

The Contributions of Indian Gaming to Oregon's Economy in 2011 and 2010

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

ECONorthwest

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Assignment

The Oregon Tribal Gaming Alliance (“OTGA”) has had ECONorthwest report on the annual economic and fiscal impacts of the tribal casino gaming industry in Oregon since 2003. This is the eighth edition in the series.

The OTGA is a coalition of nine Indian tribes, each of which owns and operates one casino in Oregon. All nine member tribes provided audited operating statistics on their casinos, hotels, and restaurants for this report. This report also used data from state and federal government sources, such as the Oregon Lottery, National Indian Gaming Association, U.S. Bureau of Economic Analysis, Oregon State Police, Washington State Gambling Commission, and the Oregon Department of Justice.

This study describes the size, impact, and events of Oregon tribal gaming in 2011. It also includes information for 2010, which had not been reported previously. The report is divided into the following four topics:

- **A summary of current conditions and how gaming has advanced the wellbeing of tribal members and their communities:** The report characterizes the tribal casinos and hotels, comparing them to other forms of gaming. It also describes the history of the nine tribes.
- **Economic and fiscal impacts of tribal gaming:** The revenue and spending of casinos are shown, along with their employment. The total impacts of these operations on Oregon’s economy are compared to previous years.
- **Charitable donations:** The tribes contribute portions of their earnings to area charities and many have established formal community foundations. Community foundations’ donations through 2011 are shown.
- **The gaming market:** Tribal casinos comprise only a portion of the gaming market. The report shows how much of Oregon gaming happens at tribal casinos compared to other major providers such as the Oregon Lottery.

Major Findings

There are nine casinos in Oregon — one for each tribe based inside the state. These gaming operations vary in size and complexity. In 2011, all nine casinos had restaurants, seven had hotels, and some had spas, RV parks, golf courses, arcades, and other amenities. The casinos are major sources of employment in their communities and provide revenue to tribal governments to help pay for healthcare, schools, housing, and other social needs.

Oregon experienced a protracted recession, which started in late 2007, and affects the economy to this day in the worst string of high unemployment in nearly 30 years. Particularly hard hit were the nine largely rural counties outside the Portland metropolitan area where tribal casinos are located. In 2011, seven of those nine counties had worse unemployment rates than the Portland area or even the state as a whole. These conditions have hurt tribal gaming.

Like other industries in Oregon, a struggling economy impeded casino operations in 2010 and 2011. Rising gasoline prices particularly hurt tribal casinos because of their long distances from population centers. Unique visits declined by about one million per year, falling below 2003 levels.

Despite these challenges, tribal gaming still played a significant role in Oregon's economy in 2011, as described in this analysis:

- The direct economic contributions of tribal gaming were \$561.2 million in casino output, of which 79.8 percent came from gaming, and \$142.1 million in tribal government activities. These impacts stimulated additional employment and economic output as their effects filtered through the state economy.
- For the fifth straight year, more than \$1.4 billion in economic output was attributable to tribal gaming operations statewide.
- Casinos and the tribal government supported by gaming collectively had an economic impact totaling \$1,506 billion in output, 13,153 jobs, and \$506.9 million in wages and benefits in Oregon.
- As a result of those economic impacts, local, state, and federal governments collected a total of \$141.0 million in taxes and other revenues.
- The casinos also spent \$15,810,626 on regulation for gaming commissions, to the Oregon State Police Tribal Gaming Section, and the National Indian Gaming Commission. Tribal gaming is highly regulated in Oregon. Almost 70 percent of all the money spent in the state on gaming regulation is for tribal casinos, even though the casinos account for only a third of all the gaming done in Oregon.
- Tribes spent over \$55 million on new casino facility construction, which was over 25 percent of all the spending in Oregon on hotels, recreational, leisure, and amusement buildings.
- Tribal casinos paid 5,056 workers an average of \$29,772 in wages and salaries plus another \$12,105 in benefits and payroll taxes.

Section 2 Oregon Casinos and Tribes

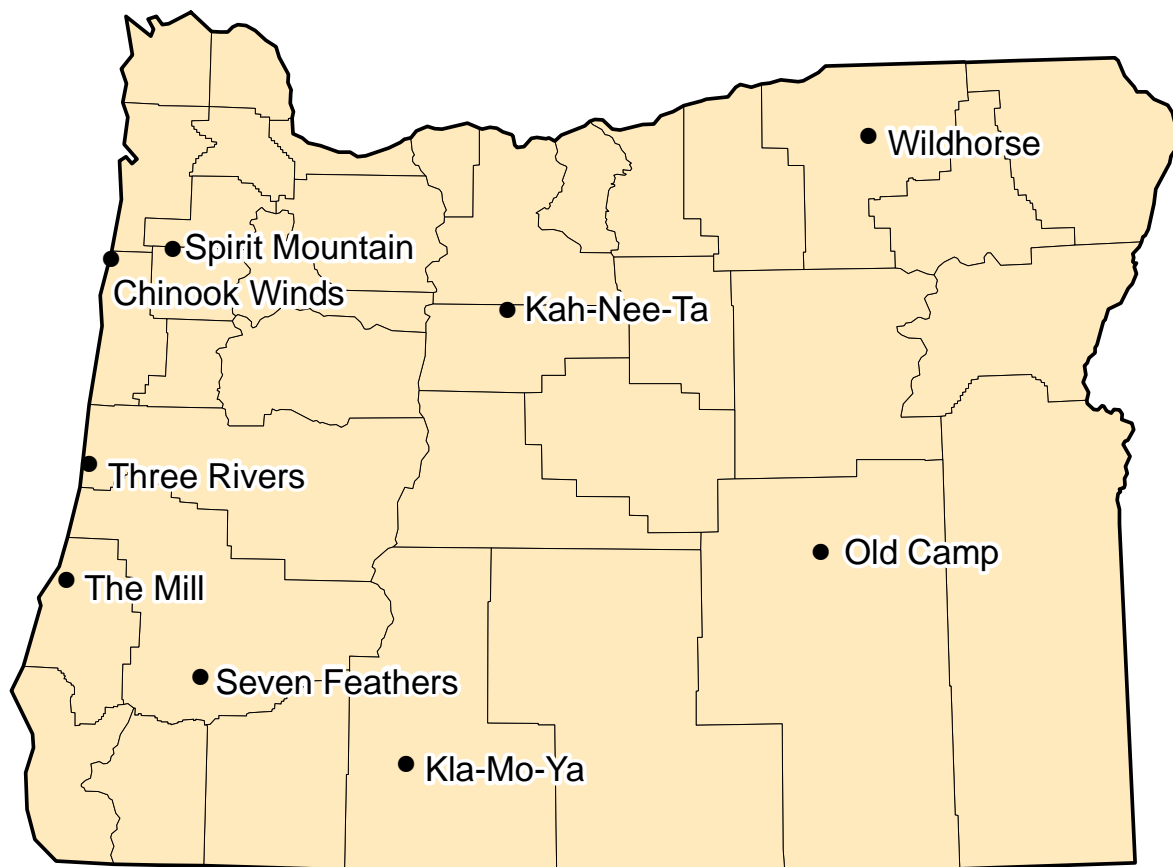
There are nine federally recognized tribes based in Oregon and each has one casino. The first tribal gaming facility opened about twenty years ago as part of an economic development effort.

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.

Casinos in 2011

Tribes in Oregon operated nine casinos in 2011. They are located on tribally owned lands in predominantly rural and semi-rural areas. The average city or town in Oregon with a tribal casino has 5,871 residents. Seven casinos have hotels that collectively have 1,545 rooms. As such, tribes are major drivers of the rural Oregon economy through their employment and spending, and in their ability to stimulate tourism. Figure 1 is a map of the casinos that operated in 2011.

Figure 1: Tribal casinos in Oregon, in 2011



Sources: Casino websites.

Table 1 lists the names, locations, tribal ownerships, opening dates, and the number of hotel rooms at the casinos as of December 31, 2011.¹

Table 1: A Summary of Oregon casinos, year-end 2011

Casino	City/Town	2011 Population	Tribe	First Opened	Hotel Rooms
Chinook Winds	Lincoln City	7,960	Confederated Tribes of Siletz Indians	May 1995	227
Kah-Nee-Ta*	Warm Springs**	2,975	Confederated Tribes of Warm Springs	May 1995	170
Kla-Mo-Ya	Chiloquin	735	The Klamath Tribes	July 1997	-
Old Camp	Burns	2,805	Burns Paiute Tribe	August 1998	-
Seven Feathers	Canyonville	1,885	Cow Creek Band of Umpqua Tribe of Indians	April 1992***	298
Spirit Mountain	Grand Ronde**	1,672	Confederated Tribes of Grand Ronde	October 1995	254
The Mill	North Bend	9,710	Coquille Indian Tribe	May 1995	203
Three Rivers	Florence	8,470	Confederated Tribes of the Coos, Lower Umpqua & Siuslaw Indians	June 2004	93
Wildhorse	Pendleton	16,625	Confederated Tribes of the Umatilla Indian Reservation	Nov. 1994	300
Average population ->		5,871		Total rooms ->	1,545

* The casino at Kah-Nee-Ta closed and was replaced by the Indian Head Casino in Warm Springs in February 2012.

** 2011 population estimate based on 1% growth since 2010 Census

*** Opened as a bingo hall 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 video gaming machines, legally called video lottery terminals (“VLTs”) in Oregon. 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.

ECONorthwest estimates 7,641,372 visits were made to Oregon casinos in 2011 and 393,031 hotel room nights sold. Average annual occupancy rate for the hotels was 78.1 percent.

Casino Capacity

The nine casinos had 7,469 VLTs at the end of 2011 compared to 12,145 operated by the Oregon Lottery at 2,323 bars and restaurants throughout the state. Tribal casinos had 119 house-banked table games (*e.g.*, blackjack, craps, roulette), 38 poker tables, and 1,323 seats in four bingo halls. Five casinos also offered keno, which competed against keno games available at 3,339 supermarkets, convenience stores, and other non-tribal Oregon Lottery retailers across the state. All nine casinos had full-service restaurants and together had seating capacity for 4,729 patrons at their restaurants and lounges.

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.

