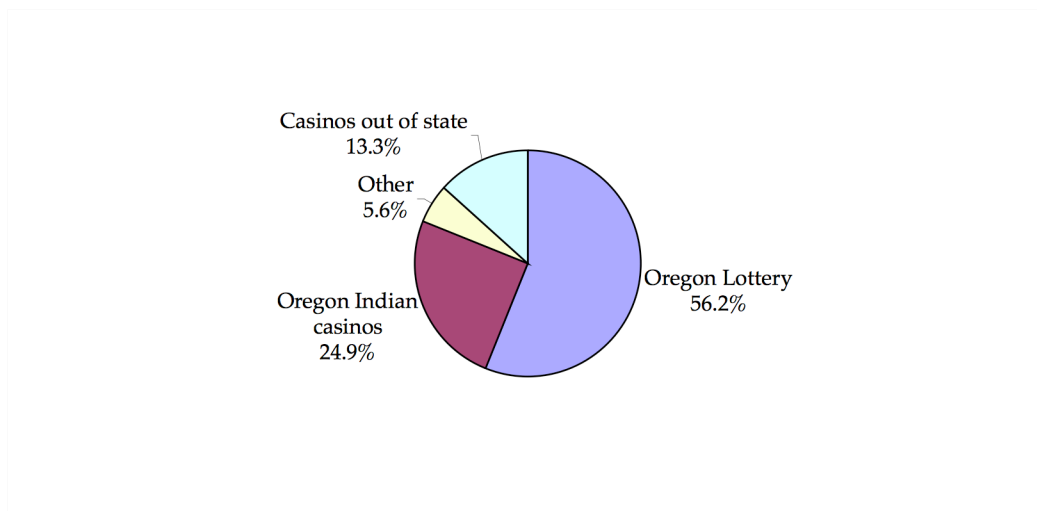


¹⁷ Personal income as defined by the U.S. Bureau of Economic Analysis.

Where Oregonians Spent Their Gaming Dollars

In 2006, residents of the state spent less than a quarter of their gaming budgets at Indian casinos in Oregon. They spent 13.3 percent at out of state casinos. The Oregon Lottery, meanwhile, saw its share of resident spending on gaming rise substantially from 52.1 percent to 56.2 percent.

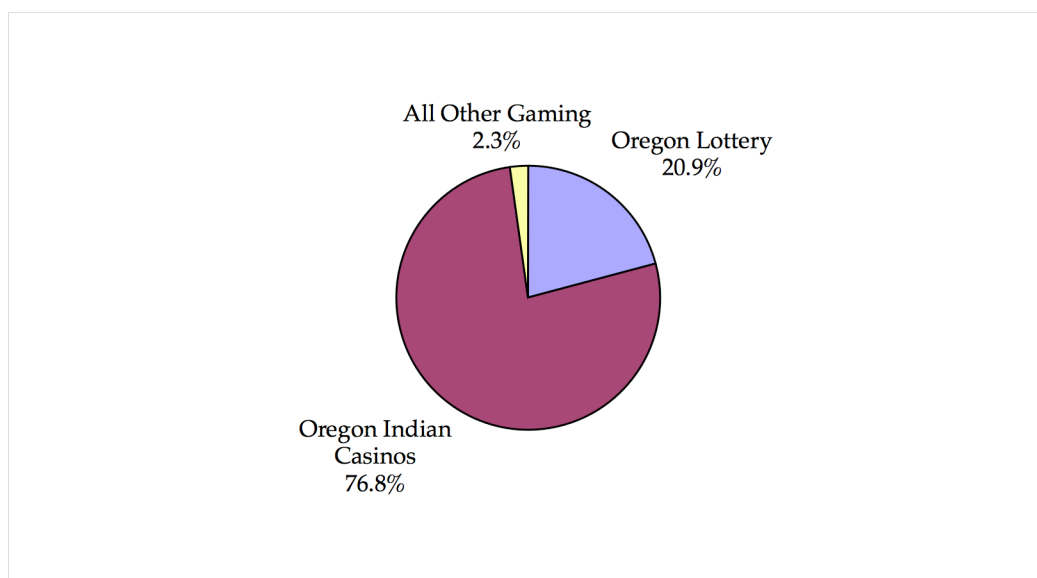
Figure 5: Market Shares of Gaming by Oregonians in 2006



Non-Resident Gaming Market Shares

Tourists and commuters to Oregon spent \$114.7 million gambling in Oregon. 76.8 percent of that was done at one of the nine tribally owned casinos in the state. The Oregon Lottery captured 20.9 percent of the non-resident gaming dollars with most of that from line games and video poker played in communities near the state border, where many of the more successful lottery retailers are found.

