

The Contributions of Indian Gaming to Oregon's Economy in 2007

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

ECONorthwest

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Assignment

The Oregon Tribal Gaming Alliance (“OTGA”) is a coalition of nine Indian tribes in Oregon. Each tribe owns and operates a casino. The OTGA retained ECONorthwest to conduct the 2007 market and economic impact analysis of the tribal casino gaming industry in Oregon.

Much of the data in this report comes from OTGA member tribes. All nine tribes provided audited operating statistics on their casinos, and related activities such as hotels and restaurants. The tribes also prepared lists of donations made by OTGA members to charities through their charitable foundations and directly by their gaming businesses. Data from state and federal government sources, such as the Oregon Lottery, Oregon State Police, and the Oregon Department of Justice were also used to produce this report.

This is the fifth year this analysis has been done. New information has been added. This report covers four major topics:

- **An overview:** The size of casinos and tribal hotels in 2007, with comparisons to other forms of gaming are discussed along with recent developments at casino resorts. A history of each of the nine tribes is provided.
- **Economic impacts of tribal gaming:** The revenues, employment, and major expenditures of casinos are shown. The total impacts these operations had on Oregon’s economy in 2007 are reported along with comparisons to previous years.
- **Charitable contributions by tribes:** All nine tribes make donations to area charities and most have established charitable community foundations financed by casino gaming revenues. Total donations by the tribes, as well as the location of benefiting charities (by county) are shown for 2007.
- **The gaming market:** The report concludes with a discussion of the size of the gaming market in Oregon, the share attributable to tribes, and trends in the industry. Included in this section are comparisons to the Oregon Lottery and the results of a survey question of casino participation.

Major Findings

This analysis of the gaming market in Oregon and the ultimate impacts of tribal gaming in 2007 concluded the following:

- All nine tribes operated a casino in Oregon in 2007. Seven also ran hotels. In addition, several tribes had RV parks, golf courses, and other amenities at their gaming operations.
- These facilities generated \$598 million in revenues, employed 5,304 Oregonians, and paid nearly \$202 million in wages, payroll taxes, employee healthcare costs, and other benefits.
- Tribal gaming is highly regulated with three layers of oversight: the federal government, the Oregon State Police, and nine tribal gaming commissions. Collectively over \$14.8 million was spent on tribal gaming regulation in 2007.
- Earnings from gaming operations were used to pay for \$176.5 million in tribal government services and related tribal benefits with healthcare programs being the largest recipient. Since 2003, tribal programs have received nearly \$869 million from gaming businesses.
- Oregon's nine tribes donated over \$10 million to charities throughout the state. This included \$7.6 million to community benefit funds, which then made grants to worthy public causes such as the Oregon Food Bank and the American Diabetes Association in 22 counties in Oregon.
- Since tribes are Oregon-centric, the spending and employment effects of their gaming operations provide a large benefit to the state's economy. When measured in aggregate, we found that nearly \$1.7 billion in economic output in Oregon was attributed to tribal gaming operations in 2007. This level of economic activity supported 15,438 jobs statewide with a payroll of nearly \$532 million.
- Although large, gaming revenues from tribal casinos are low in comparison to the Oregon Lottery. Of the \$1,591 million in total gaming conducted in Oregon in 2007, the Oregon Lottery accounted for nearly 63 percent of the total compared to 32 percent coming from the tribal casinos.
- Overall, Oregonians spent 5.54 percent more on gaming in 2007 than they did in 2006. The average person spent \$451.55 during the year.

Section II Oregon Casinos and Tribes

There are nine federally recognized tribal governments based in Oregon. Each one operated a casino in 2007. At year-end, seven of the tribes had hotels with 1,098 rooms. Seven also operated recreational vehicle (“RV”) parks with 612 sites.

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. It is followed by a synopsis of the history and location of each tribe.

Casinos in 2007

Table 1 lists the names, locations, tribal ownerships, opening dates, and the number of hotel rooms and RV hook-up sites of the nine casinos in Oregon, as of December 31, 2007.¹

Table 1: A Summary of Oregon Casinos, Year-End 2007

Casino	City	Tribe	First Opened	At Year-End 2007	
				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	170	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	197
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	93	-
Wildhorse	Pendleton	Confederated Tribes of the Umatilla Indian Reservation	Nov. 1994	99	100
Total Lodging at Tribal Casinos				1,098	612

* 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.

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.

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.

Patrons made over 11.6 million visits to the nine casinos and resorts in Oregon during 2007. The casinos and resorts accommodated 183,778 nights for recreational vehicles at RV parks. Hotels at the casinos sold 352,955 room nights. Occupancy for the year was a healthy 79.4 percent, which suggests tribes have been successful at drawing tourists into the state.

Casino Capacity

There were 7,492 VLTs in the tribal casinos. The Oregon Lottery had considerably more VLTs — 11,840 at year-end. Tribal casinos had 124 table games, such as blackjack, and 43 poker tables. Five casinos had bingo halls and, within them, there were 2,144 seats. Six casinos offered keno, which competed against keno games offered by 2,940 Lottery retailers across the state.

All nine casinos had full-service restaurants. At year-end, total restaurant and lounge seating capacity at the casinos was 3,701 — nearly a 20 percent increase from where it was just a year before. Lottery retailers had approximately 888,000.

Table 2: Indian Casino Gaming & Non-Tribal Gaming Capacity, Year-End 2007

Tribal Casino in Oregon	VLTs	Table Games	Poker Tables	Bingo Seats	Keno Wagering Outlets	Restaurant & Lounge Seating
Chinook Winds	1,160	26	5	1,200	1	1,051
Kah-Nee-Ta	326	6	2	-	-	330
Kla-Mo-Ya	385	6	-	-	-	115
Old Camp	145	-	-	60	-	60
Seven Feathers	1,361	22	7	334	1	555
Spirit Mountain	1,912	33	17	-	1	601
The Mill	748	8	2	-	1	404
Three Rivers	650	11	6	150	1	125
Wildhorse	805	12	4	400	1	460
Total	7,492	124	43	2,144	6	3,701
<u>Non-Tribal Gaming:</u> *						
At lottery retailers	11,840	-	-	-	2,940	888,000
At charity bingo halls				16,686		

Source: Tribal reports, Oregon Lottery, and ECONorthwest estimates for non-tribal bingo and restaurant seating.

Gaming capacity rose in 2007. Wildhorse and the Three Rivers Casino expanded their casino floors. Most of the 414-machine increase in tribal casino VLTs during 2007 was attributed to these expansions. Both casinos also reported increases in poker and bingo. While the number of VLTs rose, the table game count fell by one.

Table 3: Change in Gaming Capacity, 2006 - 2007

Oregon	2006	2007	Change
<u>At Tribal Casinos:</u>			
VLTs	7,078	7,492	414
Table games	125	124	(1)
Poker tables	39	43	4
Bingo seats	1,956	2,144	188
<u>Oregon Lottery:</u>			
VLTs	11,376	11,840	464
Video lottery retail sites	2,173	2,252	79
Keno game retail sites	2,940	2,940	-

Sources: Tribal reports and the Oregon Lottery.

The Oregon Lottery has kept pace with the tribes. The lottery added 79 video game retailers and 464 VLTs in 2007. The number of keno retailers, however, remained the same.

Changes Made Since 2007 and Current Expansion Efforts

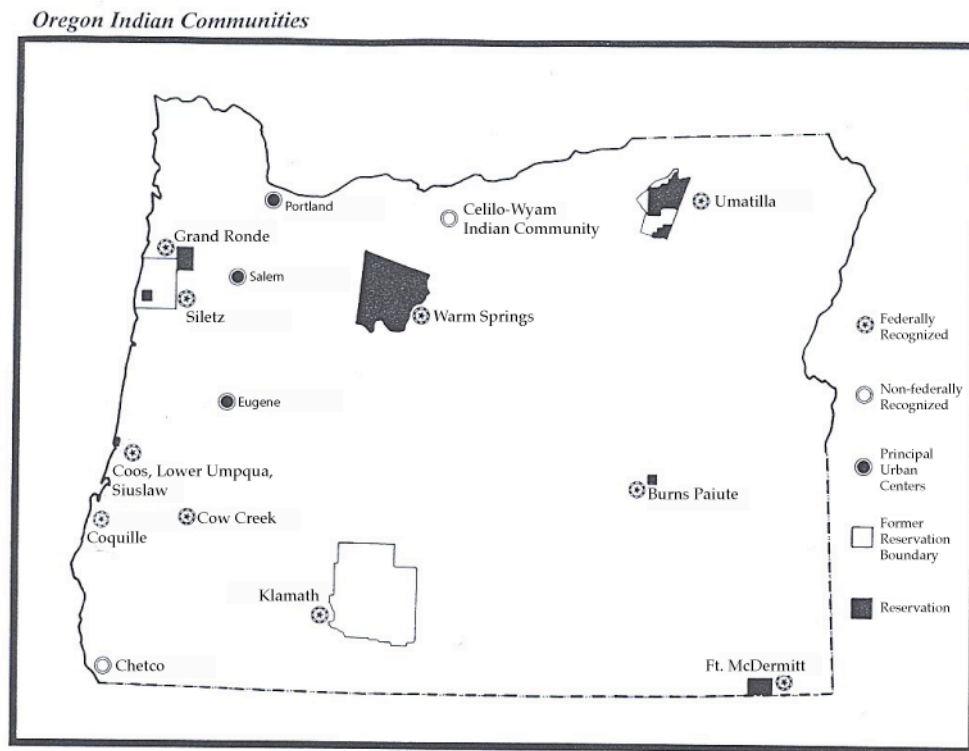
Since December 31, 2007, some tribes have made or are in the process of making substantial additions to their properties:

- In May 2008, Spirit Mountain resumed bingo upon opening a large event and entertainment center, as part of a 135,196 SF expansion that included offices, parking, convention facilities, a large buffet, and a youth activity center.
- Three Rivers, having completed a major expansion in December 2007, added a 50-VLT non-smoking room in December 2008 and started serving alcohol throughout the casino floor.
- The Mill opened a 92-room hotel in July 2008. The hotel includes five meeting rooms, an indoor swimming pool, hot tubs, a fitness room, and an arcade.
- After a major expansion in 2007, Wildhorse Resort & Casino in 2008 added a lounge, a cabaret, a coffee shop, and an additional restaurant, bringing the total to three. It also added more than 200 slot machines. The next expansion will increase the numbers of hotel rooms, add casino floor space, and other improvements.
- 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 added alcohol service on the casino floor and increased the frequency of its Player's Club Jackpot parties from quarterly to monthly. It will open a spa in May 2009, then 154 hotel rooms and a buffet in June.
- Kah-Nee-Ta replaced 100 of its VLTs with new models.
- Chinook Winds is planning to remodel its buffet restaurant beginning in May 2009, and upgrade its hotel rooms in the fourth quarter.