Table 2: Indian casino gaming & non-tribal gaming capacity, year-end 2011

Gaming Venue in Oregon	VLTs	Table Games	Poker Tables	Bingo Seats	Keno Wagering Outlets	Restaurant & Lounge Seating
<u>Tribal casinos</u>						
Chinook Winds	1,089	21	7	450	1	863
Kah-Nee-Ta	306	6	2	-	-	330
Kla-Mo-Ya	350	6	-	-	-	97
Old Camp	78	3	-	-	-	60
Seven Feathers	1,172	20	6	334	1	880
Spirit Mountain	1,843	30	17	414	1	1,128
The Mill	729	10	-	-	-	435
Three Rivers	703	11	2	-	1	470
Wildhorse	1,199	12	4	125	1	466
Total Tribal Gaming	7,469	119	38	1,323	5	4,729
<u>Non-Tribal Gaming:</u>						
At lottery retailers	12,145	-	-	-	3,339	-

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

Slowing gaming demand caused most tribes to reduce the number of games at their casinos. In 2011, seven properties cut the number of VLTs on their casino floors. Wildhorse, however, completed an expansion, and as a result the total number of VLTs at tribal casinos statewide rose by 97 in 2011 to 7,469. Both table game and bingo capacity declined during the last three years. The Oregon Lottery has also been adversely affected by the economy because of bar and restaurant closures, which resulted in fewer venues for VLTs and few machines overall. Keno games, which are available in a wider variety of outlets, have grown, albeit modestly.

Table 3: Trends in gaming capacity, 2009 to 2011

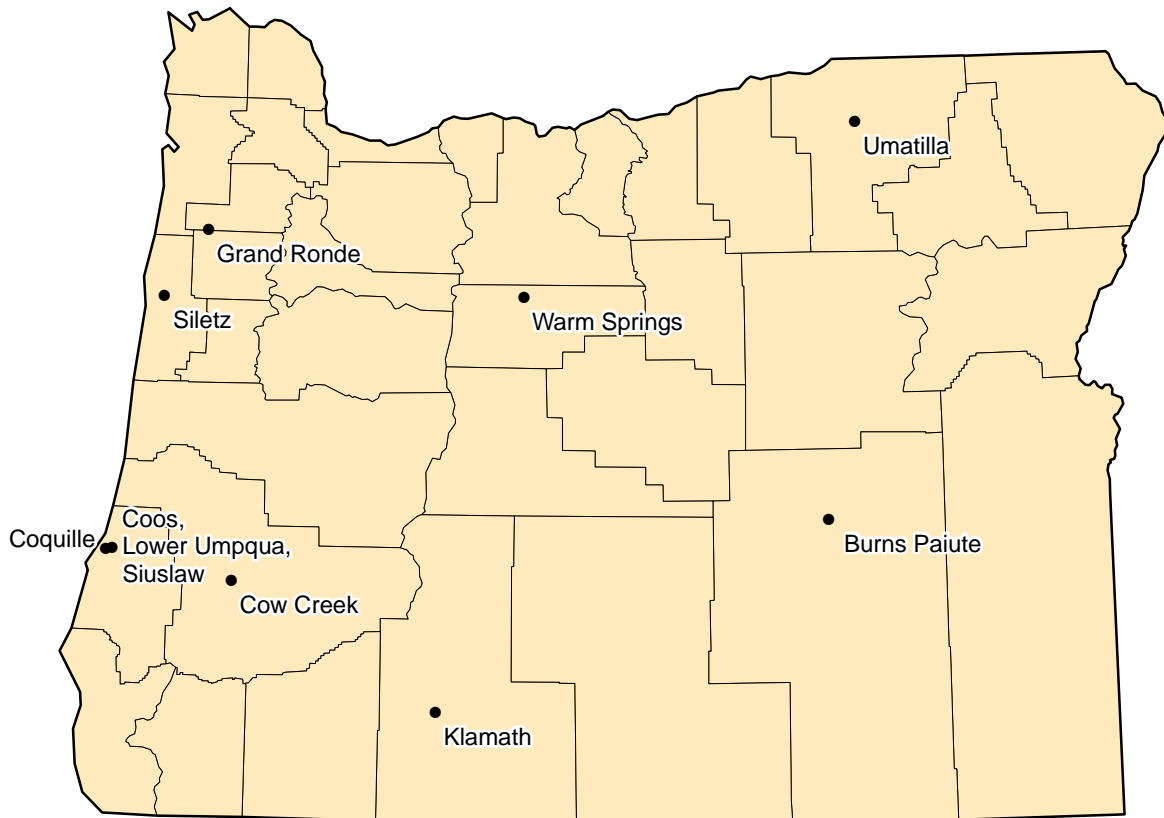
Gaming Units in Oregon	2009	2010	2011
<u>At Tribal Casinos:</u>			
VLTs	7,445	7,372	7,469
Table games	124	129	119
Poker tables	38	37	38
Bingo seats	2,184	1,323	1,323
<u>Oregon Lottery:</u>			
VLTs	12,342	12,318	12,145
Video lottery retail sites	2,375	2,363	2,323
Keno game retail sites	3,259	3,319	3,339

Sources: Tribal reports and the Oregon Lottery.

Tribes in Oregon

Figure 2 is a map showing the principal locations of the nine federally recognized tribes based in Oregon. Their tribal headquarters are in rural parts of the state in communities ranging in population from 735 to 16,625. Beside the areas noted on this map, most tribes have land parcels that are not contiguous to these principal locations.

Figure 2: Tribes based in Oregon, locations of headquarters



Sources: ECONorthwest and websites of tribal governments.

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. Also the Celilo-Wyam, a non-federally recognized intertribal Indian community, has joint use of the Celilo Village trust land property in Wasco County near the site of the former Celilo Falls.

The Burns Paiute Tribe

The 349 members of the Burns Paiute Tribe descend 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 the city of Burns, with a population of 2,789, and is the smallest casino in Oregon.

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 of 884 members. 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.

The Coos, Lower Umpqua, and Siuslaw operate the Three Rivers Casino & Hotel off of Highway 126 a mile east of Florence. The casino opened in 2004, was expanded and added a hotel in 2007, and is planning further additions for 2014.

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.

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

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

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 888 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 completed a hotel and casino expansion that doubled its hotel capacity in 2008 and increased 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. There are about 1,471 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 completed an expansion in 2009 and now has 298 rooms.

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 5,111 members.

The antecedent tribes and bands of Grand Ronde ceded these lands to the United States through a number of treaties. Among these treaties is the Willamette Valley Treaty of January 22, 1855, which ceded the entire Willamette Valley Basin from Cascade Falls on the Columbia River in the east to Oak Point in the west.

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

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 \$46 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. Since opening in 1995, it underwent four major expansions culminating in a new events center and hotel addition in 2009. Spirit Mountain is one of the largest employers in the Polk-Yamhill County area.

The Klamath Tribes

For thousands of years, the Klamath Basin of southern Oregon has been the traditional homeland for the Klamath Tribes, who are composed of the Klamath Tribe, the Modoc Tribe, and the Yahooskin Band of Snake Indians. There are about 3,665 members of the Klamath Tribes.

After decades of hostilities with newcomers, the tribes ceded 23 million acres in 1864 and moved to a 1.8 million acre reservation. The Klamath tribes were very resourceful and built highly successful cattle and lumber operations on their lands.

By the 1950's, the Klamath were one of the wealthiest tribes in the country. That came to an abrupt end when the U.S. Congress passed the Klamath Termination Act. The Klamath Tribes were restored in 1986, but their land was not returned. In early 2009, they owned 890 checker-boarded acres in trust.

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

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. In 2010, to encourage more travelers to visit, the Klamath Tribes opened the 7,800 square foot Crater Lake Junction Travel Center, which sells fuel, convenience items, food, and services for truck drivers.

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 4,574 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 (CTUIR)

The Confederated Tribes of the Umatilla Indian Reservation was established in 1855 by a treaty signed by the U.S. Government and the Cayuse, Umatilla and Walla Walla tribes. The three tribes occupied over 6.4 million acres of the Columbia River Plateau of southeastern Washington and northeastern Oregon. Of the 510,000 acres that were set aside in the 1855 Treaty as the Umatilla Indian Reservation, only 174,874 acres remain part of the Reservation, and non-Indians own 40 percent of that. Tribal enrollment is about 2,832.

The CTUIR government provides a broad array of services to Reservation residents and the region including:

- a) Police, fire and emergency response services throughout the Reservation;
- b) A Natural Resources Department that protects and manages fisheries, wildlife, cultural resources throughout the Tribe’s aboriginal lands;
- c) A Science and Engineering Department that oversees clean up of the Hanford Nuclear Reservation and the Umatilla Chemical Depot;

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

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

- d) Medical, dental and mental health services offered at the Yellowhawk Tribal Health Clinic;
- e) The Nixya'awii Community School providing culturally sensitive high school education to Reservation students;
- f) A Tribal Court system that adjudicates civil and criminal disputes within the Reservation;
- g) Housing services for low income families;
- h) Social services to meet the needs of the elderly, children and families in need; and
- i) Tribal regulatory agencies regulating land use, water use and permitting, public health and safety, gaming, and other regulatory functions.

The Tribal government employs approximately 450.

The CTUIR owns and operates the Wildhorse Resort & Casino, which is located off Interstate-84 a few miles east of Pendleton – the largest city in Umatilla County. The Wildhorse Resort includes a golf course, RV park and hotel. Immediately adjacent to Wildhorse are the tribally owned and operated Tamáststlikt Cultural Institute and the Arrowhead Travel Plaza providing additional attractions and services to Wildhorse patrons. Wildhorse draws visitors from the Tri-Cities and Walla Walla Washington area as well as the steady stream of tourists and truck drivers who travel I-84. Wildhorse completed an expansion in September 2011 with a 10-story 202-room hotel, five-screen cinema, swimming pool, more casino floor space, and retail stores.

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 is 4,306.

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.

Kah-Nee-Ta added a casino in 1995. In February 2011, the tribes announced plans to move the casino out of Kah-Nee-Ta and into its own building to be constructed on a busy section of Highway-26 in Warm Springs. In February 2012 the casino at Kah-Nee-Ta was relocated to the new casino building on Highway-26.

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

Gaming Regulation

Indian casinos in Oregon are highly regulated — considerably more so than commercial casinos are. Oregon tribes pay for nearly three-quarters of all the regulatory activity done in the state on gaming even though their casinos account for less than 33 percent of the gaming done.