Figure 6: Market Shares of Non-Resident Gaming in Oregon, 2006



Gaming in Oregon: Market Growth in 2006

In Oregon, the total amount of gaming rose nearly \$187.5 million between 2005 and 2006. This 14.3 percent increase was driven mostly by the Oregon Lottery, which saw its gaming revenues jump 20.9 percent because of the continued success of its recently introduced line games. Those line games, which simulate slot machines, saw revenues rise nearly a quarter of a billion dollars. Although \$91 million of this gain came at the expense of falling video poker play, line game growth still dramatically increased overall lottery revenue. Without the video games, gambling on the Oregon Lottery would have risen less than a half-percent in 2006.

Revenues at the nine tribal casinos in Oregon rose \$27.5 million in 2006. The six percent gain kept tribal revenues ahead of inflation, which in 2006 was 3.2 percent. Other forms of gaming, which are shown on Table 14, exhibited modest changes. Charitable bingo reversed trends by rising in 2006. This may have been because of capacity reductions at casino bingo halls.

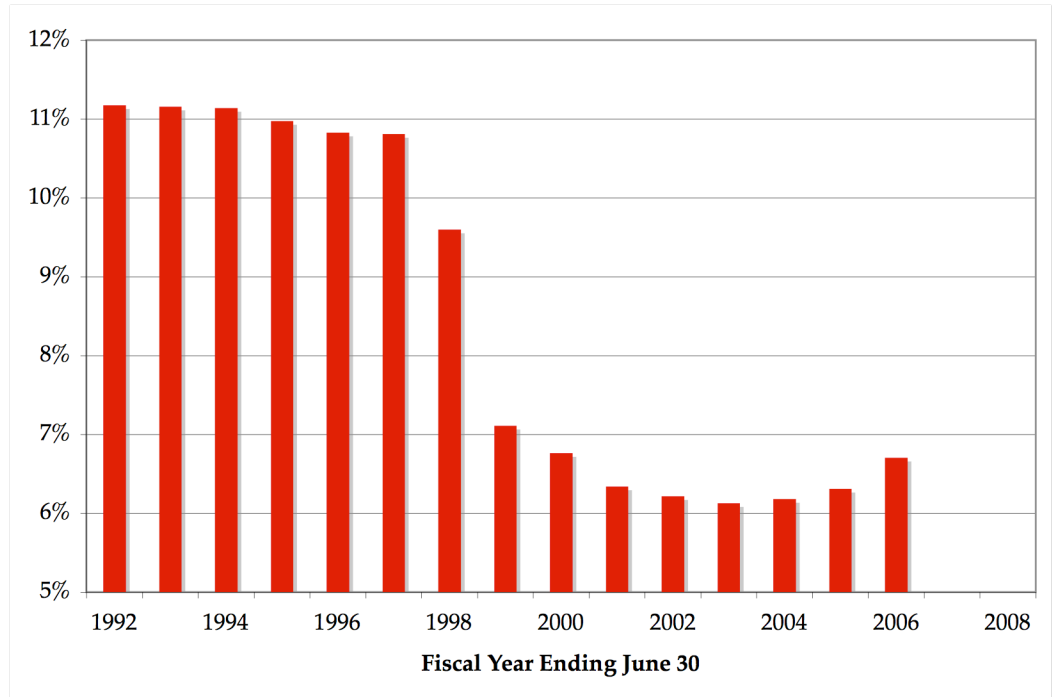
Table 14: Changes in Gaming Conducted in Oregon, 2005 to 2006