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 are included 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 377 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.

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 907 members.

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

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

In June 2004 the Coos, Lower Umpqua, and Siuslaw opened the Three Rivers Casino in a temporary structure. 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.

The Coquille Indian Tribe has 900 members and owns the Mill Casino-Hotel and the Mill RV Park in North Bend, Oregon. It overlooks the Coos Bay 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 recently completed a hotel and casino expansion that doubles its hotel capacity and increases the overall beauty and functionality of its gaming area.

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. As of early 2009 there were 1,494 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.

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.⁴ 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, scheduled to open in the late spring of 2009.

⁴ <http://www.cowcreek.com/story/x01history/index.html>

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 5,130 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.⁵

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 \$41.3 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 764,000 households live within 90 minutes of its doors. Spirit Mountain is one of the largest employers in the Polk-Yamhill County area.

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 early 2009, there were 3,684 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.

⁵ <http://www.grandronde.org/misc/ourstory.html>

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. In early 2009, they owned 890 checker-boarded acres in trust.

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.⁶ 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. In 1856 they ceded 19 million acres to the U.S. and agreed to confederate on the Siletz Reservation on the central Oregon Coast.

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 3,666-acre reservation in Lincoln County⁷ and 4,546 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 174,874 remain as part of the Umatilla Reservation and non-Indians own 40 percent of that. Tribal enrollment, at the end of 2008, was 2,588.

The Umatilla Tribe owns 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.

⁶ <http://www.klamathtribes.org/history.html>

⁷ <http://www.ctsi.nsn.us/chinook-indian-tribe-siletz-heritage/>

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.

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.⁸ Enrollment totaled 4,780 in early 2009.

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 highly 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. These efforts account for the bulk of the gaming regulation. In 2007, tribes paid over \$12.7 million to gaming commissions.

The Oregon State Police regulate casinos. In 2007, tribes paid nearly \$1.6 million directly to the Oregon State Police to fund the tribal gaming section. Gaming equipment companies that supply the casinos also paid regulatory fees to the Oregon State Police. The police monitor casinos, run background checks on casino employees and suppliers, and ensure the integrity and fairness of games.

⁸ http://www.warmsprings.com/Warmsprings/Tribal_Community/History_Culture/

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 \$265,648 in fees to support the NIGC’s work.

In 2007, the total regulatory costs for the nine tribal casinos in Oregon were \$14,827,339. In comparison, the Oregon Lottery expended \$2,925,435 on regulatory costs. This, in addition to charitable gaming and horse racing, brought the total cost of gaming regulation in Oregon to nearly \$19.6 million. Additional, yet indeterminable, amounts were spent on security and auditing at all gaming facilities and retailers.

Table 4: Federal, State & Tribal Government Gaming Regulatory and Enforcement Spending in Oregon, 2007*

Type of Gaming in Oregon	2007
<u>Regulation fees paid by tribes:</u>	
Oregon State Police - tribal gaming section	\$1,587,743
Nine tribal gaming commissions	12,719,214
National Indian Gaming Commission	265,648
Paid by Oregon Tribes	\$14,572,605
Fees paid by gaming equipment vendors	254,734
Total casino regulatory costs	\$14,827,339
<u>Oregon Lottery:</u>	
Oregon State Police contract	\$2,115,350
Security services	654,256
Other lottery security expenses	155,829
Total OR lottery regulatory costs	\$2,925,435
Charitable bingo, raffles & fundraisers	\$676,159
Horse racing	1,135,092
Total Gaming Regulation	19,564,025

** Note: Oregon Lottery and charitable gaming regulatory costs are for the state fiscal year ending June 30, 2007.*

Section III **Oregon 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 benefits of tribal gaming include:

- Tribal gaming has created stable employment for thousands of workers.
- Returns from casinos are used to fund essential tribal government jobs and services; pay for improvements to local infrastructure; and support healthcare, housing, and education programs.
- For tribal members, 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 employees 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 2007 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 2007, and concludes with an evaluation of the changes in gaming and its economic impacts between 2003 and 2007.

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 sophisticated computer models that use an input-output modeling framework designed to trace the flow of dollars through an economy as they move between businesses, employees, and consumers.

Methodology

The direct spending and employment by an industry will often generate subsequent impacts elsewhere in the economy. To measure these impacts, economists have developed an input-output modeling framework that mathematically represents how industries, households, and government institutions interact.⁹ Information about these interactions or linkages comes from various sources, including U.S. Census reports on population and business.

⁹ Input-output analysis was first put to practical use by Wassily Leontief in the late 1930's. While at Harvard, Leontief used his input-output system to construct an empirical model of the United States economy. This research gave rise to his 1941 classic, "Structure of American Industry, 1919-1929." For his research, Leontief was awarded the Nobel Prize in Economics in 1973.

The most widely used input-output modeling software is called IMPLAN, which is an acronym for “IMPact analysis for PLANning”.¹⁰ For this analysis, ECONorthwest used the IMPLAN modeling software to build a model of the Oregon economy in 2007. Economic impacts are measured in terms of output, wages, and jobs. *Output* is the broadest measure of economic activity. It is the total value of production. For casino-hotels, 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 full- and part-time jobs.

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 to other businesses. Both of these stages generate income and additional **induced** spending by households who directly or indirectly benefit from the increases in wages and purchasing power.

These three types of impacts are discussed within the context of this analysis.

- **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 of tribal government activities that are financed by the casinos.
- **Indirect impacts** describe the effects on other sectors that supply tribal casinos or governments 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.
- **Induced impacts** are generated by the additional income and purchasing power for casino and tribal government employees, as well as for businesses affected by tribal gaming and government 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.

¹⁰ 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.

Adapting IMPLAN to Fit the Actual 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 casino-hotel 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 an actual production function for 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 casino-hotel 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 2007 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 2007 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 Operations in 2007

Data collected from individual tribes for the 2007 calendar year form the inputs into the economic impact analysis. For tribal gaming operations, this data includes gaming revenues, direct casino employment and payroll, and expenditures by major categories.

Tribal Gaming

Table 5 reports revenues and expenditures for tribal gaming operations in 2007. In total, the casinos generated \$507.6 million in gaming revenues, \$54.9 million in food and beverage sales, \$27.7 million from lodging, and \$16.5 million from all other sources. After making deductions for complimentary goods and services provided by the casinos, total net revenue for tribal gaming operations was \$596.7 million.

Table 5: Revenues and Selected Expenditures by Tribal Casinos in Oregon, 2007

Revenues and Expenditures	Amount
<u>Revenues</u>	
Gaming	\$507,621,779
Food and beverage sales	54,935,303
Hotels and RV parks	27,735,982
Gift shops, recreation and other	16,492,505
Less complimentary goods and services	(10,041,720)
Total net revenues	\$596,743,849
<u>Selected Expenditures</u>	
Labor	\$201,896,975
Utilities	7,668,824
Advertising, marketing, and sales	49,670,723
Costs of goods sold	34,332,768
Repairs and maintenance	3,817,330
Supplies	7,804,882
Professional services	3,745,235
Other operating expenses	42,171,078
Charity, community fees, and donations	10,070,284
Construction and equipment purchases	107,170,170

Source: Tribal reports.

All major sources of revenues increased from the previous year. Lodging revenues increased the most, posting a 12.0 percent gain. Gaming revenues increased 4.2 percent, food and beverage sales increased 4.6 percent, and other revenues rose 5.1 percent.

Expenditures associated with tribal gaming operations in Oregon also increased between 2006 and 2007. Labor costs reached almost \$202 million in 2007, up 4.1 percent from the previous year. Spending on advertising and marketing; repairs and maintenance; and construction showed significant gains.

Tribal gaming operations are labor intensive. As a result, payroll is, by far, the largest expenditure item for the tribes. Table 6 provides additional details for the labor costs of tribal casinos in Oregon in 2007.

Table 6: Wages, Taxes, and Benefits Paid by Tribal Casinos and Employees, 2007

Labor Statistics	2007
<u>Labor Costs Paid by Casinos:</u>	
Compensation*	\$148,373,383
Payroll taxes	19,239,070
Healthcare benefits	26,758,056
Other benefits & compensation	7,526,466
Total paid by casinos	\$201,896,975
Avg. number of employees	5,304
<u>Per Employee:</u>	
Wages earned	\$27,975
Benefits and taxes paid by casinos	\$10,092
State & federal income, Medicare, & Social	
Security taxes paid by workers	\$5,620

* Compensation includes wages, tips, and some retirement contributions.

Tribal gaming operations employed an average of 5,304 workers in 2007. This represents a 2.2 percent increase (+114 full-time equivalent jobs). The average wage for casino employees in 2007 was \$27,975. This is approximately \$11,870 or 68 percent greater than the statewide average wage (\$16,105) for workers in the leisure and hospitality industry.¹¹

Tribal gaming also provides employees with a generous benefits package. As shown in Table 6, the benefits and payroll taxes paid by the casinos averaged \$10,092 in 2007. In addition, casino employees paid an average of \$5,620 federal and state income taxes and social insurance taxes. This is approximately the same as the previous year, and does not include payroll taxes paid directly by tribal gaming operations.