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 2011, tribes spent almost \$12 million on their gaming commissions.

The Oregon State Police regulate casinos and this is paid for through fees negotiated with the nine tribes and fees imposed on sellers of gaming equipment. In 2011, the tribes paid \$1,737,259 to the Oregon State Police to fund the tribal gaming section. Gaming equipment companies paid about \$360,000. The police monitor casinos, run background checks on casino employees and suppliers, and ensure the integrity and fairness of games.

The National Indian Gaming Commission (“NIGC”) is an independent agency of the federal government that also regulates gaming at tribal casinos. The NIGC’s mission is to see that Indian tribes are the fair beneficiaries of gaming revenue, assure that gaming is conducted honestly, and to shield tribes from corrupting influences. They do this by conducting audits, private investigations, and background checks. The NIGC is funded entirely by Indian casinos. Tribes in Oregon paid \$327,924 in fees to support the NIGC’s work.

A statewide total of almost \$23.2 million was spent on gaming regulation. Of this total, the nine tribal casinos paid \$15.8 million. The Oregon Lottery spent \$3,702,596 on regulatory costs. Charitable gaming and horse racing activities spent almost \$3.3 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, 2011

Type of Gaming in Oregon	2011
<u>Regulation fees paid by tribes:</u>	
Oregon State Police - tribal gaming section	\$1,737,259
Nine tribal gaming commissions	13,745,442
National Indian Gaming Commission	327,924
Paid by Oregon Tribes	\$15,810,626
Fees paid by gaming equipment vendors	360,000
Total casino regulatory costs	\$16,170,626
<u>Oregon Lottery:</u>	
Oregon State Police contract	\$2,526,268
Security services	92,016
Other lottery security expenses	1,084,311
Total OR lottery regulatory costs	\$3,702,596
Charitable bingo, raffles & fundraisers	\$497,477
Horse racing	2,783,495
Total Gaming Regulation	\$23,154,194

** Note: Oregon lottery costs are an average of the state fiscal years ending June 30, 2011 and June 30, 2012. The cost of regulating horse racing reported in the State of Oregon budget is substantially higher than that previously obtained from the Oregon Racing Commission.*

Section 3 Oregon Impacts

In Oregon, Indian tribes rely on gaming to maintain their independence and self-sufficiency. In addition to stable, well paying jobs, tribal gaming supports a range of essential services. These include healthcare, housing, education, and other government services. Gaming revenues also go toward improving local infrastructure and benefitting charitable organizations.

Gaming operations also help the state economy as a whole. Tribal resort casinos are major contributors to Oregon's tourism industry. They attract visitors who bring new money into the state economy, some of which would not occur without gaming. Tribal gaming provides employment, improving standards of living, and decreasing reliance on state and federal assistance in the rural communities where casinos operate.

This section describes the methods used to measure economic impacts. The analysis measures what drives these impacts: tribal gaming expenditures, employment, and the tribal government activities paid for with gaming revenues. The economic and fiscal impacts of tribal gaming in 2010 and 2011 are calculated, and framed in the context of state gaming trends.

Economic Impact Analysis

The economic impact analysis calculates how tribal gaming affects the Oregon economy. This is accomplished using complex computer software that models economic transactions between individuals and businesses. The software used for this analysis is called IMPLAN. It relies on public economic data to track money as it circulates within the state.

The economic model created using IMPLAN was customized to reflect the specific expenditures of Oregon casinos, tribal governments, and affiliated businesses. For example, tribal casinos in Oregon spend more on employee benefits, charitable contributions, and government services than privately owned casinos elsewhere. Customizing using actual Oregon tribal data addresses such differences.

Tribal casinos and resorts purchase goods and services, and pay their employees. This generates subsequent impacts elsewhere in the economy as the recipients of the casinos' spending make purchases of their own. This re-spending process continues until the money is eventually saved, taxed, or spent outside the state.

Economic impact analysis uses specific language to refer to different measurements of economic activity:

- **Output** is the broadest measure of economic activity, and represents the value of goods and services produced. For tribal gaming facilities, output is the sum of gaming, lodging, and restaurant revenues.
- **Wages** are an employer's total payroll costs, including workers' salaries, benefits (e.g. health insurance and retirement accounts), and taxes.
- **Jobs** include both full- and part-time workers. One job consists of 12 months of full- or part-time work.

Types of Impacts

The IMPLAN software measures three types of impacts, according to their relationship to the initial activity at tribal casinos:

- **Direct impacts** are the activities occurring at tribal casinos and their affiliated businesses. These include casino employees, their wages, and total casino revenues. Direct impacts also count the activities of tribal government that are paid for with casino revenues.
- **Indirect impacts** are the businesses-to-business transactions that occur as a result of tribal gaming. When an Oregon casino purchases goods and services from other Oregon businesses, the amount of these sales represents indirect output. The additional local purchases of these suppliers account for further indirect impacts.
- **Induced impacts** are the result of income earned by casino and tribal government employees and others who earn income indirectly from gaming (such as casino suppliers). Induced impacts occur when these people spend their earnings within the state, further benefitting businesses and households.

It is important to note that this analysis measures the gross impacts of tribal gaming, and does not consider alternative scenarios. Gross impacts include all economic impacts attributable to tribal gaming, regardless of what impacts would have occurred without the casinos. In other words, the impacts in this report do not consider potential substitution effects. An example would be a casino visitor who, in the absence of tribal casinos, would visit another Oregon entertainment destination.

Tribal Operations in 2010 and 2011

Tribal Gaming

Revenues at the nine casinos in Oregon were about \$574.3 million in 2010 and fell to \$561.2 million in 2011. As shown on Table 5, gaming was the main source of revenues, totaling \$478.8 and \$466.9 million in 2010 and 2011, respectively. Discounts and free goods and services are awarded to casino players. These complementary rewards were \$14.8 and \$19.8 million in 2010 and 2011. Netting those complementaries out reveals that, overall, gaming is the source of roughly 80 percent of the net sales of tribal casinos in Oregon. The other 20 percent comes from retail sales, restaurants, hotels, golf course fees, shows, and other services enjoyed by guests.

Table 5: Tribal casino revenues and selected expenditures, 2010 and 2011

Revenues & Expenditures	2010	2011
<u>Revenues</u>		
Gaming	\$478,799,813	\$466,979,244
Food & beverage sales	60,708,903	62,073,735
Hotel & lodging	32,231,285	34,902,128
Gift shops, recreation & other	17,283,711	17,096,901
Less complimentary goods & services	(14,754,599)	(19,848,610)
Total Net Revenue	\$574,269,113	\$561,203,398
<u>Selected Expenditures</u>		
Labor	\$217,293,506	\$211,730,693
Utilities	10,182,873	10,749,103
Advertising, marketing, & sales	52,405,766	51,988,396
Costs of goods sold	37,748,693	39,390,022
Repairs & maintenance	5,397,736	5,849,458
Supplies	8,208,118	8,530,734
Professional services	4,432,460	5,766,079
Other operating expenses	49,039,286	48,724,513
Charity, regulatory, community fees	23,257,790	24,022,993
Construction & equipment purchases	30,455,907	68,718,578
Tribal government & support	148,207,530	142,137,477

Source: Tribal reports.

Labor was, by far, the largest single expense. Thirty-eight cents of every dollar of revenue went to payroll. Nine cents went towards advertising and marketing, which is essential because casinos in Oregon are in rural communities and they have to attract patrons from bigger cities. Utilities, costs of good (*e.g.*, food, soft drinks, retail merchandise), construction, support services, and equipment are all major expenses tribes must incur to keep their casinos functioning to high standards.

In both 2010 and 2011, the nine casinos generated enough revenue after expenses and debt repayments to leave just over a fourth of their revenues for tribal government. In contrast, the Oregon Lottery, which has lower operating and payroll costs, remitted 53 percent of its operating revenues to government purposes.⁹

Casinos and casino resorts are labor intensive. In 2011, the nine gaming operations of Oregon tribes employed an annual average of 5,056 people with a total payroll cost to those tribes of nearly \$212 million. The Oregon Lottery employed 446 with a total payroll less than \$36 million.

Table 6 provides additional details for the labor costs of tribal casinos in Oregon. The average worker earned \$29,772 in wages, salaries, and tips in 2011 and received \$12,105 in benefits. About half of the benefits came in the form of health coverage. Importantly, the average casino employee paid \$5,592 in federal and state income taxes, as well as Social Security and Medicare taxes.

Table 6: Oregon tribal casino labor costs, 2010 and 2011

Labor Statistics	2010	2011
Casino Labor Costs		
Wages, salaries, and tips	\$153,284,019	\$150,529,389
Payroll taxes paid by tribes	17,399,161	15,386,150
Healthcare benefits	30,459,317	30,903,088
Retirement, other benefits & compensation	16,151,009	14,912,066
Total paid by casinos	\$217,293,506	\$211,730,693
Average number of employees	5,067	5,056
Per Employee		
Wages, salaries, and tips	\$30,251	\$29,772
Benefits & taxes paid by casinos	12,633	12,105
Employee-paid income & other taxes	5,682	5,592

Sources: Tribal reports and the Oregon Employment Department.

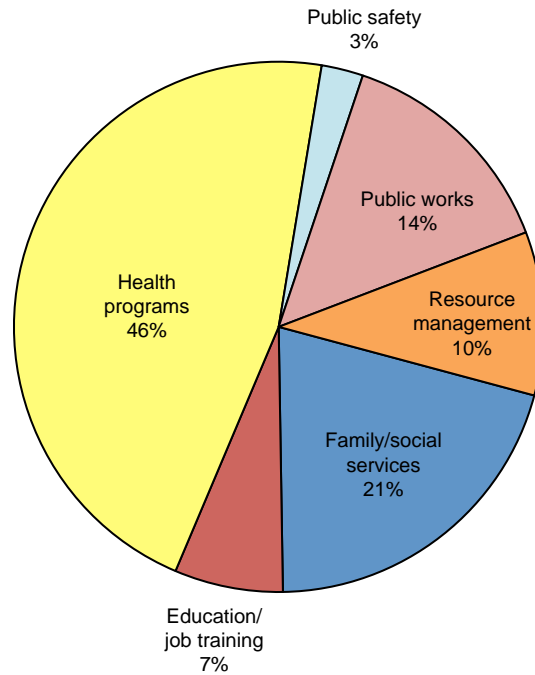
Tribal Government Support

Gaming plays a key role in the economic development strategies of Oregon tribes. This is because gaming is a major source of tribal employment, pays for many essential social services, and finances infrastructure developments.