Type of Gaming	\$ Change	% Change
<u>Oregon Lottery:</u>		
Scratch tickets	(\$2,423,418)	-5.5%
Megabucks lotto	(2,057,740)	-18.2%
Powerball lotto	6,740,110	31.9%
Live video keno	(821,857)	-2.1%
Sports action game	1,514,932	45.8%
Pick 4 game	64,189	12.9%
Win for life	(4,477)	-0.2%
Scoreboard game	(49,946)	-20.4%
Lucky lines	869,294	0.0%
Video poker	(91,032,709)	-19.2%
Video line games	246,765,365	146.8%
Breakopens/pulltabs	(165,369)	-25.2%
Oregon Lottery subtotal	159,398,374	20.9%
<u>Other Gaming:</u>		
Oregon tribal casinos	\$27,465,836	6.0%
Charitable bingo	348,147	2.8%
Charitable raffles	(159,805)	-4.0%
Charity casino nights	(88,035)	-16.4%
On track horse racing	2,095	0.3%
Off-Track & simulcast betting	363,270	3.6%
Parimutuel account wagering	175,459	8.0%
Illegal Internet & other illegal	(12,313)	0.0%
Total gaming in Oregon	187,493,029	14.3%

Trends in Video Lottery Hold Rates

The Oregon Lottery's expansion in 2006 is partly the result of a 6.1 percent increase in the number of VLT machines and a higher hold rate.¹⁸ In fiscal year 2006, the average hold rate on video lottery games was 6.71 percent compared to 6.31 percent in 2005. Although the hold on Oregon Lottery VLTs was up in 2006, it was still well below that of past years (Figure 7) and less than the 6.82 percent rate on machines in casinos on the Las Vegas Strip.¹⁹ Thus, Oregon Lottery maintains a highly competitive posture in the market.

Figure 7: Average Hold Rates on Oregon Lottery VLTs, 1992 - 2006



Source: Oregon Lottery data.

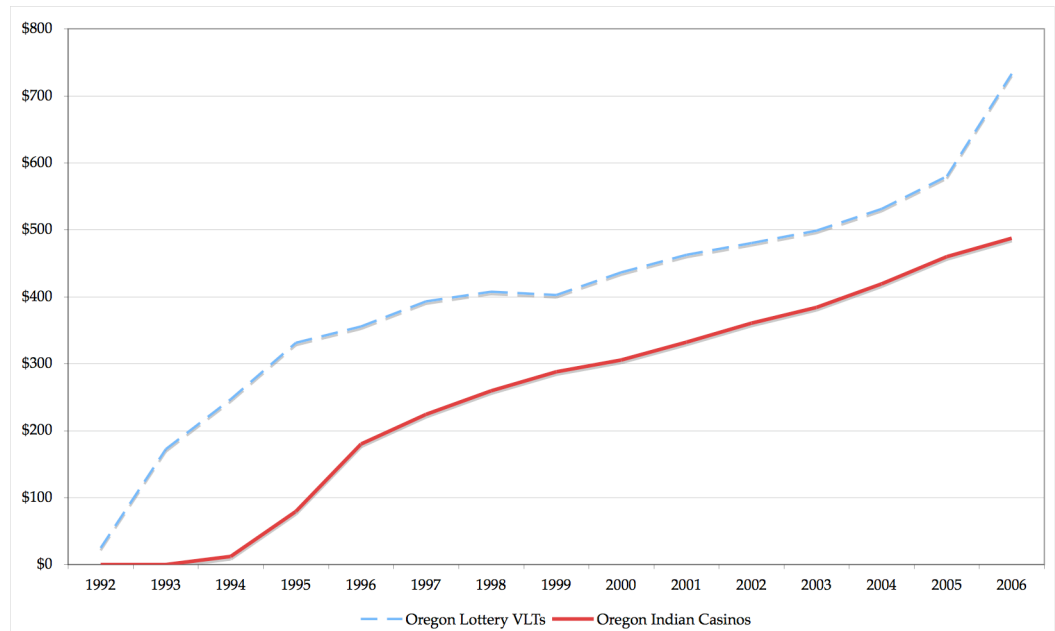
¹⁸ The hold rate is the average percent of every dollar wagered that is lost by players. The effect of a lower hold rate is to stimulate more play by reducing the probability that players would face protracted periods of losses. It also encourages gamers to shift away from machines that might have higher hold rates.

¹⁹ Nevada Gaming Control Board. Gaming Revenue Report. December 31, 2006.

Video Lottery Versus Tribal Gaming Revenues

Gaming revenues generated by the state through the Oregon Lottery's VLTs has consistently outpaced the revenues of tribal casinos. As illustrated in Figure 8, after several years of rising at similar rates, Oregon Lottery VLT revenues have recently widened their gap against tribally owned casino gaming revenues.