Tribal Government Support

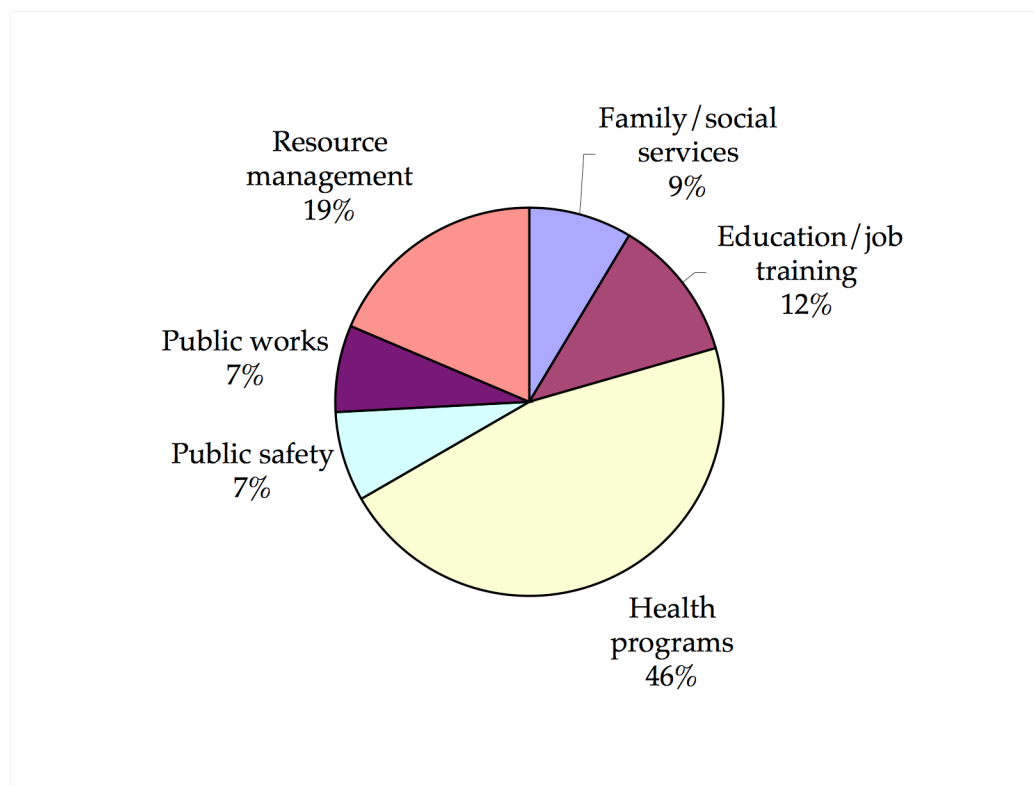
For Oregon tribes, gaming offers an economic development opportunity that generates jobs and incomes for members and non-members alike. Tribal gaming also generates revenues that tribal governments use to provide essential social services, build local infrastructure, promote economic development, or enhance the economic conditions of tribal members.

After paying operating expenses, capital costs and debt, tribal gaming generated almost \$176.5 million in revenues in 2007 that were used to support tribal government programs or distributed to tribal members.¹² Most of the revenues (\$154.2 million or 87 percent) went to tribal government programs. The remainder (\$22.3 million) was distributed to tribal members. Figure 2 shows how the \$154.2 million in gaming revenues were allocated to major programs offered by tribal governments.

¹¹ Information retrieved from Oregon Labor Market Information System at www.olmis.org on June 11, 2009.

¹² Several tribes also paid interest on debt and borrowed money for large capital projects. These cash flows also affected how much would be available to cover tribal service needs.

Figure 2: The Allocation of Tribal Gaming Revenues to Tribal Government Programs, 2007



Healthcare is the largest tribal government program that casinos revenues help to support. About 46 percent of the \$154.2 million was used to provide expanded health care services. Gaming revenues were also distributed to other essential services provided by tribal governments, such as family and social services (9 percent), education and job training (12 percent), and public works and public safety (collectively 9 percent). In addition, tribal governments allocated 19 percent of the transferred gaming revenues to resource management programs, and, thereby, continued with their commitment to both environmental and economic development goals.

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

This section reports the economic and fiscal impacts associated with tribal gaming and government operations in 2007.

Economic Impacts

The economic impacts associated with tribal gaming in 2007 are shown in Table 7. The direct impacts originate from two inter-related activities: 1) tribal casino operations, including gaming, lodging, food and beverage sales, and all other sales; and 2) the additional tribal government spending made possible because of funding from tribal gaming. These direct economic impacts are shown in the first three rows of Table 7.

Table 7: Economic Impacts of Tribal Gaming in Oregon, 2007

Economic Activity	Economic Output	Wages and Benefits	Full- and Part-Time Jobs
<u>Direct Impacts</u>			
Gaming and Hospitality Revenues	\$606,785,600	\$201,897,000	5,589
Tribal Needs Supported by Casinos	\$154,161,800	\$51,648,400	927
Direct Impacts	\$760,947,400	\$253,545,400	6,516
<u>Indirect and Induced Impacts</u>			
Natural Resources and Construction	\$102,356,300	\$32,565,000	987
Manufacturing	81,634,000	12,734,800	282
Wholesale and Retail Trade	126,863,700	46,261,100	1,445
Services	333,162,400	128,421,100	4,955
Other	184,338,500	58,279,500	1,253
Indirect and Induced Impacts	\$828,354,900	\$278,261,500	8,922
Total Impacts	\$1,589,302,300	\$531,806,900	15,438

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

Most of the direct economic impacts are attributed to tribal gaming operations. They directly generated \$606.8 million in economic activity, including \$201.9 million in wages and benefits, and 5,589 full- and part-time jobs. Gaming operations also underwrote \$154.2 million in tribal government activity, which resulted in \$51.7 million in wages and benefits, and 927 full- and part-time jobs.

The second section of Table 7 shows the combined indirect and induced impacts by major industry sector to highlight the tendency of tribal spending to occur locally and, thus, have major ripple effects on jobs and incomes in other Oregon industries. The service sector — Oregon's largest — benefited the most from tribal gaming and government spending in 2007, with approximately \$333.2 million in output, \$128.4 million in wages, and 4,955 jobs. This is important because the service sector encompasses a wide range of occupations, from waiters and landscapers to doctors and attorneys.

Another major sector to benefit from tribal gaming was wholesale and retail trade. It saw increases of \$126.9 in output, \$46.3 million in wages and benefits, and 1,445 jobs.

The “other” sector as shown in Table 7 accounts for about 14 percent of the indirect and induced employment impacts. Most of those jobs were in the financial and real estate industries, which benefit from tribal gaming primarily as a result of employee spending. Workers in Oregon spend over 29 percent of their incomes on housing.¹³ Dollars earned by tribal employees flow directly into home purchases, apartment rents, and remodeling projects—and ultimately into property taxes for local schools and communities. The “other” sector also includes utility purchases. Casinos are heavy users of electricity and water because they cater to so many visitors; use significant amounts of electrical equipment; have large floor spaces with extensive heating and ventilation requirements; and are generally open 24 hours a day.

As the preceding discussion and the last row in Table 7 illustrate, tribal spending has a *multiplier effect* on the state’s economy as spending originally attributed to tribal gaming and government activities circulates to workers and business owners in other parts of the economy. In total, \$1.6 billion in economic activity, including over \$531.8 million in wages and benefits, and 15,438 jobs were linked to tribal gaming and government spending.

The multiplier effect describes the linkages between tribal activities and the Oregon economy—the larger the multiplier, the greater the linkages. This multiplier effect can be calculated mathematically across all impact measures by dividing the total impacts by the direct impacts.¹⁴ The resulting number can be used to gauge the economic linkages between a corporation, industry, or activity, and the rest of the economy. For example, the employment multiplier for tribal activities is 2.37 (15,438 total jobs divided by 6,516 direct jobs). The economic multipliers for tribal operations in Oregon are discussed below for each impact measure:

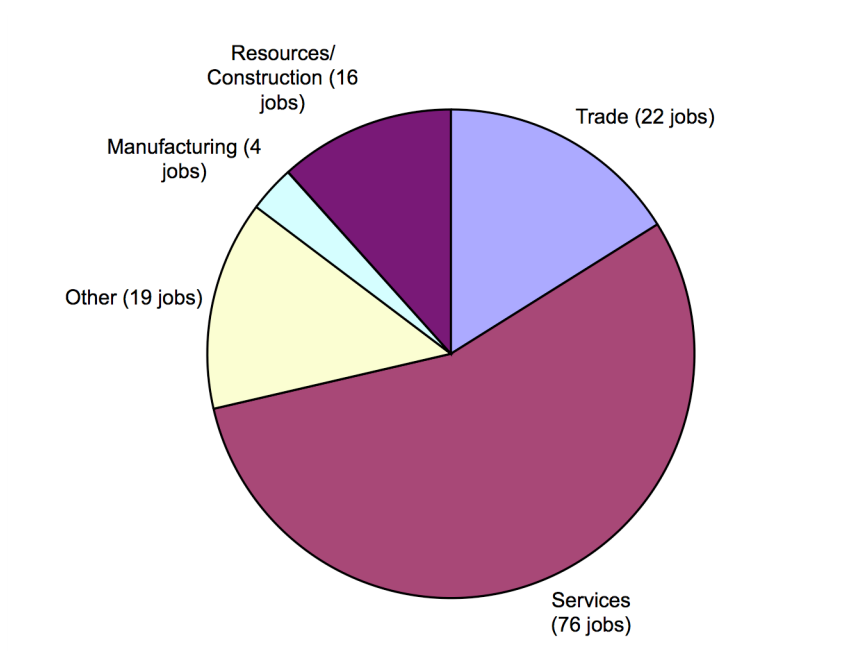
- **The output multiplier equals 2.09.** On average, every \$1 million in tribal activities generates another \$1.09 million in output in other sectors of the Oregon economy.
- **The wage multiplier equals 2.10.** Every \$1 million in wages paid by the tribes leads to, on average, additional economic activity that generates \$1.1 million in wages for workers in other sectors of the Oregon economy.
- **The employment multiplier equals 2.37.** Thus, on average, every 100 tribal jobs are linked to another 137 jobs in other sectors of the Oregon economy.