Tribal gaming contributed about \$142.1 million in revenues in 2011 that were used to support tribal government programs or distributed to tribal members. Transfers to tribal members totaled \$26.0 million. Figure 3 shows how the remaining \$116.1 million were spent on tribal government services.

⁹ Comprehensive Annual Financial Report. Oregon Lottery. Fiscal Year ended June 30, 2011. Page 11.

Figure 3: The allocation of tribal gaming revenues to tribal government programs, 2011



Tribal healthcare programs received the most support from casinos revenues, comprising about 46 percent of the gaming revenues transferred to tribal governments. Gaming revenues also supported family and social services (21 percent), public works projects (14 percent), resource management (ten percent), education and job training (seven percent), and public safety (three percent).

Results of the Impact Analysis

The economic impacts associated with tribal gaming in 2010 and 2011 are shown in Table 7. The direct impacts are shown in the top. These direct economic impacts stem from casino operations and the tribal government spending paid for by gaming.

**Table 7: Economic impacts of tribal gaming in Oregon, 2010 and 2011
(dollars in millions)**

Economic Activity	2010			2011		
	Output	Wages & Benefits	Jobs	Output	Wages & Benefits	Jobs
Direct Impacts						
Gaming & Hospitality	\$574.3	\$217.3	5,067	\$561.2	\$211.7	5,056
Tribal Needs Supported by Casinos	148.2	27.3	648	142.1	24.2	586
Direct Impacts	\$722.5	\$244.6	5,715	\$703.3	\$236.0	5,642
Indirect & Induced Impacts						
Natural Resources & Construction	\$44.6	\$13.2	391	\$87.0	\$26.0	711
Manufacturing	48.0	6.5	133	53.8	7.5	151
Wholesale & Retail Trade	72.9	30.1	816	76.0	31.3	852
Services	487.9	156.3	4,843	501.6	159.9	4,949
Other	83.9	47.3	865	84.3	46.2	848
Indirect & Induced Impacts	\$737.4	\$253.4	7,049	\$802.7	\$271.0	7,511
Total Impacts	\$1,459.9	\$498.0	12,763	\$1,506.1	\$506.9	13,153

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

In 2010, through gaming operations, tribes directly caused \$722.5 million in economic output from 5,715 workers earning \$244.6 million in wages and benefits. This economic activity stimulated jobs and output elsewhere in Oregon. When totaled, the direct, indirect, and induced impacts of tribal gaming accounted for \$1.459 billion in output, \$498.0 million in wages and benefits, and 12,763 jobs.

The impacts in 2011 were slightly less because casinos saw fewer visitors. The output of tribal gaming and hospitality fell from \$574.3 million to \$561.2 million. Including tribal government supported by casinos, direct output in 2011 was \$703.3 million — down about \$19.5 million from the previous year. Direct wages fell to \$236.0 million and the number of direct jobs went from 5,716 to 5,642.

Although tribes sustained a slowdown in 2011, statewide the economic impacts actually higher. That is because tribes and their casinos donated more to local charities and also spent considerably more on new construction. Both activities have strong economic ripple effects.

So, in total, \$1,506 billion in economic output in Oregon was tied to tribal gaming in 2011 and most of it was felt in places other than at the tribes. There were 13,153 jobs statewide, earning \$506.9 million in wages and benefits, attributable to tribal gaming in the year.

By Sectors

Table 7 highlights the ripple effects of tribal gaming on the major sectors of the economy. The service sector benefits the most from gaming and tribal government in part because it is the largest sector of the economy, but also because tribes and their employees spend much of their incomes on services. This sector covers broad range of occupations, from performing artists to doctors and teachers. As a result of tribal gaming, economic output of the services sector in Oregon rose from \$487.9 in 2010 to \$501.6 million in 2011. Employee compensation increased to \$159.9 million, which is about \$32,310 per job.

Trade and construction also saw increased activity as a result of tribal gaming. In 2011, wholesale and retail trade output tied to tribal gaming was \$76.0 million, with \$31.3 million of that in the form of wages and benefits. This supported 852 jobs. Tribal gaming and government construction programs in 2011 yielded \$87.0 million in output to that sector, with wages and benefits of \$26.0 million, and 711 jobs.

Another ten percent of indirect and induced employment impacts fall under the “other” sector reported in Table 7, which includes transportation, utility, real estate and other industries.

Multipliers

Tribal spending has a multiplicative effect on the state’s economy. This means spending from tribal gaming multiplies as it circulates throughout the economy *via* individuals and businesses. This effect describes the linkages between tribal activities and the Oregon economy— the greater the linkages, the larger the multiplier.

For this analysis, the multipliers are calculated as the ratio of total impacts to the initial direct impacts at the casinos. The 2011 multipliers for tribal gaming operations in Oregon were:

- **Output multiplier: 2.7**
Each \$1 million in gaming revenues supports another \$1.7 million of output in other Oregon industries.
- **Wage multiplier: 2.4**
Every \$1 million in wages and benefits paid to tribal gaming workers corresponds to another \$1.4 million paid to other workers in the state.
- **Job multiplier: 2.6**
For every job at a tribal casino and resort in 2011 another 1.6 jobs around Oregon were supported, which is a total of 2.6 jobs statewide for every job in tribal gaming.

Figure 4 illustrates the jobs multiplier by sector. It shows the total number of jobs in Oregon associated with every 100 tribal gaming jobs. Gaming jobs are linked to a wide range of jobs in other sectors, including direct jobs at tribal governments.

Figure 4: Job impacts in Oregon associated with 100 tribal gaming jobs, 2011



Fiscal Impacts

Tribal economies consist of private businesses and government enterprises. Casinos are one such government enterprise, analogous to the Oregon Lottery’s relationship to state government. United States Indian tribes are self-governing, and tribal casinos are not subject to income or property taxes. However, their cash flows nevertheless support government services and public needs. Additionally, many tribal governments pay state and local jurisdictions for services.

Oregon tribes also contribute to the fiscal wellbeing of state and local governments through the income taxes paid by casino and tribal government employees, tribal members, and the workers and businesses who indirectly benefit from gaming.

In 2011, the economic activity from tribal gaming generated approximately \$23.9 million in state income tax revenues (not including gaming regulation). This represents 66 percent of the total \$36.1 million in revenues to the State of Oregon resulting from tribal gaming and government activities.

While tribal government and businesses are not subject to local property taxes, their employees and suppliers are. So too are others in the economy whose incomes trace back to tribal gaming and government. Therefore, in non-direct ways, tribal gaming causes higher incomes, which in turn support higher property values and property taxes. Thus, local taxing jurisdictions benefit from gaming. The impact analysis estimates the effect to be about \$23.3 million in 2011.

However, most of the tax effects from tribal gaming in Oregon arise from federal income, Social Security, and Medicare taxes, which all employees, including those working at tribal casinos, pay.

Table 8: Tax and fee revenues associated with Oregon tribal gaming and supported government activities, 2011

Jurisdiction/Source	2011
<u>State of Oregon</u>	
State personal & corporate income tax	\$23,870,745
Other state taxes, fees & licenses	12,205,474
Total State Revenues	\$36,076,219
<u>Local Governments in Oregon</u>	
Local property taxes	\$18,924,080
Other local taxes, fees & licenses	4,378,958
Total Local Revenues	\$23,303,038
<u>U.S. Federal Government</u>	
Federal personal & corporate income tax	\$49,040,823
Excise & retirement taxes	32,547,425
Total Federal Revenues	\$81,588,248
Total Government Payments & Taxes	\$140,967,505

Recent Trends, 2003 – 2011

This section examines trends in tribal casinos and their impacts from 2003 through 2011. It shows that there was fairly steady improvement up until 2008. That year was when the recession hit the Oregon economy hard. The economic recovery that followed was unusually weak. Consumers reacted by cutting back on discretionary (non-essential) spending, and that, of course, included visits to resorts and casinos. This reaction is reflected in the tribal data.

Gaming Operations

Evidence of the recession is clear from the visitor count on the top row Table 9. In the year 2008 over 9.9 million visits were made to Oregon casinos. But visitations declined in each of the three years that followed. Helping offset the decline was the continuing uptrend in hotel stays. When built, tribes had limited resources and held back on adding lodging. There was pent-up demand. Over time, as some tribes were able to muster resources, hotel capacity was built. Thus, hotel room night sales rose throughout the recessionary period.

Table 9: Tribal gaming visits, revenues, and expenditures, 2003 to 2011

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Visitation									
Casino (est. unique visits)	8,050,478	8,600,599	8,866,809	9,566,658	9,778,825	9,913,247	9,685,292	8,667,843	7,641,372
Hotel room nights sold	169,558	212,881	241,738	272,067	280,176	287,929	344,054	364,528	393,031
Gross Revenues (thou. \$)									
Gaming	\$384,192	\$419,599	\$459,689	\$487,155	\$507,622	\$489,935	\$477,699	\$478,800	\$466,979
Food & beverage	41,672	45,633	49,082	52,544	54,935	56,261	60,188	60,709	62,074
Hotel & lodging	14,783	18,254	21,021	24,774	27,736	27,855	30,794	32,231	34,902
Retail, golf & other	13,098	15,552	16,393	15,687	16,493	15,357	19,535	17,284	17,097
Less complementaries	(6,050)	(6,629)	(7,973)	(14,205)	(10,042)	(12,995)	(14,026)	(14,755)	(19,849)
Total Net Revenue	\$447,695	\$492,409	\$538,212	\$565,955	\$596,744	\$576,413	\$574,190	\$574,269	\$561,203
Major Expenditures (thou. \$)									
Labor	\$162,935	\$174,161	\$185,588	\$193,951	\$201,897	\$202,899	\$201,922	\$217,294	\$211,731
Operating & regulatory costs	127,528	128,761	149,733	162,096	183,895	204,054	192,984	183,296	187,617
Charitable donations	7,713	8,088	9,079	9,698	9,349	7,905	7,673	7,377	7,404
Capital expenditures	42,124	56,735	28,513	65,800	107,170	82,662	47,049	30,456	68,719
To Tribal Government (thou. \$)	\$141,665	\$168,826	\$179,992	\$202,004	\$176,442	\$173,444	\$157,121	\$148,208	\$142,137

Gaming peaked in 2007 while other casino revenue sources increased. Some casinos apparently are attracting fewer casual players, which are those that will come in and gamble for an hour or so then leave without spending much on food. But it is also clear that for those players that like to gamble, they continue doing so but wager less money. Thus, the hotel, food, and other revenues rise while dollars from gaming falter.