Figure 8: Gaming Revenues from Oregon Lottery VLTs versus Oregon Indian Casinos, 1992 - 2006



Source: ECONorthwest and the Oregon Lottery.

Gaming by Oregonians: Changes from 2005 to 2006

Oregonians spent \$189.5 million more on gaming in 2006 than they did in 2005. As shown in Table 15, the Oregon Lottery accounted for most of the increase, although tribal casinos and out-of-state casinos, principally those in Nevada, Washington, and California, also made substantial gains.

Table 15: Changes in Gaming by Oregonians, 2004 to 2005

Type of Gaming	\$ Change	% Change
<u>Oregon Lottery:</u>		
Scratch tickets	(\$2,660,408)	-6.0%
Megabucks lotto	(2,102,234)	-18.7%
Powerball lotto	6,548,431	31.2%
Live video keno	(1,040,244)	-2.7%
Sports action game	1,463,100	45.0%
Pick 4 game	60,402	12.2%
Win for life	(15,368)	-0.8%
Scoreboard game	(50,795)	-20.8%
Lucky lines	862,782	
Video poker	(90,552,460)	-19.6%
Video line games	238,972,701	145.7%
Breakopens/pulltabs	(165,086)	-25.8%
Oregon Lottery subtotal	151,320,821	20.2%
<u>Other Gaming:</u>		
Oregon tribal casinos	\$19,570,043	5.2%
Charitable bingo	340,143	2.7%
Charitable raffles	(159,417)	-4.0%
Charity casino nights	(87,815)	-16.4%
Live racetrack betting	(148,837)	-19.6%
Off-track & simulcast betting	168,694	2.2%
Parimutuel account wagering	175,459	8.0%
Washington casinos & card rooms	1,439,156	4.3%
Casinos outside OR & WA*	16,695,757	10.3%
Other out-of-state gaming	183,875	21.6%
Illegal Internet & other illegal	(12,313)	0.0%
Total gaming by Oregonians	\$189,456,340	13.4%

* Note: Change after incorporating a revision in the 2005 estimate.

Charitable Grants by Casinos

Since 1997, there have been “charitable benefit funds” overseen by boards consisting of tribal and non-tribal members, which grant money to local charities. These funds were established in agreements negotiated between the State of Oregon and tribes. Each agreement describes a formula for determining the size of contribution that casinos must make as a percentage of annual profits.

Community benefit funds are in state-tribal agreements for those casinos with table games other than blackjack. In 2006, there were five casinos with extended tables games and, as such, five community benefit funds were active in that year.

The agreements strictly define the make-up of the boards that distribute grants, the types of charities that would be eligible, and the counties where they would be based. The list of counties encompasses the area from where the casino draws most of its patrons. For this reason, contributions tend to be concentrated in areas of the state that have casinos with a full array of table games. In 2006, the Coquille, Cow Creek, Grand Ronde, Siletz, and Umatilla had such casinos.

The principal missions of eligible charities include education, health, public safety, arts, cultural activities, historic preservation, environment, and food banks. Some grants have been made to tribal charities, although they constitute a very small percentage of the total.

In 2006, the five active charitable benefit funds awarded \$8,149,951 to local non-profits in Oregon. About a fourth of this went to non-profits based in Multnomah County—although it should be noted that many recipient charities, such as the American Red Cross, Doernbecher Children’s Hospital Foundation, and the Multiple Sclerosis Society, serve people from all over Oregon.

Cumulatively, from their inception in 1997 through the end of 2006, casino-financed community benefit funds have made about 2,600 grants averaging approximately \$17,800. In total \$50,382,088 has been distributed to charities in Oregon. As shown on Table 16, these funds were widely distributed. Beside Multnomah, non-profits in Benton, Clackamas, Douglas, Jackson, Josephine, Lane, Linn, Lincoln, Marion, Polk, Umatilla, Washington, Tillamook, and Yamhill counties receives in excess of half a million dollars each.