Figure 3 shows the multiplier effect arising from 100 tribal gaming industry jobs. As discussed above, with an employment multiplier of 2.37, every 100 tribal jobs are associated with another 137 jobs in other sectors of the Oregon economy. Figure 3 shows how these 137 jobs are allocated across industry major industry sectors.

¹³ From Portland MSA data from the US Bureau of Labor Statistics <http://www.bls.gov/cex/home.htm>.

¹⁴ This is called a Type II or a Type SAM multiplier.

Figure 3: Job Impacts in Oregon, by Sector, Associated With 100 Tribal Gaming Jobs (the “Multiplier Effect”), 2007



The state’s service sector receives the majority of the employment multiplier effects, with 76 service jobs for every 100 tribal jobs. The state’s retail and wholesale trade sector benefits with 22 jobs for every 100 tribal jobs.

Fiscal Impacts

In the United States, tribes are recognized as sovereign governments. They earn revenues, which are then used to pay for tribal government programs such as affordable housing projects, healthcare, education, police services, public works, road construction, administration, and other social services. Some of this spending also directly benefits non-tribal members through shared services for healthcare, recreation, and support for public schools. In addition, the contributions and donations made by tribal governments benefit all Oregonians.

In Oregon, casinos are part of tribal governments, much as the Oregon Lottery is part of 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 associated with Oregon tribes comes in the form of income taxes paid by casino and tribal government employees, tribal members, and non-tribal workers and businesses who subsequently benefit from gaming. In 2007, tribal gaming and the economic activity it creates generated approximately \$22.4 million in income tax revenues for the State of Oregon. This represents 58 percent of the total \$38.4 million in revenues generated for the State of Oregon by tribal gaming and government activities.

Table 8: Tax and Fee Revenues Associated with Oregon Tribal Gaming and Government Activities, 2007

Jurisdiction/Source	2007
<u>State of Oregon</u>	
State personal & corporate income tax	\$22,385,700
Other state taxes, fees & licenses	16,023,300
Total State Revenues	\$38,409,000
<u>Local Governments in Oregon</u>	
Local property taxes	\$16,523,600
Other local taxes, fees & licenses	5,231,600
Total Local Revenues	\$21,755,200
<u>U.S. Federal Government</u>	
Federal personal & corporate income tax	\$39,576,700
Excise & retirement taxes	34,583,300
Total Federal Revenues	\$74,160,000
Total All	\$134,324,200

Tribal activities also benefit local taxing jurisdictions in this state. In 2007, the economic activity associated with tribal gaming and government spending generated approximately \$21.8 million in revenues for local governments. In total, for 2007, tribal gaming and government activities in Oregon generated just over \$134.3 million in revenues for local, state, and federal governments. This is a 3.2 percent increase from the previous year.

Recent Trends

This section of the report looks at trends in tribal operations, and economic and fiscal impacts over the five year, 2003 - 2007 time period. It starts by examining trends in casino visitation, revenues, and expenditures. It then shows the important role that tribal gaming has in providing funding for tribal government programs and tribal members. It concludes by evaluating the economic and fiscal impacts associated with tribal gaming and government activities.

Gaming Operation Trends

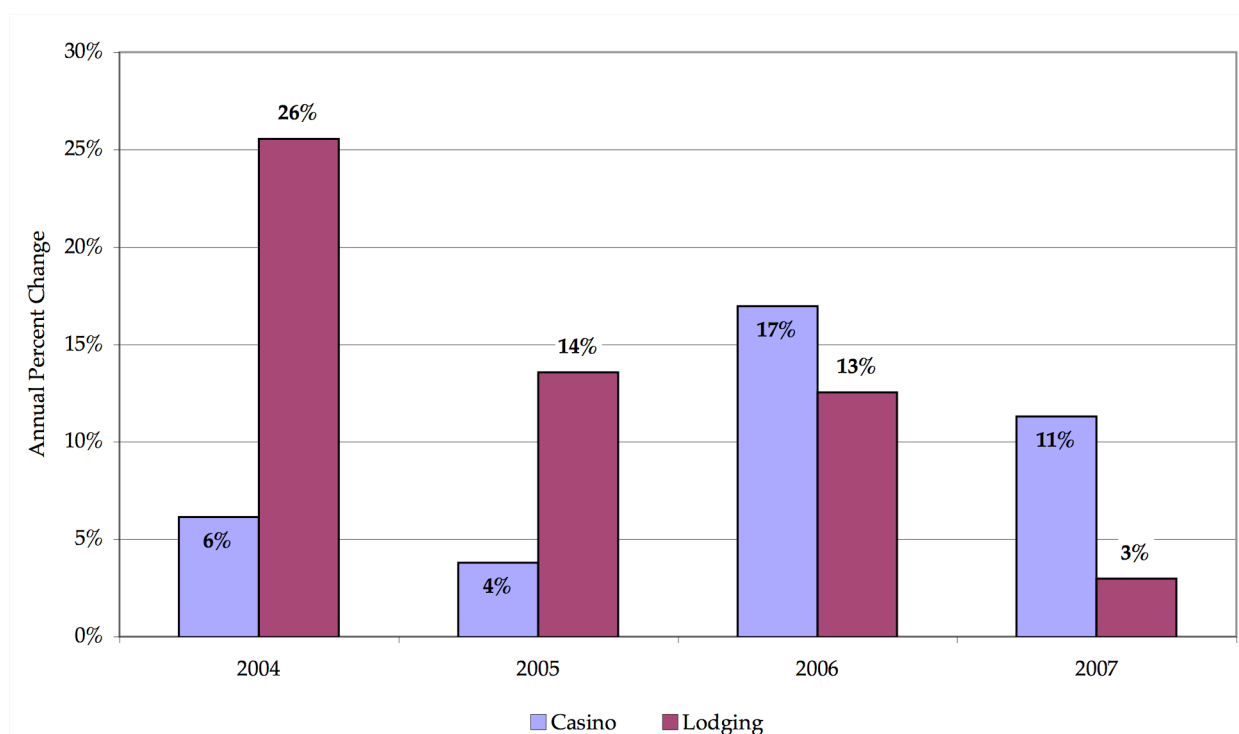
Visitation statistics are reported in the top two rows of Figure 9. In 2007, tribal gaming in Oregon entertained over 11.6 million visitors. This is an increase of 1.2 million visitors, or 11 percent, from the previous year. In addition, almost 280,200 room nights were sold in 2007.

Table 9: Tribal Gaming Visitation, Revenues, and Expenditures, 2003 – 2007

	2003	2004	2005	2006	2007
Visitation					
Casino	8,102,578	8,600,599	8,926,938	10,440,719	11,621,815
Hotels and lodging	169,558	212,881	241,738	272,067	280,176
Gross Revenues					
Gaming	\$384,192,000	\$419,599,000	\$459,689,000	\$487,155,000	\$507,622,000
Food and Beverage	41,672,000	45,633,000	49,082,000	52,544,000	54,935,000
Hotel, Lodging and RV	14,783,000	18,254,000	21,021,000	24,774,000	27,736,000
Other	13,098,000	15,552,000	16,393,000	15,687,000	16,493,000
Total Gross Revenues	\$453,745,000	\$499,038,000	\$546,185,000	\$580,160,000	\$606,786,000
Major Expenditures					
Labor	\$162,935,000	\$174,161,000	\$185,588,000	\$193,951,000	\$201,897,000
Operating and Other	127,528,000	128,761,000	149,733,000	162,096,000	183,895,000
-Donations and Contributions	7,713,000	8,088,000	9,079,000	9,698,000	9,349,000
-Fees/Contributions to S&L Govt	1,987,742	4,872,526	4,864,000	2,247,000	2,309,000
Construction/New Equipment	42,124,000	56,735,000	28,513,000	65,800,000	107,170,000

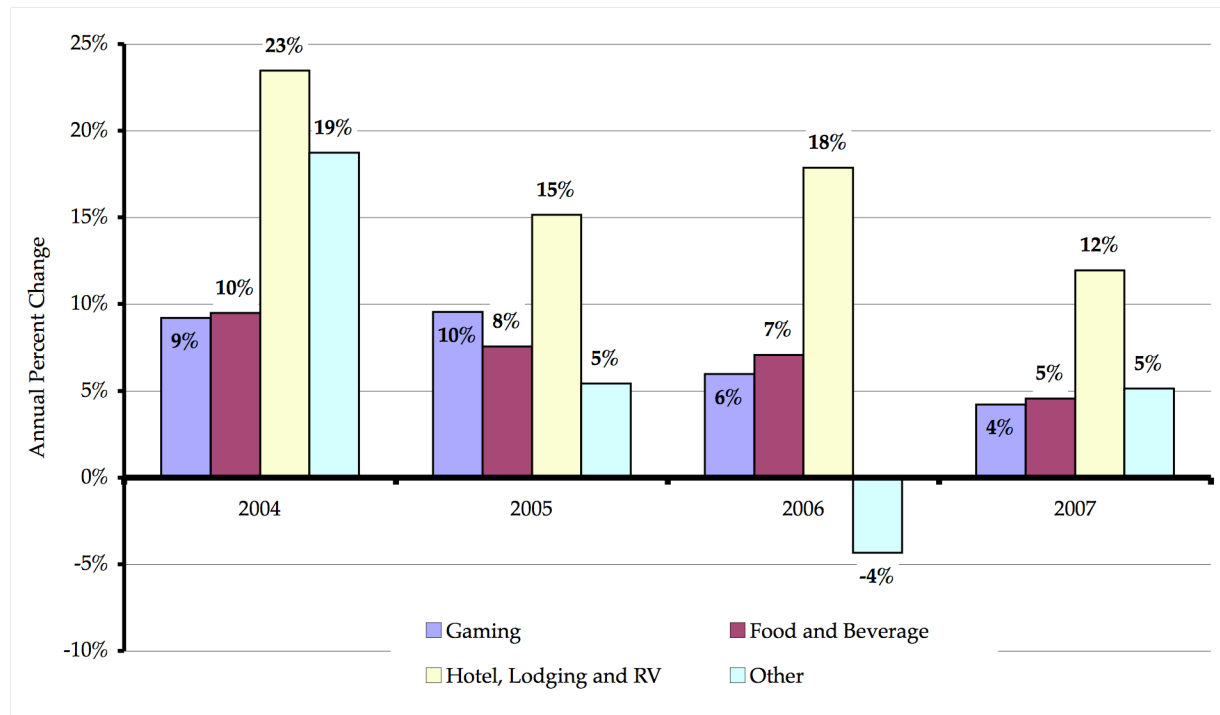
Over the last five years, the average annual growth rate in casino visitation and room nights sold is 7.5 percent and 10.6 percent, respectively. Although both casino and lodging visitation have grown considerably over the five-year time period, Figure 4 helps to identify an interesting and important trend in visitation. The growth in casino visitation was significantly less than lodging visitation in 2004 and 2005. However, over the last two years, the growth in casino visitation has outpaced the growth in lodging visitation.