Regardless of recent changes in visitor behavior, gaming remains the principal source of income by far. It is common for casinos to operate restaurants and other non-gaming amenities at losses or breakeven. Improvements in food and lodging revenues cannot offset declines in gaming, especially under the conditions of rising costs and demands for capital reinvestment necessary to maintain a high quality of service. Therefore, the amount of money left from the casinos available to support tribal government services has fallen. In 2011 it was \$142.1 million, well below its peak of \$202.0 million five years before.

On a bright note, the hotels, which operated at seven of the nine casinos, achieved a 78.1 percent occupancy rate in 2011. That was well above the 68.5 percent national average.¹⁰ As shown on Table 10, the average room night went for \$85.05 in 2011, which is strong for lodging in rural Oregon. Importantly, 7.2 percent of all casino visitors in the year were hotel guests.

Table 10: Trend in hotel operations and casino visitor spending, 2007 to 2011

Measure	2007	2008	2009	2010	2011
Hotel:					
Est. occupancy rate	79.4%	69.7%	76.8%	74.4%	78.1%
Average daily rate	\$91.71	\$96.74	\$89.50	\$84.46	\$85.05
% of casino visitors	4.0%	4.1%	5.0%	5.9%	7.2%
Per Casino Visitor:					
Gaming	\$51.91	\$49.42	\$49.32	\$55.24	\$61.11
Food & Beverage	5.62	5.68	6.21	7.00	8.12
All Lodging	2.84	2.81	3.18	3.72	4.57
Other	1.69	1.55	2.02	1.99	2.24
Complementaries	(1.03)	(1.31)	(1.45)	(1.70)	(2.60)
Net spending	\$61.02	\$58.15	\$59.28	\$66.25	\$73.44

Note: Occupancy rate based on estimated number of rooms available.

In 2011, the average Oregon casino patron spent \$73.44 during their visit. Of this, \$61.11 was for gaming, \$8.12 for food and drink, \$4.57 for lodging (hotel and RV parks), and \$2.24 for entertainment and other activities. The average patron received \$2.60 in complementary goods and services.

The five-year trend data indicate that while the casinos attracted fewer visitors, those that came in in 2011 spent more. This suggests that casual, infrequent, and less affluent visitors have cut back considerably on their trips to casinos in Oregon. The data from Oregon also match what is happening in Las Vegas, where visitors are spending more on food and lodging.

Economic Impacts

The changes in economic impacts over time are shown in Table 11. This table shows how tribal gaming and its support of tribal government have influenced the Oregon economy over time. Growth in early years is evident and the recession that began in December 2007, but persisted long after, affected tribal gaming's impacts in recent times.

During the last five years, gaming has managed to directly contribute in excess of \$700 million a year to Oregon's economic output. Furthermore, by virtue of the ripple effects, over half a billion dollars a year in additional output in Oregon was attributable to gaming. In spite of the long recession from which Oregon is now emerging, tribal gaming has accounted for about \$1.5 billion in annual economic output and between 12,763 and 15,483 jobs throughout the state.

¹⁰ Smith Travel Research. 2012 HOST study.

Table 11: Economic impacts of tribal gaming and supported government spending, 2003 to 2011

Year	Direct Impacts			Total Impacts		
	Output	Wages and Benefits	Jobs	Output	Wages and Benefits	Jobs
2003	\$563,671,000	\$192,388,200	5,328	\$1,026,921,000	\$348,874,000	10,968
2004	619,269,000	215,834,000	5,699	1,326,931,000	470,454,000	14,534
2005	674,785,000	227,015,000	5,939	1,474,701,000	509,407,000	15,221
2006	703,586,700	238,999,700	6,094	1,420,171,800	476,443,900	13,916
2007	760,947,400	253,545,400	6,516	1,589,302,300	531,806,900	15,438
2008	737,496,800	256,865,500	6,551	1,640,615,300	553,578,600	15,483
2009	711,863,600	251,530,200	6,021	1,516,898,400	513,962,800	14,415
2010	722,476,600	244,580,700	5,715	1,459,856,100	497,968,600	12,763
2011	703,340,900	235,971,600	5,642	1,506,051,700	506,947,700	13,153

Tribal Government Support

Oregon’s tribes continue to improve local communities through economic development. Their investments in social programs and infrastructure will serve to benefit tribal members, employees, and their families for years to come. However, this spending relies on the continued success of tribal gaming.

Most of the revenue made by casinos pays for wages and other operating expenses. After covering debt service and capital costs, most of what remains goes to tribal government and charitable contributions.

Table 12 shows the yearly and cumulative gaming revenues transferred to tribal governments. Since 2003, almost \$1.5 billion in gaming revenues have gone toward tribal purposes, including the construction of community centers, health clinics, and housing developments. Gaming revenues have also paid for medical and social services, education, and job training programs. These projects and services have served to improve the quality of life for tribal members and others.

Table 12: Tribal gaming revenues used to support tribal government programs and tribal members, 2003 to 2011

Year	Annual Support
2003	\$141,665,000
2004	168,826,000
2005	179,992,000
2006	202,004,000
2007	176,442,000
2008	173,444,000
2009	157,121,000
2010	148,208,000
2011	142,137,000
Total	\$1,489,839,000

Tribal gaming has been in a general down trend since 2007 and casino funds for tribal government has followed suit. Support for tribal government fell by \$8.9 million in 2010 and \$6.1 million in 2011. In spite of the decline, overall transfers to tribes, at \$142.1 million, remain significant. The ability of casinos to continue helping tribal government programs, local economic development work, and the social needs of members depends greatly on whether tribal gaming and hospitality businesses succeed in the future.

Fiscal Impact Trends

As shown in Table 13, the recession put downward pressure on tax and fee revenues, although the total taxes and payments in 2011 reached a new high. Not included in the table are fees tribes have paid to the Oregon State Police and other regulatory bodies. As noted earlier on Table 4, Oregon's tribes paid over \$15.8 million on gaming regulatory fees.

Table 13: Tax and fee revenues, by major taxing jurisdiction, 2003 to 2011

Year	State of Oregon	Local Governments	Federal Government	All Taxes & Government Payments
2003	\$25,611,700	\$17,013,900	\$58,289,400	\$100,915,000
2004	34,487,100	19,293,900	68,693,700	122,474,700
2005	41,155,000	22,036,900	77,072,700	140,264,600
2006	38,831,700	17,970,700	73,379,400	130,181,800
2007	38,409,000	21,755,200	74,160,000	134,324,200
2008	37,937,400	24,361,700	77,665,800	139,964,900
2009	32,473,900	21,149,700	72,510,900	126,134,500
2010	31,148,383	21,976,933	79,344,685	132,470,002
2011	36,076,219	23,303,038	81,588,248	140,967,505
Total	\$316,130,403	\$188,861,970	\$662,704,834	\$1,167,697,207

Over the past nine years, the taxes and fees arising from tribal gaming have been substantial. The State of Oregon realized about \$316.1 million, local governments received \$188.9 million, and the federal government saw \$662.7 million as a result of Oregon tribal gaming. Between 2003 and 2011, nearly \$1.2 billion in government revenues were attributable to tribal casinos.

Construction

Undoubtedly tribal projects have stimulated a great deal of heavy construction spending in rural Oregon over the years. In just gaming and hospitality alone, tribes spent \$55.1 million on building construction in 2011. That equals 29.5 percent of the statewide total for the leisure segment. Since the first gaming project in 1992, tribes in Oregon spent \$689.4 million on hotel and casino building construction. That is 19.0 percent of all the construction spending in Oregon on hotel, amusement, social and recreational buildings.¹¹

¹¹ According to McGraw Hill Construction.

Section 4 Charitable Grants by Casinos

During 2010 and 2011, tribes contributed over \$13.7 million to community benefit funds and almost \$1.1 million to other charities through their casinos.

A community benefit fund is an independent foundation. They receive a portion of a casino's earnings based on the compact negotiated between the tribe and the Governor of Oregon. The six casinos operating under compacts calling for community benefit funds have a wider range of table games (such as craps and roulette). Currently, five do. In 2011, these casinos provided \$6,825,331 to their community benefit funds. Money is awarded to charities located in the counties near the casinos according to what is specified in the compacts.

In 2011, foundations awarded over five million dollars in grants to nonprofits.¹² Table 14 summarizes grants by county.

Table 14: Community benefit fund grants, 2011, 2010, and 1997 to 2011, by county

County	2011	2010	1997-2011
Benton	\$91,500	\$101,639	\$1,293,724
Clackamas	222,517	284,486	1,620,187
Coos	46,612	60,374	3,605,398
Curry	5,805	8,600	81,983
Deschutes	146,000	88,956	1,041,414
Douglas	190,550	175,250	4,258,351
Jackson	186,358	213,715	2,038,929
Josephine	77,201	129,389	1,299,161
Klamath	111,650	88,900	501,107
Lane	432,245	405,050	6,088,335
Lincoln	556,185	721,057	7,109,410
Linn	59,420	73,272	1,188,714
Lake	0	0	13,250
Marion	254,599	355,513	6,072,284
Morrow	94,753	50,026	372,290
Multnomah	1,078,312	1,259,314	23,416,049
Polk	568,707	562,000	7,989,454
Tillamook	40,748	23,875	1,244,560
Umatilla	424,787	416,614	3,935,360
Union	141,008	92,327	755,520
Wallowa	66,735	59,736	372,233
Washington	118,181	140,767	2,259,684
Yamhill	110,000	145,641	5,215,183
Other	0	0	205,023
Total	\$5,023,873	\$5,456,501	\$81,977,603

Sources: Communications with tribes and earlier data from the Potlatch Fund.