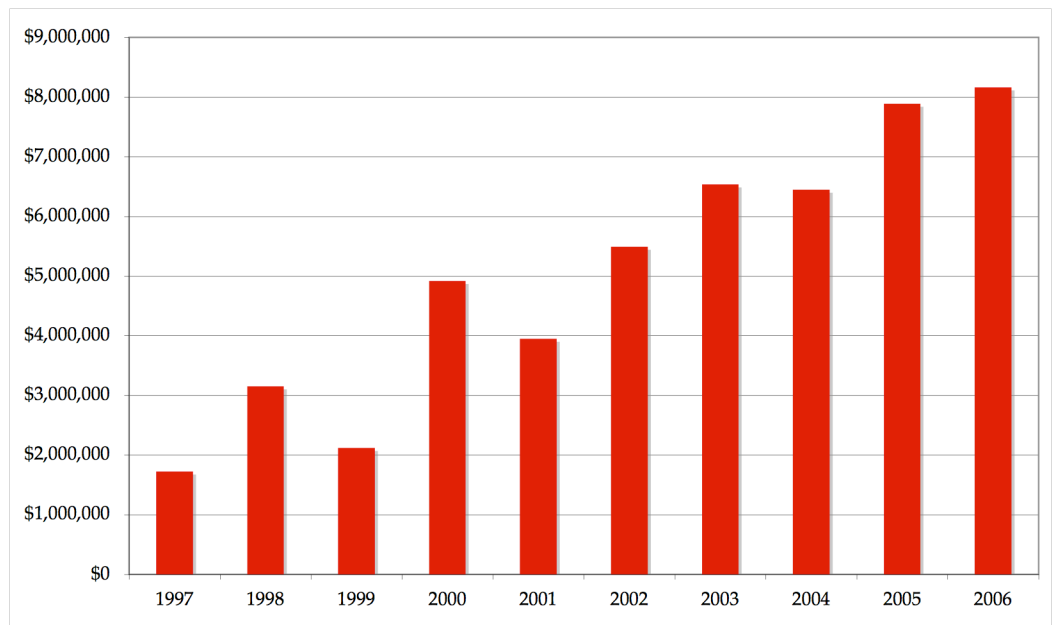
Table 16: Community Benefit Fund Grants, 2006 and 1997 - 2006

County	2006	1997 - 2006
Benton	\$298,175	\$734,327
Clackamas	75,000	642,971
Coos	548,572	1,470,330
Curry	23,750	33,250
Deschutes	40,455	469,524
Douglas	413,294	3,065,964
Jackson	201,491	1,095,060
Josephine	116,852	789,617
Klamath	35,689	153,411
Lane	585,718	3,525,510
Lincoln	916,736	3,582,113
Linn	201,990	694,430
Marion	469,444	4,133,005
Morrow	40,048	152,011
Multnomah	2,151,963	15,493,432
Polk	625,000	5,287,914
Tillamook	311,086	889,353
Umatilla	411,270	1,824,082
Union	54,436	312,384
Wallowa	53,488	159,560
Washington	300,746	1,609,678
Yamhill	270,000	4,239,511
Other	4,750	24,650
Total	\$8,149,951	\$50,382,088

Source: ECONorthwest analysis of data provided by Mr. Ken Gordon, Executive Director of the Potlatch Fund on April 7, 2008.

Annual grants by community benefit funds have risen dramatically since 1997, as casinos have expanded gaming variety and revenues have increased. Shown on Figure 9, grants totaled less than \$2 million in 1997. They broke the \$5 million threshold in 2002 and set a new record in 2006.

Figure 9: Grants to Charities by Casino Supported Community Benefit Funds in Oregon, 1997 - 2006



Source: Mr. Ken Gordon, Executive Director of the Potlatch Fund on April 7, 2008.

In addition to donations through community benefit funds, tribes in Oregon also contributed in excess of five million dollars to local charities through traditional means. Casinos donated in excess of nine million.

Gaming Survey

In August 2004, ECONorthwest hired Riley Research Associates to ask two questions about tribal gaming in their omnibus survey of likely voters in Oregon. These questions were repeated for this report in a similar survey by Riley Associates, which was conducted in March 2008. This section discusses the findings of the 2008 survey and then compares the results with 2004.

March 2008 Survey

Riley Research Associates is a Portland-based firm, which specializes in surveys and market research. They regularly survey Oregonians about their opinions on various issues. During the second week of March 2008, they conducted a telephone survey of likely Oregon voters regarding their attitudes about political, economic, and social issues. On behalf of the OTGA, ECONorthwest included three questions about tribal gaming.