Figure 4: Annual Percent Changes in Casino and Lodging Visitation, 2003 – 2007



As shown in Table 9, growth in visitation has led to an increase in revenues across all major revenue categories in 2007. Total casino revenues amounted to \$606.8 million in 2007. Figure 5 illustrates the percent changes by year for each major revenue category. Lodging revenues showed the largest increases each year. Tribes have aggressively expanded the number and size of hotels. This has attracted many more tourists, as the growth rate of visits by in-state residents has slowed.

Figure 5: Annual Percent Changes in Casino Revenues, by Major Revenue Category, 2003 – 2007



Increases in visitation and general increases in prices combine to push operating costs upward. In 2007, total labor costs increased by \$7.9 million, or by 4.4 percent, from the preceding year. Most of this increase is attributed to the rising costs of healthcare benefits (+8.3 percent) and the costs of all other employee benefits (+16.2 percent). Other operating costs, in aggregate, increased \$12.8 million, or by 7.6 percent, in 2007.

Importantly, especially from an economic impact perspective, total tribal spending on new construction and equipment increased by almost \$41.4 million in 2007. This represents a 20.5 percent change from the previous year. Spending on construction services is known to have a strong stimulus effect on the Oregon economy because these services are provided by Oregon based contractors and workers.

Tribal Government Support Trends

Historically, the increases in casino visitation and gaming revenues have enabled tribes to increase their financial support of tribal government activities and members. In 2007, approximately \$176.4 million in gaming revenues went to support tribal government programs or were distributed to tribal members. This, however, represents a \$25.6 million decrease from 2006 and largely reflects rising operating costs and the fact that some tribes used gaming revenues to finance additional casino, lodging, and other gaming-related investments. Evidence from the last five years suggests that these investments should enhance visitation, generate more revenues, and potentially support the continued expansion of tribal government programs and/or income for tribal members.

Despite the modest drop in gaming revenues transferred to tribal government programs and tribal members in 2007, the history of tribal gaming as an important economic development engine for the tribes is undeniable. Table 10 shows the annual and cumulative gaming revenues transferred to the tribes. Over the last five years, approximately \$868.9 million in gaming revenues has been used to build or improve health clinics, housing, youth and cultural centers; pay down debt; provide medical and social services; pay for job training services and education programs ranging from Head Start to college scholarships; and increase the standard of living of tribal members.

Table 10: Gaming Revenues Used to Support Tribal Government Programs and Tribal Members, 2003 – 2007

Year	Annual Support
2003	\$141,665,000
2004	168,826,000
2005	179,992,000
2006	202,004,000
2007	176,442,000
Total	\$868,929,000

Oregon tribal governments have plans for continued investments in social programs, economic development projects, and infrastructure. These investments will help to improve local communities, as well as enhance the economic conditions of tribal members, 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

As shown in Table 11, between 2003 and 2007, increases in casino visitation have translated into steadily growing direct impacts for tribes in Oregon. By 2007, tribal gaming and the tribal government activities it supports directly employed 6,516 persons. This represents an increase of 422 jobs over the previous year, and an increase of 1,188 jobs over the last five years.

Table 11: Economic Impacts, 2003 – 2007

Impacts	2003	2004	2005	2006	2007
Direct					
Output	\$563,671,000	\$619,269,000	\$674,785,000	\$703,586,700	\$760,947,400
Wages and Benefits	\$192,388,200	\$215,834,000	\$227,015,000	\$238,999,700	\$253,545,400
Jobs	5,328	5,699	5,939	6,094	6,516
Total					
Output	\$1,026,921,000	\$1,326,931,000	\$1,474,701,000	\$1,420,171,800	\$1,589,302,300
Wages and Benefits	\$348,874,000	\$470,454,000	\$509,407,000	\$476,443,900	\$531,806,900
Jobs	10,968	14,534	15,221	13,916	15,438

The wages and benefits paid by Oregon tribes have also grown over the last five years and, in 2007, amounted to \$253.6 million. This represents a \$14.6 million increase over the previous year and a \$61.2 million increase from 2003.

In total, the economic contributions of tribal gaming have grown. Statewide, approximately \$1.6 billion (+54.9 percent from 2003) in economic activity, including \$531.8 million in wages and benefits (+52.4 percent from 2003), and 15,438 full- and part-time jobs (+\$40.8 percent from 2003) are directly or indirectly linked to tribal gaming in 2007.

Fiscal Impact Trends

As shown in Table 12, in 2007, tribal gaming generated tax and fee revenues totaling more than \$38.4 million for the State of Oregon and almost \$21.8 million for local governments in Oregon. Although State and local government revenues associated with tribal gaming have declined somewhat over the last two years, tribal gaming and the economic activity it generates have contributed approximately \$178.5 million in revenues for the State of Oregon and \$98.1 million in revenues for local governments over the last five years.

Table 12: Fiscal Impacts, 2003 – 2007

Tax and Fee					
Revenues	2003	2004	2005	2006	2007
State of Oregon	\$25,611,700	\$34,487,100	\$41,155,000	\$38,831,700	\$38,409,000
Local governments	17,013,900	19,293,900	22,036,900	\$17,970,700	\$21,755,200
Federal government	58,289,400	68,693,700	77,072,700	\$73,379,400	\$74,160,000
Total	\$100,915,000	\$122,474,700	\$140,264,600	\$130,181,800	\$134,324,200

Section IV Charitable Grants by Casinos

Since 1997, some casinos in Oregon have supported “charitable benefit funds,” each of which grants money to charities in the counties surrounding the casino. State-tribal agreements for casinos that offer the full array of table games stipulate contributions of a percentage of the net income from tribal gaming operations to charitable benefit funds. These funds are overseen by boards including both tribal and non-tribal members and focus on charities that benefit the broader community surrounding the casinos.

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. 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. The list of counties encompasses the area from where the casino draws most of its patrons.

In 2007, five casinos—The Mill, Seven Feathers, Spirit Mountain, Chinook Winds, and Wildhorse—maintained charitable benefit funds. The funds’ grants totaled \$7,571,644 in 2007. One-third of this sum went to charities based in Multnomah County—but it should be noted that many of these, such as the Oregon Food Bank and the American Diabetes Association, aid citizens throughout the state.

Since the funds were created in 1997 through the end of 2007, they have made a total of 3,400 grants; the average grant was \$17,000. Almost \$58 million has been distributed in total over the years, and the beneficiaries range across the state. Besides Multnomah County, Coos, Douglas, Jackson, Lane, Lincoln, Marion, Polk, Umatilla, and Yamhill Counties each received more than a quarter million dollars distributed to local non-profits in 2007.

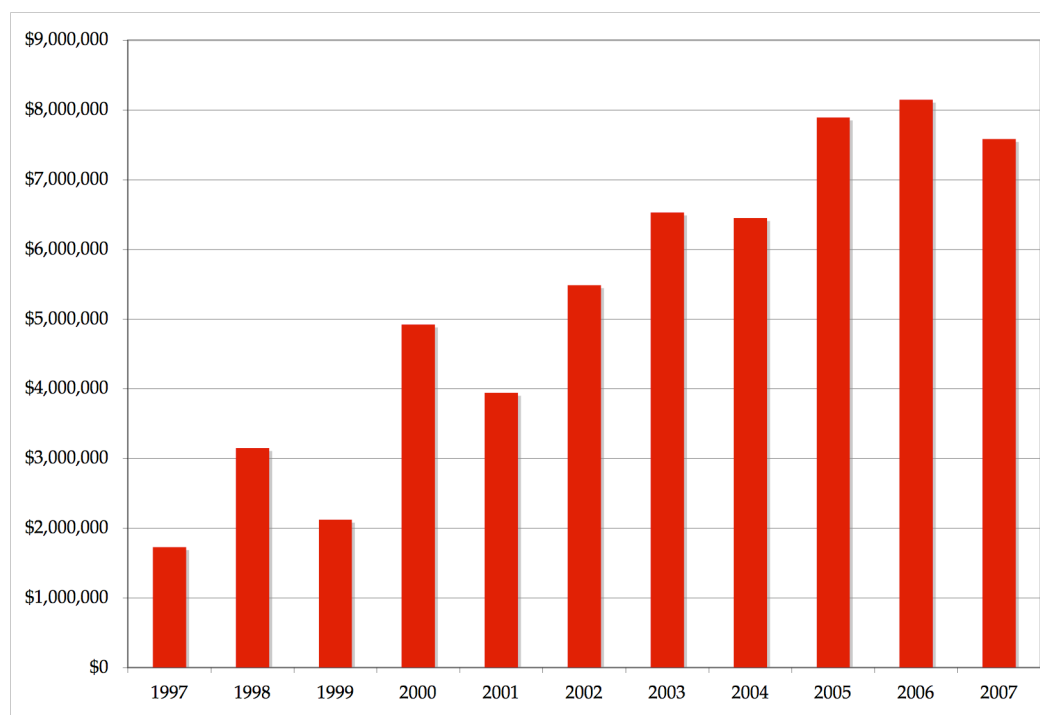
Table 13: Community Benefit Fund Grants, 2007 and 1997 - 2007

County	2007	1997 - 2007
Benton	\$161,573	\$895,900
Clackamas	32,000	674,971
Coos	616,467	2,086,797
Curry	17,095	50,345
Deschutes	162,355	631,879
Douglas	303,444	3,369,408
Jackson	268,220	1,363,281
Josephine	90,000	879,617
Klamath	24,856	178,267
Lane	666,110	4,191,620
Lincoln	663,709	4,245,822
Linn	91,345	785,775
Marion	415,343	4,548,348
Morrow	39,250	191,261
Multnomah	2,569,449	18,062,881
Polk	292,600	5,580,514
Tillamook	182,542	1,071,895
Umatilla	407,658	2,231,740
Union	36,800	349,184
Wallowa	39,332	198,892
Washington	165,224	1,774,902
Yamhill	326,272	4,565,783
Other	5,273	29,923
Total	\$7,576,917	\$57,959,005

Source: ECONorthwest analysis of data provided by Mr. Ken Gordon, Executive Director of the Potlatch Fund on June 15, 2009.