¹² Five tribes did not supply detailed charitable giving information. Grant awards, grant dollars issued, and casino contributions to community benefit funds are not necessarily identical because of timing differences.

In 2010 and 2011, nonprofits in Multnomah County received the most contributions. However, many statewide nonprofit organizations are headquartered in Multnomah County, and they spend tribal grants throughout the state.

Lincoln County charities received almost \$1.3 million, making it the second-largest recipient. Most of this funding came from the Siletz Tribal Charitable Contribution Fund.

Section 5 **Gaming Market in 2011**

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. From the perspective of the gaming market in Oregon, economists measure it on one of the following two ways, depending on the context:

- (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. It is a useful measure of the size of the local industry and the share of the market held by different entities, such as the Oregon Lottery and tribal casinos.
- (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 residents and is useful for understanding how spending on gaming relates to how much money Oregonians make.

This analysis estimated the gaming market by collecting data from all nine tribes in Oregon, the Oregon Lottery, all horse racetracks, charitable bingo, raffle, and *Monte Carlo* operations, and other sources. Data on gaming in Washington was collected from tribes, State of Washington agencies, and the federal government. Because many Oregonians and Washingtonians travel to Nevada to gamble, data from the U.S. Department of Transportation and the tourism agencies of Reno and Las Vegas were used. In addition, ECONorthwest used a proprietary economic model, based on direct surveys, so to estimate gaming crossing county borders.

In the accounting of the gaming market only wagers made in the state of Oregon are counted gaming being conducted in Oregon. Therefore, bets made on races at the Portland Meadows racetrack called in or placed *via* the internet are not included. In 2010, about \$58.6 million of these “export” wagers were made. In addition, account wagering businesses (known as “hubs”), which clear through phone and internet systems about \$1.4 billion in wagers on racing from facilities in the Portland Metropolitan Area are also not counted as gaming conducted in Oregon, with the exception of internet and phone wagers by Oregon residents through those systems.

Gaming Revenues

As shown in Table 15, gaming in the state totaled \$1,412,144,453 in 2011. Non-residents did 8.9 percent of the gambling. But Oregonians spent nearly \$19.1 million more gambling outside of the state than tourists spent while visiting Oregon. As a result, total gaming by Oregonians is higher (\$1,431,200,575) than what is gambled inside the state.

Table 15: Gaming market by place and residency, 2011

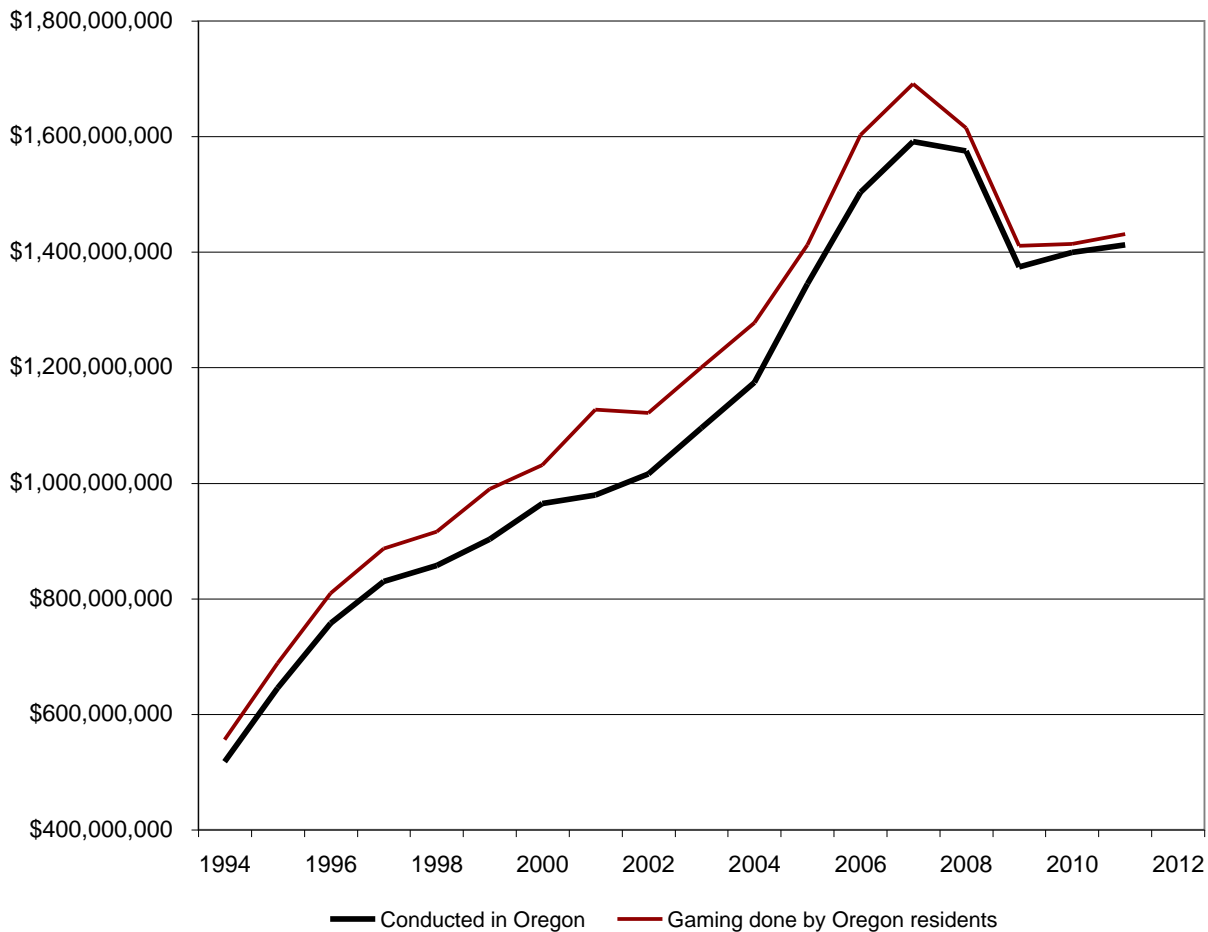
Where Gaming was Done & Where Players Came from	Revenues in 2011	% of Total
<u>Gaming in Oregon:</u>		
By Oregon Residents	\$1,285,788,317	91.1%
By visitors to Oregon	126,356,135	8.9%
Total Gaming Inside Oregon	\$1,412,144,453	100.0%
<u>Gaming by Oregonians:</u>		
Done in Oregon	\$1,285,788,317	89.8%
At places out-of-state	145,412,258	10.2%
Total Gaming by Oregonians	\$1,431,200,575	100.0%

Oregonians traditionally spend substantial amounts of money gambling out of state primarily because of their proximity to Las Vegas. That city attracts a disproportionate number of affluent, as well as younger, Oregon players. Las Vegas accounts for more than half the \$145.4 million in gaming that was done out-of-state by Oregonians in 2011.

Non-resident gambling in Oregon rose to \$126.4 million in 2011 because of the growing success of hotel developments at tribal casinos and the expanding cluster of Oregon video lottery retailers on the Interstate-5 Washington border with Portland.

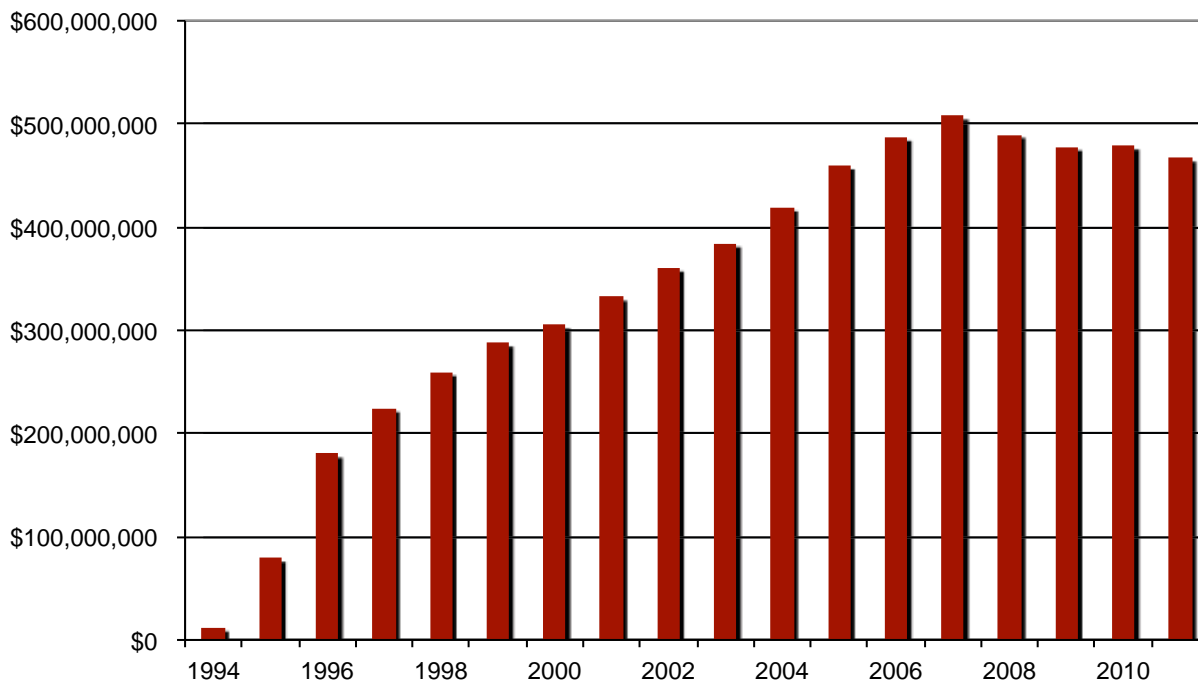
Figure 5 shows the historical trend. In 1994, when the first casino opened in Oregon, about \$518 million was gambled in Oregon and less than \$12 million of that was at casinos. Oregonians, including those that traveled out of state to gamble, in total, spent \$556 million on gaming. Over the next 13 years, gaming in Oregon more than tripled to \$1,591 million as the Oregon Lottery reached the billion-dollar mark and tribal casinos peaked at \$508 million. Since that year, 2007, gaming has fallen mostly because of a recession.