Survey methodology & questions

The survey was a scientific telephone poll of 410 randomly selected registered likely voters throughout Oregon. A sample size of 410 provides accuracy to within +/-4.84 percent at a 95 percent level of confidence.²⁰ The survey was done, in large part, for political polling, which is why only those that were registered to vote and had voted at least once in the last four elections were surveyed. Previous research by ECONorthwest and others indicate that the proclivity to gamble at casinos is not significantly different between likely voters and non-voters in the state.

Three questions were inserted into the survey for the OTGA. The first two were identical to those used in the August 2004 survey:

- (1) How many times, if any, have you visited an Oregon Indian casino in the past year? (a) Did not go to a casino (b) went once (c) went twice (d) went three or more times.
- (2) Would you say you have a (a) very positive (b) somewhat positive (c) neutral (d) somewhat negative or (e) very negative opinion of the Indian casinos in Oregon?
- (3) If you gambled at any casino anywhere in the past year, did that include any in Oregon, a casino outside of Oregon, and/or an Internet gambling site?

²⁰ Oregon Statewide Likely Voter Poll. *Riley Research Associates*. March 13, 2008. Page 1.

Casino Visit Frequency from the 2008 Survey

The survey found that 28 percent of adults had gone to an Oregon Indian casino in the past year and, of those, half went only once. One out of every ten Oregonians visited a casino in Oregon at least three times in the last year.

Table 17: March 2008 Survey of Oregon Voters: How many times, if any, have you visited an Oregon Indian casino in the past year?

Category	Did not go to an OR casino	Went to an OR casino in last year	Went once or twice	Went three or more times
All likely voters	72%	28%	18%	10%
<u>By Sex:</u>				
Male	73%	27%	18%	8%
Female	72%	28%	17%	11%
<u>By Party Affiliation:</u>				
Democrat	70%	30%	16%	15%
Republican	71%	29%	20%	8%
Independent/other	80%	20%	17%	3%
<u>By Age:</u>				
Age 18 - 34	64%	36%	28%	9%
Age 35 - 44	85%	15%	11%	5%
Age 45 - 64	74%	26%	16%	10%
Age 65 & older	66%	34%	20%	14%
<u>By county:</u>				
OR Coast	72%	28%	24%	4%
Central & Eastern OR	78%	22%	13%	8%
Portland Metro	73%	27%	17%	10%
Southern OR	61%	39%	25%	14%
Willamette Valley	72%	28%	17%	11%
<u>Voted in Last 4 Elections:</u>				
Not voted				
Voted once	81%	19%	11%	9%
Voted twice	71%	29%	16%	13%
Voted three times	71%	29%	23%	6%
Voted four times	71%	29%	18%	11%

Sources: ECONorthwest and Riley Research Associates.

There was little difference in the percentages of visitors between males and females, or of Republicans and Democrats, although frequent visitors were more likely to be female and Democrat. Those identifying themselves as political independents were the least frequent casino visitors of those that were surveyed.

People in the youngest and oldest age groups were more likely to have said that they had gone to a casino in the past year. Those in the prime child rearing ages of 35 to 44 were the least likely casino visitors.

Residents living in central and eastern Oregon were less likely to go to a casino than others. Those from southern Oregon (Jackson, Douglas, and Josephine counties) were the most likely to have gone.

Opinions About Oregon Indian Casinos from the 2008 Survey

Peoples' opinions about Indian casinos in Oregon were mostly favorable with 47 percent having positive feelings versus 38 percent with negative opinions. There was little difference between men and women in this regard, but along political lines independents and Democrats were far more likely to hold positive feelings about casinos than Republicans were.

Table 18: March 2008 Survey of Oregon Voters: What is your opinion of Indian casinos in Oregon?

Category	Positive Opinion	Neutral Opinion	Negative Opinion
All likely voters	47%	15%	38%
<u>By Sex:</u>			
Male	46%	15%	39%
Female	49%	14%	37%
<u>By Party Affiliation:</u>			
Democrat	51%	14%	35%
Republican	38%	14%	47%
Independent/ other	55%	18%	27%
<u>By Age:</u>			
Age 18 - 34	64%	11%	25%
Age 35 - 44	33%	11%	56%
Age 45 - 64	45%	21%	34%
Age 65 & older	50%	9%	41%
<u>By county:</u>			
OR Coast	38%	25%	38%
Central & Eastern OR	39%	14%	46%
Portland Metro	46%	17%	36%
Southern OR	42%	11%	47%
Willamette Valley	57%	10%	34%
<u>Gambled in OR casino:</u>			
In last year	75%	9%	16%
Not in last year	36%	17%	47%

Sources: ECONorthwest and Riley Research Associates.