Annual grants by community benefit funds have risen dramatically since 1997, as casinos have expanded gaming variety and revenues have increased. Shown on Figure 6, grants totaled less than \$2 million in 1997. Ten years later, they were more than \$7.5 million.

Figure 6: Grants to Charities by Casino Supported Community Benefit Funds in Oregon, 1997 - 2007



Source: Mr. Ken Gordon, Executive Director of the Potlatch Fund on June 15, 2009.

In addition to charitable benefit funds, all nine tribal gaming operations and their employees made direct donations and contributions to local, statewide, and national charities. These donations totaled nearly \$2.5 million. Thus, in their entirety, \$10,070,284 was donated to charities directly and through community benefit funds in Oregon during 2007.

Section V **Gaming Market in 2007**

Gaming revenue is approximately the difference between how much people wager and what they win. The size of the gaming market is measured by the dollar value of these revenues.

Economists can measure markets in two ways and for gaming both methods are used:

- (1) The first is by how much gaming is being conducted in the state. This way captures spending by tourists in Oregon and tells us how large the overall gaming industry is in the state.
- (2) The second counts how much gaming Oregonians do regardless of whether it is within the borders of the state or not. This method shows you how much gaming was demanded by Oregon consumers and it tracks the incomes of Oregonians closely.

For this analysis, the size of the gaming market in Oregon was determined by assembling data from lotteries, state agencies, federal government sources, tribes, surveys, and economic models. Because many Oregonians go across state borders to gamble, data was collected from sources in Washington and Nevada too. 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 40.

Gaming Revenues in 2007

Table 14 is a summary of the total market for gaming in 2007. It shows that \$1,590,935,470 of gaming was done inside Oregon. Of those revenues, approximately 8.1 percent came from visitors from out-of-state.

Table 14: Gaming Market by Place & Residency, 2007

Where Gaming was Done and Where Players Came from	Revenues in 2007	% of Total
<u>Gaming in Oregon:</u>		
By Oregon Residents	\$1,462,051,259	91.9%
By visitors to Oregon	128,884,211	8.1%
Total Gaming Inside Oregon	\$1,590,935,470	100.0%
<u>Gaming by Oregonians:</u>		
Done in Oregon	\$1,462,051,259	86.4%
At places out-of-state	229,222,969	13.6%
Total Gaming by Oregonians	\$1,691,274,228	100.0%

Residents of Oregon spent over \$229 million gambling in other states and countries. That is over \$100 million more than tourists spent in Oregon. In total, the data collected show that Oregonians spent \$1,691,274,228 on gaming.

Table 15 shows detailed gaming data and key measures. Note that the gaming market in Oregon grew 5.85 percent between 2006 and 2007. The average Oregonian spent \$451.55 on gaming or 1.29 percent of their personal income.

Table 15: Oregon Market by Type of Gaming, 2007

Type of Gaming	Gaming Revenues in 2007	
	Conducted in Oregon	Done by Oregonians
<u>Oregon Lottery:</u>		
Breakopens	\$352,436	\$342,506
Scratch tickets	41,562,668	41,241,143
Megabucks lotto	13,782,583	13,676,449
Powerball lotto	26,161,908	25,882,841
Keno	35,055,281	34,774,361
Sports action game	945,505	925,918
Pick-Four game	496,548	491,837
Win for life game	1,711,766	1,698,941
Scoreboard sports lottery game	50,020	49,669
Lucky Lines	735,344	730,111
Video games	879,575,765	853,110,403
Oregon Lottery Subtotal	\$1,000,429,824	\$972,924,179
<u>Other Gaming:</u>		
Oregon tribal casinos	\$507,621,779	\$409,359,457
Charitable bingo	12,395,042	12,363,442
Charitable raffles	4,898,171	4,891,828
Charity casinos & fundraisers	533,301	532,108
WA pulltabs	-	93,288
WA casinos and card rooms	-	38,136,990
Casinos outside OR & WA	-	189,927,063
Live racetrack betting	873,105	683,425
Off-track & simulcast betting	11,437,858	8,550,430
Parimutuel account wagering	3,359,174	3,359,174
Misc. legal out of state gaming	-	1,065,629
Internet poker & misc. illegal gaming	49,387,217	49,387,217
TOTAL	\$1,590,935,470	\$1,691,274,228
Increase from 2006	5.85%	5.54%
Gaming per person		\$451.55
Gaming as a share of income		1.29%

The Oregon Lottery generated just over a billion dollars of gaming revenues in calendar year 2007. ECONorthwest estimates that of the billion dollars approximately \$240 million went to lottery retailers in form of commissions and another \$100 million to pay the expenses of the Oregon Lottery. The remainder, about \$660 million, is transferred to various economic development needs of the state government, which includes public schools, state parks, and other programs.

The nine tribal casinos in Oregon reported gaming revenues totaling \$507,621,779. ECONorthwest estimates almost \$409.4 million of that came from Oregonians and the rest, about \$98.3 million, came from spending by visitors to the state.

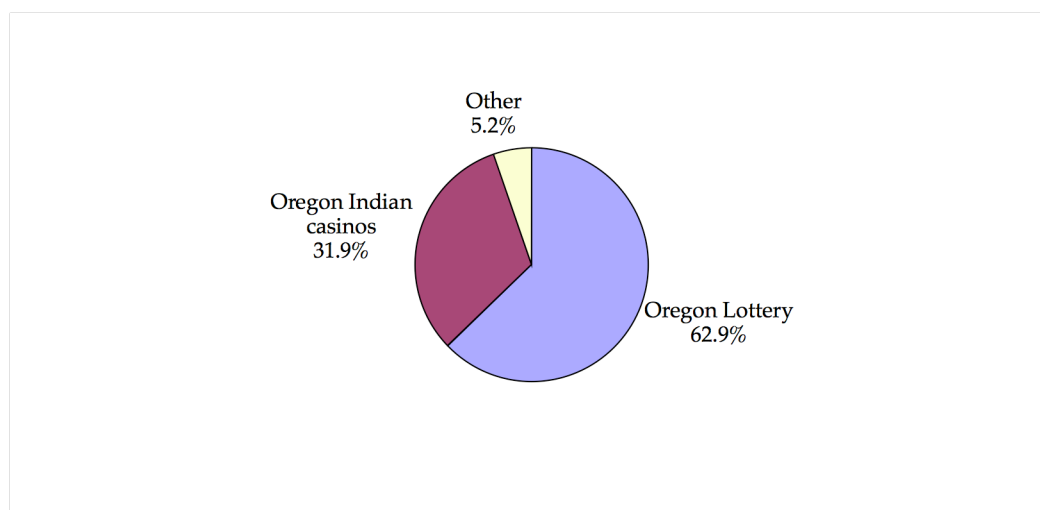
Oregonians spent about \$38.1 million in Washington State casinos and cardrooms (also known as mini-casinos). They gambled over \$189.9 million at casinos elsewhere with Las Vegas being their most common destination. According the Las Vegas Convention and Visitors Authority, in 2007 Portland International ranked as the 20th largest feeder market into Las Vegas' McCarran Airport.

We estimate based off of an Oregon survey and national estimates that Oregonians spent about \$49.4 million gambling over the Internet via sites other than horse race account wagering hubs.

Market Share Analysis

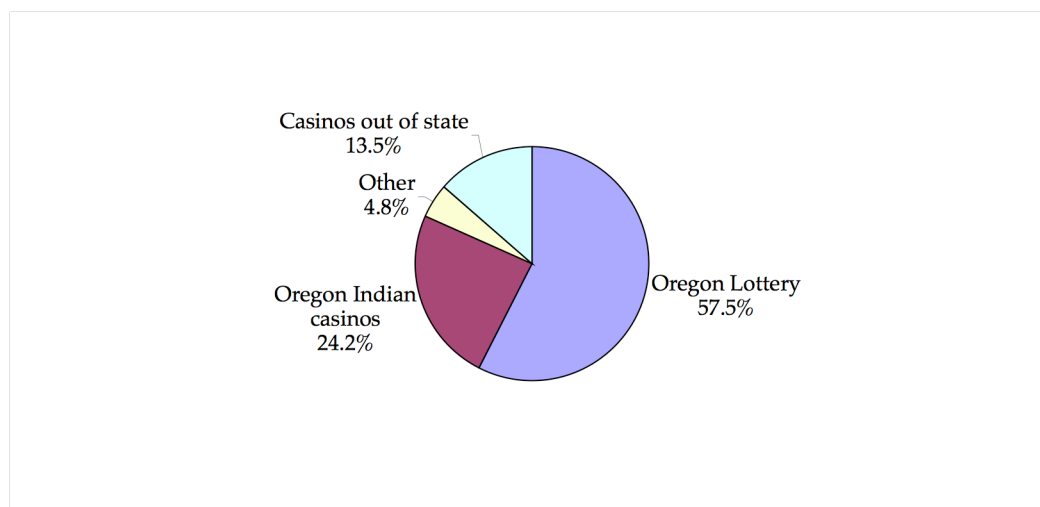
Over the past few years there has been a gradual shift in market share away from gaming at the nine tribal-owned casinos in Oregon to the lottery. In 2007, the Oregon Lottery held a 62.9 percent share of the in-state gaming market. Indian casinos saw their share come in at 31.9 percent — a decline of 3.1 points in just four years. The shift in mostly attributable to the expansion in the numbers and varieties of video lottery games throughout the state.