Figure 5: Gaming by Oregonians and in Oregon, 1994 - 2011



Tribal casino revenues were hurt by the recession and, like the market, peaked in 2007. That year the casinos collected \$507.6 million from gaming. There was a small recovery in 2010. Gaming revenues fell again in 2011 to \$467.0 million as the effect of higher gasoline prices placed tribal casinos in a less competitive position versus the Oregon Lottery. It was the fourth year in a row since the historical uptrend, dating back to the first casino in 1994, had been broken.

Figure 6: Tribal casino gaming revenues, 1994 to 2011



Source: Oregon Tribal Gaming Alliance.

Table 16 is a list of the different forms of gaming and their size. Tribal casinos and Oregon’s video lottery games are the only two in the state that exceeded \$100 million in 2011. Other Oregon Lottery games collectively are substantial. There is also an estimated \$75 million a year spent in Oregon on forms of gaming that are presently illegal (primarily sports betting, certain forms of poker, on online casino games). Charitable gaming and horse racing make up most of the rest of the market.

Table 16: Oregon gaming market by type, 2011

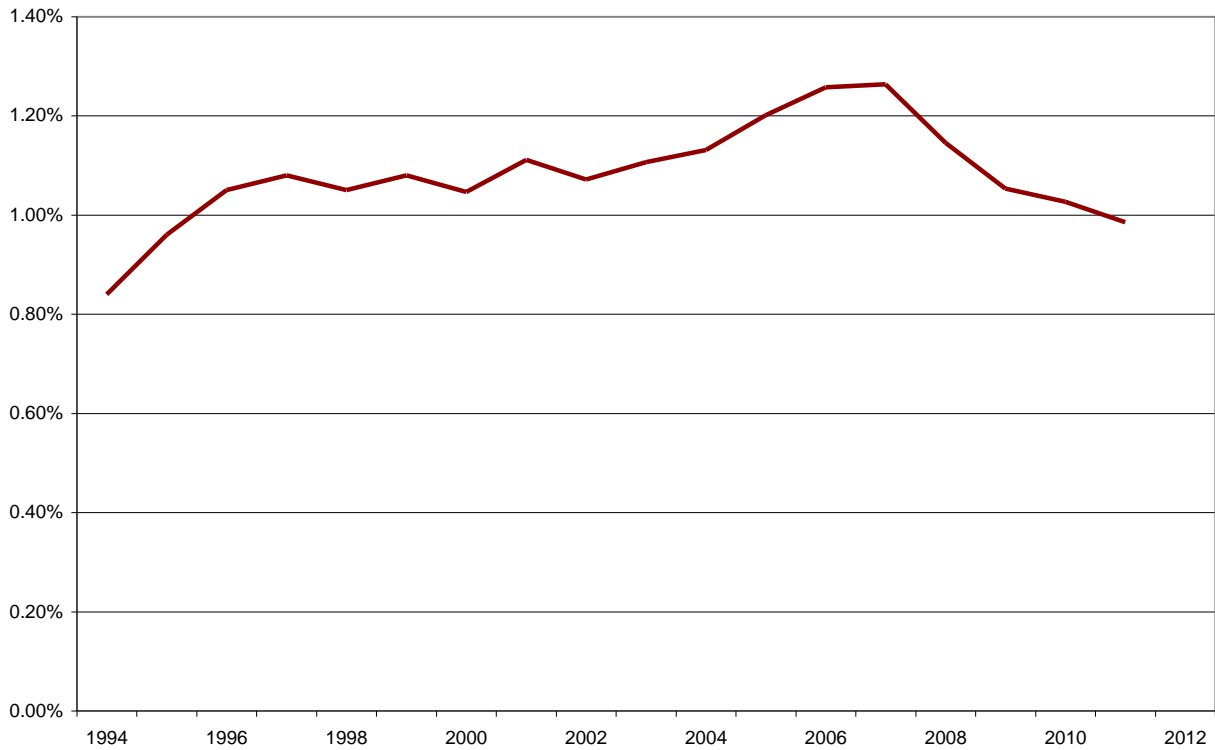
Type of Gaming	Gaming Revenues in 2011	
	Conducted in Oregon	Done by Oregonians
Oregon Lottery:		
Scratch tickets	\$38,326,074	\$38,026,114
Megabucks lotto	13,933,060	13,825,577
Powerball lotto	18,054,470	17,863,977
Keno	30,523,019	30,265,118
Raffle	2,399,522	2,357,870
Pick-Four game	567,274	562,338
Win for life game	1,178,431	1,169,605
Mega Millions	8,841,927	8,774,181
Lucky Lines	628,434	623,992
Video games	733,368,582	698,711,001
Oregon Lottery Subtotal	847,820,793	\$812,179,773
Other Gaming:		
Charitable bingo	\$7,119,442	\$7,102,532
Charitable raffles	4,497,242	4,491,507
Charity casinos & fundraisers	485,020	483,960
OR Indian casinos	466,979,244	378,161,704
WA pulltabs	-	65,050
WA casinos & card rooms	-	39,578,992
Casinos outside OR & WA	-	104,754,538
Live racetrack betting	589,902	497,758
Off-track & simulcast betting	7,050,082	5,268,355
Parimutuel account wagering	2,993,857	2,993,857
Misc. legal out of state gaming	-	1,078,729
Illegal Internet & other illegal	74,608,871	74,608,871
TOTAL	\$1,412,144,453	\$1,431,265,625
Increase from 2010	0.88%	1.19%
Gaming per person		\$371.02
Gaming as a share of income		0.99%

In 2011, Oregonians spent \$39.6 million at Washington commercial card rooms and tribal casinos, and \$104.8 million at casinos in other states (mostly Nevada and California). Oregon residents accounted for about \$378.2 million out of the \$467.0 million spent at Oregon tribal casinos and \$812.2 of the \$847.8 million made by the Oregon Lottery.

In total, Oregonians gambled 1.19 percent more in 2011 than in 2010. They spent 0.99 percent of their personal incomes or \$371.02 per person.

Over the last 18 years, on average, Oregonians spent 1.09 percent of their personal income on gaming — both in the state and out-of-state. The percentage last year was the lowest since 1995. The analysis does not seek causes for changes in gaming behavior, but one can speculate that the recent decline in home prices, which is a major source of personal savings in Oregon, has played a role in the change in consumer preference away from risk-taking leisure activities like gaming.

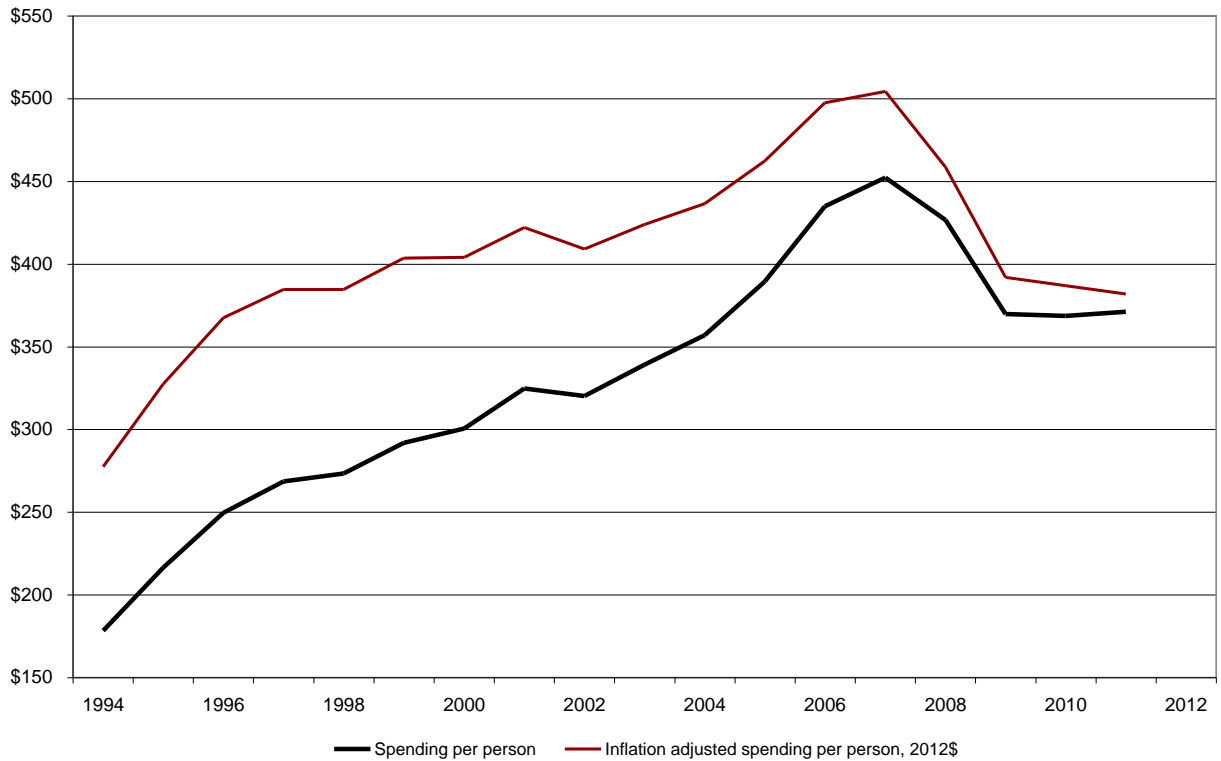
Figure 7: Share of Oregonians' personal incomes spent on gaming, 1994 to 2011



Per person spending on gaming by Oregonians rose steadily between 1994 and 2007 as tribal casinos grew. However, the bulk of the increase came from the Oregon Lottery, which expanded its reach, adding more machines at more locations, and introducing line games similar to what is found at casinos. Per capita gaming increased 154 percent between 1994 and 2007, reaching a peak of \$452.29. Some of that was due to inflation, but even after adjusting for that, the average Oregonian increased what they spent on gaming by nearly 82 percent over that time.

Again, because of the high unemployment, falling home prices, and other factors, since 2007 per capita gaming declined. Shown in Figure 8, has settled around \$370 in the last three years.