Both the youngest and oldest age groups surveyed held similar favorable feelings. However, people ages 35 to 44 were decidedly negative about casinos, as were those living in southern, eastern, and central parts of the state.

Not unexpected, those that had visited an Oregon Indian casino in the last year were far more likely to view casinos positively than those that did not (75 percent versus 36 percent).

Casino Visit Behavior from the 2008 Survey

As found in past surveys, a substantial number of Oregonians gamble out-of-state. The March 2008 survey reveals that about one-in-seven adults gambled in out-of-state or Internet casinos in the past year—and about half of those did not set foot in an Oregon casino.

Table 19: Casino Visit Behavior by Oregon Adults, 2008

Category	Did Gamble at a Casino	Did not Gamble at a Casino	Went to an Oregon Casino	To an Out-of-State Casino	Gambled Over the Internet
All likely voters	35.5%	64.5%	27.8%	13.5%	1.3%
<u>By Sex:</u>					
Male	34.2%	65.8%	26.8%	12.6%	1.1%
Female	36.7%	63.3%	28.6%	14.3%	1.4%
<u>By Party Affiliation:</u>					
Democrat	39.2%	60.8%	30.4%	14.0%	2.3%
Republican	35.9%	64.1%	28.8%	13.7%	-
Independent/ other	26.3%	73.7%	19.7%	11.8%	1.3%
<u>By Age:</u>					
Age 18 - 34	39.7%	60.3%	36.2%	17.2%	1.7%
Age 35 - 44	24.2%	75.8%	15.2%	9.1%	4.5%
Age 45 - 64	34.5%	65.5%	25.9%	13.8%	0.6%
Age 65 & older	42.2%	57.8%	34.3%	13.7%	-
<u>By County:</u>					
OR Coast	40.0%	60.0%	28.0%	16.0%	4.0%
Central & Eastern OR	26.7%	73.3%	21.7%	8.3%	1.7%
Portland Metro	37.8%	62.2%	27.3%	18.6%	1.7%
Southern OR	41.7%	58.3%	38.9%	13.9%	-
Willamette Valley	33.6%	66.4%	28.0%	7.5%	-

Sources: ECONorthwest and Riley Research Associates.

Interest in out-of-state gaming was strongest among those under 35 and those living in the Portland metropolitan area. This conforms with past research indicating that Oregon Indian casinos do a good job at appealing to older players to visit more than once or twice a year, but are less successful with younger, more urban players that prefer the action out-of-state and primarily in Las Vegas.

Comparison to Previous Surveys

An August 2004 survey by Riley Research asked the same first two questions posed to Oregonians in the March 2008 poll. This allows for an analysis of changes in public opinion and visits to Oregon casinos. ECONorthwest also ran a survey by the Oregon Survey Research Lab in February 2005 where more detailed questions about casino visits were asked of a random sample of 801 Oregon adults. Combining these two surveys allows for some additional analysis.

Changes in Casino Visit Behavior Between the 2004/05 and 2008 Surveys

As previously noted, 35.5 percent of those surveyed in March said they had gone to a casino in the last year to gamble. This was down from 42.5 percent reported in surveys done in 2004 and 2005 for ECONorthwest. The decline reflects a considerably weaker economy, but also the closure of bingo at several Oregon casinos.

Table 20: Casino Visit Behavior by Oregon Adults, 2008 and 2004/05

Did you gamble at a casino in the past year?	% of willing respondents March 2008	% of willing respondents 2004/05*
No	64.5%	57.5%
Yes	35.5%	42.5%
<u>At an Oregon casino?</u>		
Yes	27.8%	32.9%
Yes & only at Oregon casinos	21.8%	27.1%
Yes & also out-of-state	6.0%	5.8%
Yes & on the Internet	0.3%	0.2%
<u>At out-of-state casino?</u>		
Yes	13.5%	15.1%
Yes & only out-of-state casinos	7.5%	9.3%
Yes & on the Internet	0.5%	0.1%
<u>On the Internet?</u>		
Yes	1.3%	0.2%
Yes & only on the Internet	0.5%	0.0%

Sources: ECONorthwest, the Oregon Survey Research Lab, and Riley Research Associates.