Figure 7: Market Shares of Gaming Done in Oregon in 2007



The shift toward the Oregon Lottery is evident in how Oregonians spent their gaming dollars. In 2007, as Figure 8 illustrates, 57.5 percent of what residents spent on gaming went to Oregon Lottery games — seven out of every eight dollars of which went into lottery VLT games, like video poker.

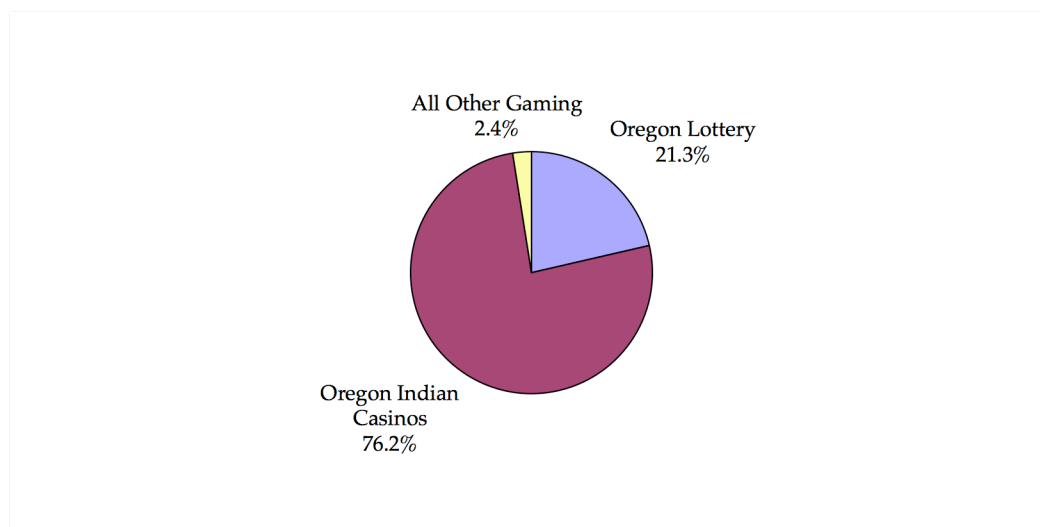
Figure 8: Market Shares of Gaming by Oregonians in 2007



Oregon Indian casinos saw their market share fall. They captured 24.2 percent of the gaming revenues from Oregonians during 2007 compared to 24.9 percent last year. Gaming in out-of-state casinos held at about a 13.5 percent share. For every dollar spent gambling at casinos in Oregon, residents of Oregon spent 56 cents at casinos in Nevada, Washington, California, and elsewhere.

Tribal casinos have been successful at capturing wagering from tourists, as shown in Figure 9. Over 76.2 percent of the spending on gaming by tourists happened at the nine casinos in Oregon. The Oregon Lottery managed to attract a 21.3 percent market share of tourist gaming, but the now widespread availability of VLTs in Washington tribal casinos has had some dampening effect on cross-border gaming at Oregon Lottery retailers.

Figure 9: Gaming Market Shares of Oregon Tourists, 2007



Gaming Activity in Oregon: Market Growth in 2007

The amount of gaming done in Oregon rose by \$87.9 million (5.8 percent) in 2007. Tribal gaming registered a strong \$20.5 million gain, but most of the market improvement was due to video lottery games.

Most other Oregon Lottery games sustained losses. The traditional Megabucks lotto game was the only one other than video to see higher action in 2007. Revenues from Megabucks rose 49.1 percent — an increase due to an unusually large \$20.6 million jackpot that built up through the first half of the year that was finally won on July 11, 2007. Sales rise sharply when jackpots accumulate because, statistically speaking, player odds improve as the jackpot rises. When it exceeds approximately \$8.3 million, the expected return of players on an after tax basis exceeds the cost of the bet — albeit the odds of winning are extremely low.

The State Legislature forced the Oregon Lottery to end sports betting in exchange for attracting two days of NCAA Basketball tournament games every three or four years to Portland. The lottery's Sports Action and Scoreboard games were discontinued after the Super Bowl in early 2007. This accounts for the large percentage declines for those games on Table 16.

Table 16: Changes in Gaming Activity in Oregon, 2006 to 2007

Type of Gaming	\$ Change	% Change
<u>Oregon Lottery:</u>		
Breakopens	(\$137,846)	-28.1%
Scratch tickets	(423,826)	-1.0%
Megabucks lotto	4,541,742	49.1%
Powerball lotto	(1,683,082)	-6.0%
Keno	(2,959,177)	-7.8%
Sports action game	(3,874,335)	-80.4%
Pick-Four game	(64,110)	-11.4%
Win for life game	(290,051)	-14.5%
Scoreboard sports lottery game	(144,563)	-74.3%
Lucky Lines	(133,950)	-15.4%
Video games	81,770,812	10.2%
Oregon Lottery Subtotal	\$76,601,614	8.3%
<u>Other Gaming:</u>		
Oregon tribal casinos	\$20,467,142	4.2%
Charitable bingo	(442,905)	-3.4%
Charitable raffles	1,036,562	26.8%
Charity casinos & fundraisers	83,876	18.7%
Live racetrack betting	129,232	17.4%
Off-track & simulcast betting	277,545	2.5%
Parimutuel account wagering	989,632	41.8%
Internet poker & misc. illegal gaming	(11,278,674)	-18.6%
TOTAL	\$87,864,025	5.8%

Revenues on illegal forms of gaming, including Internet poker, from Oregonians fell an estimated \$11.3 million. The decline is attributable to the SAFE Port Act signed by President Bush in October 2006. It prohibits transactions from banks and similar institutions to online gaming sites. This has significantly lessened the amount of gaming online, especially on poker sites.

Oregon Lottery in 2007

The Oregon Lottery is the largest gaming provider in the state and exceeds the gaming revenues of tribes by nearly two-to-one. Its success is due to VLTs. At year-end 2007 the lottery had 11,840 VLTs in 2,252 bars, restaurants, and other locations scattered in towns and cities throughout the state. Each tribe in Oregon is limited to one casino on tribal land with no more than 2,000 VLTs.

Thus, the Oregon Lottery has a significant competitive advantage placing it in the position of being the only entity that can offer convenience gaming that relies heavily on impulse play or frequent, generally small stakes play, as most of Oregon's population live within walking distance of a lottery VLT.

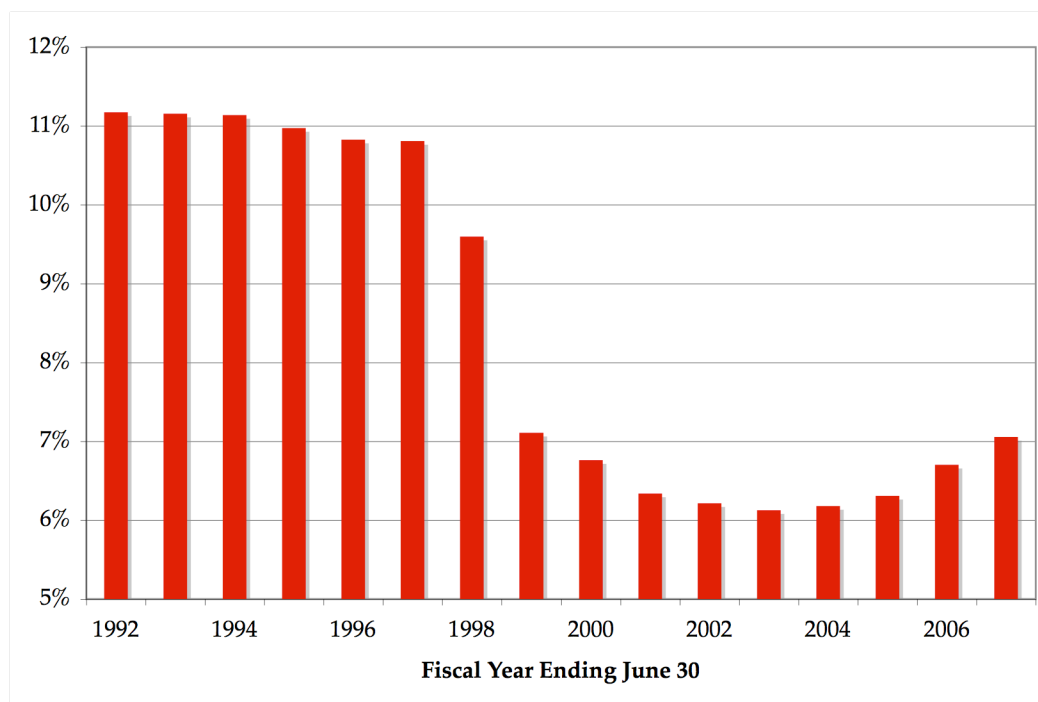
Tribes, on the other hand, rely on destination gaming where patrons have to plan ahead and usually drive an appreciable distance. Thus, tribal casinos are resort-like and most have hotels, fine dining restaurants, and other amenities. Their customers, on average, are more affluent than the Oregon Lottery's.

Since the Oregon Lottery VLTs have increased in number and depends on frequent play, the machines have become more competitive over time through lower hold rates.¹⁵ In 2007 the average Oregon Lottery machine, which is very similar to those found in tribal casinos and in Las Vegas, held 7.06 percent. This is similar to the Las Vegas Strip where machines held 6.92 percent in the same year.

In the late 1990's gaming revenues from video lottery games started stagnated. To help revive player interest the lottery improved player odds by lowering the hold rate, as illustrated in Figure 10. It worked and sales resumed their uptrend. In 2005, line games were added. Previously the lottery only offered video poker. Line games, on average, have higher hold rates (poorer odds to the players), so lottery video game rates have been slowly rising since 2005 while line games increase their share of the market.

¹⁵ 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.