Gaming out-of-state remains strong, as 13.5 percent of adults said they gambled at an out-of-state casino in the past year. This was down slightly from 15.1 percent reported about four years ago. Internet gambling is on the rise (mostly on poker), but still remains quite small in Oregon. Only about 1.3 percent of the respondents saying they gambled over the Internet in the last twelve months.

Changes in Opinion Profile Between the 2004 and 2008 Surveys

On August 2004 and March 2008, likely Oregon voters were asked whether they had a positive, neutral, or negative opinion about Indian casinos in Oregon. Although differences in how each survey defines areas prevents an analysis of opinion shifts by region, other characteristics such as age and sex were consistent.

The results of those surveys show that there had been a shift in public opinion. Respondents became decidedly more negative about casinos. This was especially so for women, Democrats, and voters ages 35 to 64.

Overall, the share of likely voters that held a negative opinion about Indian casinos in Oregon jumped 12.0 percent in the last three and a half years. Most of that increase came about because of people that were formerly neutral, changed their attitudes about casinos to negative.

Table 21: Change in Attitude Towards Oregon Indian Casinos Between the August 2004 and March 2008 Surveys

Category	Change in Positive Opinion	Change in Neutral Opinion	Change in Negative Opinion
All likely voters	-2.1%	-9.9%	12.0%
<u>By Sex:</u>			
Male	2.0%	-11.8%	9.8%
Female	-6.7%	-7.8%	14.4%
<u>By Party Affiliation:</u>			
Democrat	-3.9%	-11.7%	15.7%
Republican	-5.0%	-6.8%	11.8%
Independent/ other	5.7%	-15.5%	9.9%
<u>By Age:</u>			
Age 18 - 34	9.4%	-14.8%	5.4%
Age 35 - 44	-10.4%	-17.0%	27.4%
Age 45 - 64	-3.7%	-8.5%	12.3%
Age 65 & older	-0.5%	-9.1%	9.7%

Sources: ECONorthwest and Riley Research Associates.

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 regulated by the Washington State Gambling Commission, operators of amusement games are not counted as gaming providers in Oregon.

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 networked VLT game titles. These games are linked to machines in other casinos around the country. By doing so, the casinos may offer very high grand prizes—usually several million dollars. Wherever the grand prize is won, in a sense gaming revenues for that location are negative.

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 a county level because winning tickets can be cashed in counties other than those where they were bought. Thus, as a standard, it is a common practice to measure gaming revenues on an accrual or expected value basis.

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 lotto games, 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. They are:

1. **Oregon Lottery 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 many bars in Oregon as a product of the Oregon Lottery.
2. **Oregon Lottery 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. 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 2,790 keno retailers (year-end 2005).
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 2005, there were 2,063 retailers in Oregon and they had 10,721 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.
11. **Oregon Lottery line games.** In May 2005, the Oregon Lottery introduced line games, which are effectively video slot machines. The transition involved modifying existing video poker machines around the state. Thus, in many cases, a terminal will play video poker or line games depending upon the choice of the consumer. Lottery line games offer several common casino slot machine titles.
12. **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.
13. **Charitable raffles.** All state licensed charitable raffles and fifty-fifty games are included here.
14. **Charity casino nights.** Some charities run fundraising 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.
15. **Oregon Indian casinos.** In 2005, there were nine Indian casinos in Oregon.
16. **Washington Indian casinos and card rooms.** At the end of 2005, there were 32 Indian casinos, including bingo halls and slot venues not under state compact, in Washington. There were 115 commercial card rooms operating in Washington during the fourth quarter of 2005. Card rooms, also known as mini-casinos, can offer poker and usually house-banked card games, such as 21 and *pai gow* poker.

17. **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. Some major destinations for out-of-state casino play for Oregonians include Idaho, California, British Columbia, Reno, and Las Vegas.
18. **Live racetrack betting.** In Oregon this includes wagering on live horse races conducted at Portland Meadows racetrack and county fairgrounds (Tillamook, Union, Prineville, and Grants Pass). Outside of Oregon it may include betting at dog tracks.
19. **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.
20. **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.
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, pull-tabs, 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.