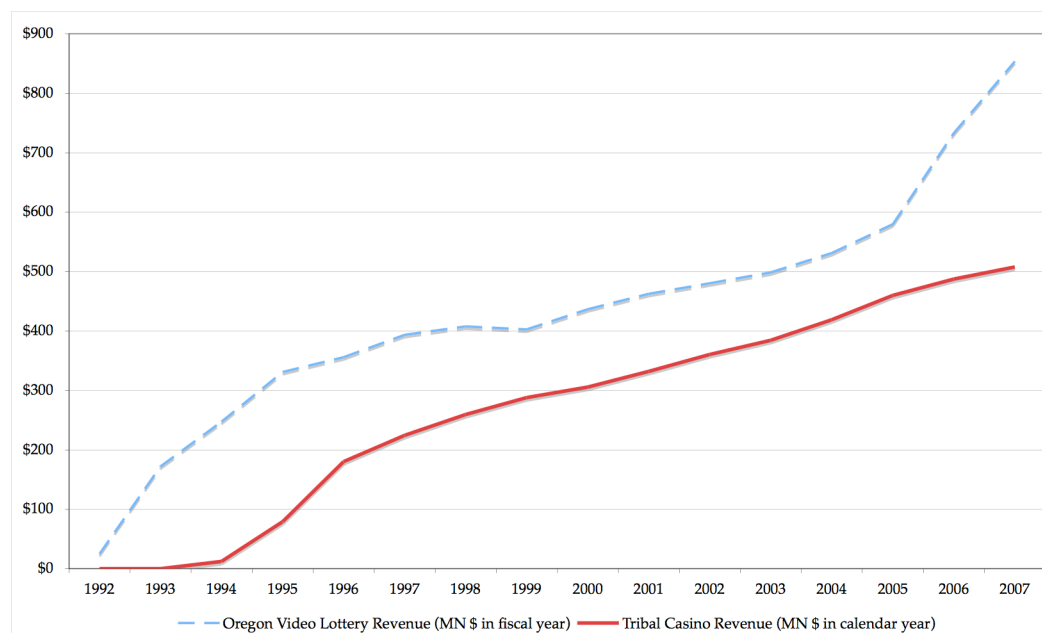
Figure 10: Average Hold Rates on Oregon Lottery VLTs, 1992 - 2007



Source: Oregon Lottery data.

The successful strategies of the Oregon Lottery combined with their ability to exploit their monopoly position by locating in thousands of places across Oregon has allowed their video gaming revenues to rise faster and greater than gaming at the nine tribal casinos. Shown on Figure 11, the revenue gap between the Oregon Lottery video games and tribal casinos has widened considerably since 2005.

Figure 11: Gaming Revenues from Oregon Lottery VLTs versus Oregon Indian Casinos, 1992 – 2007*



* Lottery data are fiscal year ending June 30. Tribal data are calendar year ending December 31.

Note: About 85 to 95 percent of gaming revenues at Oregon tribal casinos come from VLTs.

Source: Oregon Tribal Gaming Alliance, ECONorthwest, and the Oregon Lottery.

Gaming by Oregonians: Changes from 2006 to 2007

Oregonians increased the amount they spend on gaming by \$88.8 million in 2007. That was an increase of 5.5 percent from the previous year. Spending on the Oregon Lottery was up 8.1 percent. We estimate that resident spending at Oregon tribal casinos rose only 2.6 percent while spending at casinos in Washington and other out-of-state places rose 8.8 and 6.6 percent, respectively.

Washington casinos have added new VLTs that are more similar to those in Oregon casinos, which has increased their popularity. Casinos in Nevada, although adversely affected by the recession, still captured significant traffic from Oregon in 2007 from higher income households. The dollar value of their play increased. However, recent survey data suggest that this outflow of gaming dollars from Oregon to other states has slowed markedly since.

Table 17: Changes in Gaming by Oregonians, 2006 to 2007

Type of Gaming	\$ Change	% Change
<u>Oregon Lottery:</u>		
Breakopens	(\$132,951)	-28.0%
Scratch tickets	(421,212)	-1.0%
Megabucks lotto	4,507,546	49.2%
Powerball lotto	(1,665,263)	-6.0%
Keno	(2,935,257)	-7.8%
Sports action game	(3,791,592)	-80.4%
Pick-Four game	(64,013)	-11.5%
Win for life game	(287,850)	-14.5%
Scoreboard sports lottery game	(143,541)	-74.3%
Lucky Lines	(132,670)	-15.4%
Video games	78,170,791	10.1%
Oregon Lottery Subtotal	\$73,103,987	8.1%
<u>Other Gaming:</u>		
Oregon tribal casinos	\$10,247,490	2.6%
Charitable bingo	(442,724)	-3.5%
Charitable raffles	1,034,761	26.8%
Charity casinos & fundraisers	83,738	18.7%
WA casinos, card rooms & pulltabs	3,104,874	8.8%
Casinos outside OR & WA	11,734,474	6.6%
Live racetrack betting	72,572	11.9%
Off-track & simulcast betting	129,824	1.5%
Parimutuel account wagering	989,632	41.8%
Misc. legal out of state gaming	31,754	3.1%
Internet poker & misc. illegal gaming	(11,278,674)	-18.6%
TOTAL	\$88,811,708	5.5%

Survey of Oregon Adults

ECONorthwest occasionally surveys Oregon residents about their casino gaming participation. For this analysis, ECONorthwest had the survey firm Riley Research include a question as part of a statewide likely voter survey. Four hundred responded to the question asking if they had gambled at a casino in Oregon, over the Internet, or a casino outside of Oregon in the last twelve months. The survey was conducted in March 2009. A similar survey was done a year earlier in March 2008.

In 2000 and 1998, ECONorthwest ran similar survey questions through a group at the University of Oregon. They randomly surveyed over 800 gaming-age adults statewide.

Table 18 shows the results of these four surveys.¹⁶ On average 70 percent of the adult population says they have not gambled at a casino in the last year. Thirty percent did gamble at a casino, but we suspect that five percent were incidental players, thus, making true casino-players about 25 percent of the adult population. In the average year 23 percent did gamble at an Oregon tribal casino and 14 percent out-of-state.

Table 18: Oregon Adults Casino Gaming Participation, 1998, 2000, 2008, and 2009

Did you gamble at a casino in the last 12-months?	March 2009	March 2008	Nov. 2000	Sept. 1998
NO	74.6%	64.5%	70.9%	69.6%
YES	25.4%	35.5%	29.1%	30.4%
at Oregon tribal casino	19.3%	27.8%	22.2%	23.7%
at an out-of-state casino	10.9%	13.5%	15.3%	14.3%
over the Internet	1.0%	1.3%	1.0%	0.0%

Sources: Surveys of about 400 likely voters ages 18 and over by Riley Research in 2008 and 2009. Surveys of about 800 adults in Oregon by the Oregon Survey Research Lab in 1999 and 2000.

In the most recent survey, which was taken in the worst month of the current recession, the percentage of casino players was lower than in any previous survey. Only 19.3 percent said they had gambled at a casino in Oregon and 10.9 percent at a casino in another state. The ratio of out-of-state to Oregon casino player participation in the 2009 survey (0.57 to one) is statistically about average, indicating that both Oregon tribal casinos and casinos elsewhere have been about equally affected by the recession.

¹⁶ Note that the survey covers 18 to 20 year olds. They make up 5.1 percent of the adult population and are strictly prohibited from gambling at casinos in Oregon or Nevada. However, they can play at many, but not all, casinos in Washington State. No adjustments were made for this.

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 20. They are:

1. **Oregon Lottery breakopens.** A break-open, also known as a pulltab, is a game 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. Megabucks, Powerball, Keno, Pick-Four, Win for Life, and Lucky Lines are the Lottery's six on-line games. In early 2009, there were 3,137 Oregon retailers that offered these six games.
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.
6. **Sports Action.** This game was a traditional football parlay card offered by the Oregon Lottery on NFL games. It was discontinued after the 2006-2007 football season.
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. **Scoreboard.** Another Oregon Lottery sports betting game based on the results of NFL games. This was discontinued January 2007.

10. **Oregon Lottery Lucky Lines** is a game laid out similar to tic-tac-toe. Players pick one of four numbers for each of the eight outside boxes, and they win if all the of the numbers in one or more tic-tac-toe lines match the Lottery's numbers. The jackpot starts at \$10,000.
11. **Video games.** These are played on Oregon Lottery VLTs, which function like modern casino slot machines. As of January 2009, there were 2,355 video lottery retailers in Oregon. They had 12,227 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 (Portland Meadows racetrack is allowed ten).

Originally all Oregon Lottery VLTs offered video poker, a virtual game where cards are dealt to players. In May 2005, the Oregon Lottery introduced line games, which simulate the random spinning of symbols on wheels like that of old slot machines. The transition involved modifying existing video poker machines around the state. Thus, a terminal will generally play video poker or line games depending upon the choice of the consumer. Lottery line games offer several common casino slot machine titles. As of January 2009, less than fifteen retailers offered only video poker without line games.
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 casinos & fundraisers.** 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 2007, there were nine Indian casinos in Oregon.
16. **Washington pulltabs.** Pulltabs are popular in Washington and are sold at bars and other establishments. Unlike Oregon, the state lottery has no role in Washington pulltabs. At the end of 2007 there were 1,476 licensed pulltab retailers in Washington and they outsold Oregon pulltabs by 266-to-one.

17. **Washington Indian casinos and card rooms.** In early 2009, 28 of the 29 federally recognized Indian tribes in Washington had casinos, one casino each. The 29th, the Cowlitz Indian Tribe, have yet to agree to a compact with the Governor so they may open a casino. In March 2007, the more liberal “Appendix X2” of the Washington compact went into effect the let tribes install machines more similar to the slot machines in Oregon. Commercial card rooms, also known as mini-casinos, can offer poker and usually house-banked card games, such as 21 and *pai gow* poker. There were 80 such house-banked card rooms operating in Washington at the end of 2008.
18. **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.
19. **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.
20. **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.
21. **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.
22. **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, pulltabs, and video poker at bars in Montana and Louisiana.
23. **Internet poker & miscellaneous illegal gaming.** This is a catchall category for all forms of illegal gaming. It is estimated based on national averages, surveying, and comparisons to local personal income levels. The main forms of gaming in this category are Internet poker, 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*, and unlicensed poker games with house rakes.