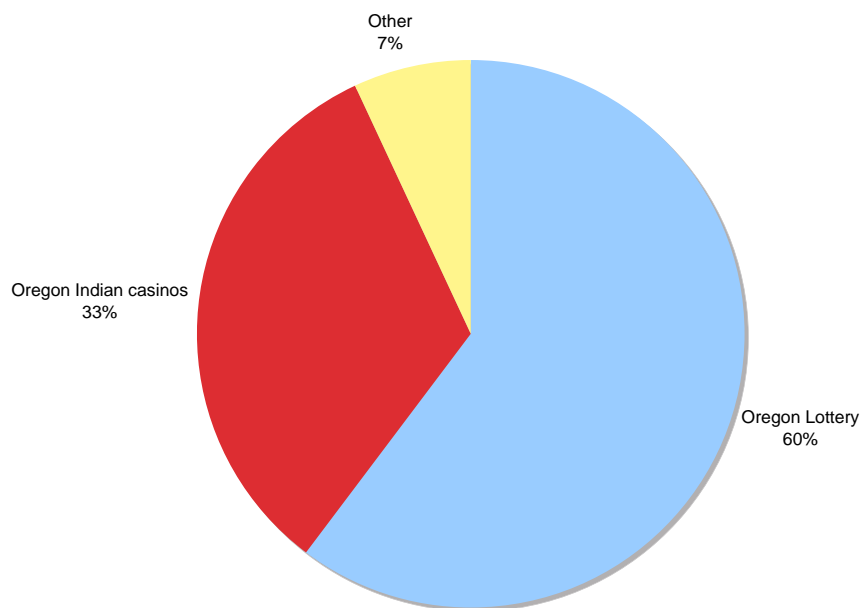
Figure 8: Per person spending on gaming, Oregon residents, 1994 to 2011



Market Share Analysis

The Oregon Lottery has for twenty years been the largest provider of gaming in the state. In 2011, it accounted for 60 percent of all the gambling done in Oregon while tribal casinos held a 33 percent share of the market.

Figure 9: Market shares of the \$1.408 billion in gaming in Oregon, 2011

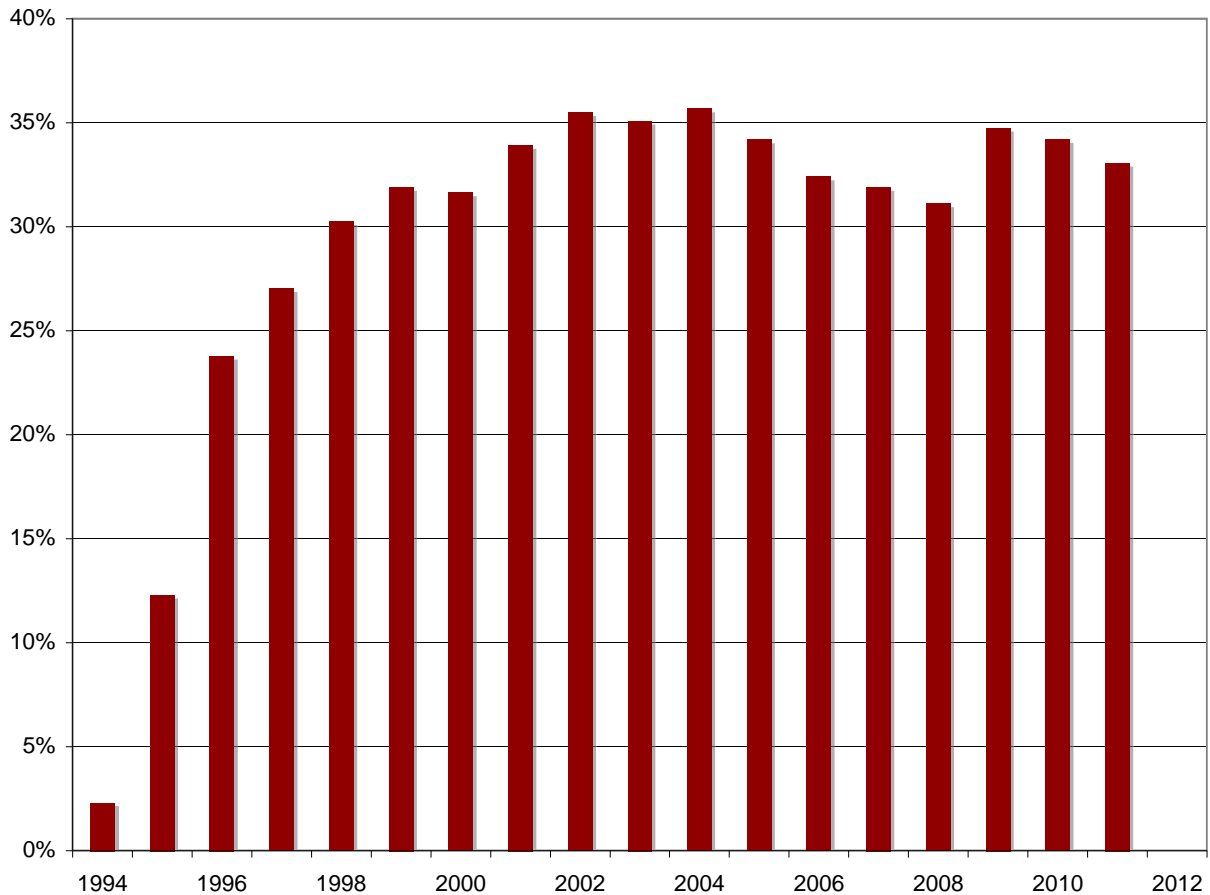


Historically, horse and greyhound racing dominated the gaming market in Oregon. On April 25, 1985, the Oregon Lottery started selling traditional lottery scratch tickets and, by November that year, expanded to lotto games (Megabucks). The greatest change happened in 1992 when the Oregon Lottery introduced video poker. Attendance at racetracks fell dramatically under the intense competition. Within two years the Oregon Lottery built an 81 percent market share just as tribal casinos emerged. By 1998, the market share of the Lottery leveled off at 60 percent where it has been, plus or minus three percent, every year since.

In 1994, the year the Cow Creek converted their bingo hall into a small casino, tribes gaming had only a two percent share of the market. Other tribes followed suit and casinos became major employers and contributors to economic development for tribes. But the expansion was met strong competition from the Oregon Lottery. It aggressively expanded geographically and in game variety.

As illustrated in Figure 10, the market share of tribal casinos leveled out. In 2011 tribal casinos held a 33 percent share of the Oregon gaming market — the same share they have averaged over the last 14 years.

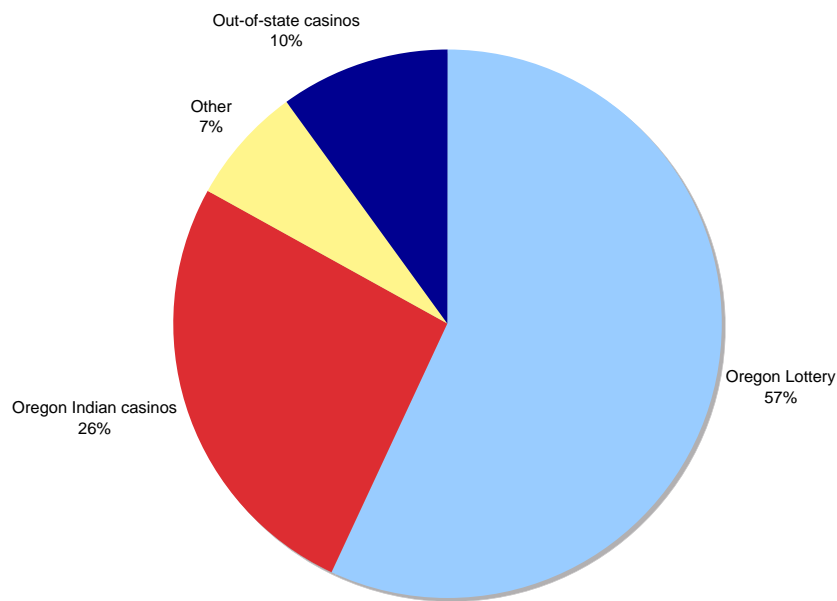
Figure 10: Tribal casino share of the Oregon gaming market, 1994 to 2011



While tribal casinos hold a 33 percent share of the gaming done inside Oregon, non-residents are doing much of the betting. In 2011, tribal casinos got about \$88.8 million of the revenues from people coming from other states. The Oregon Lottery depends on non-residents for over \$35.6 million of its gaming.

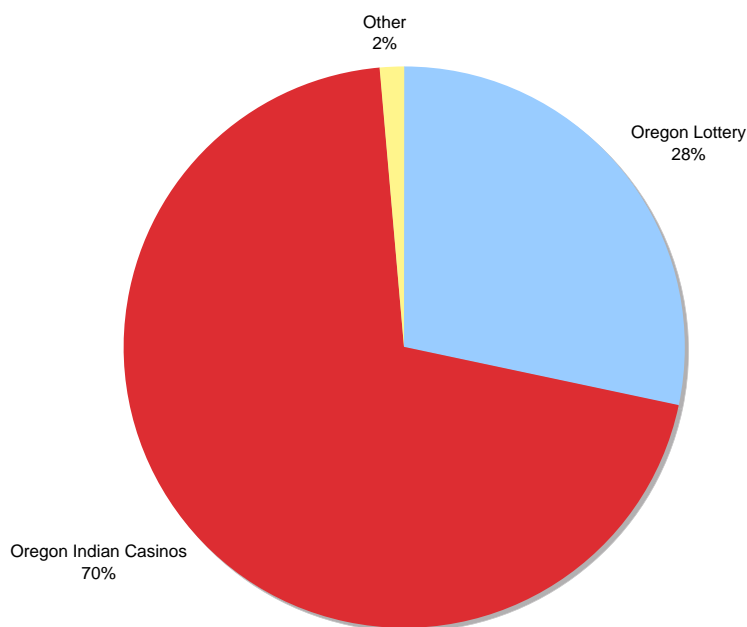
Therefore, when looking at the market from the perspective of where Oregonians spent the \$1.431.2 billion they gambled in 2011, the share held by tribal casinos is less — 26 percent. The Lottery’s share is 57 percent. And in 2011, ten percent of the gaming dollars spent by Oregon residents was done so at casinos in Nevada, Washington, Idaho, and other places. It has been at that level since the recession year 2008.

Figure 11: How Oregonians spent \$1.431.2 billion in gaming, 2011



Tribal casinos captured 70 percent of the \$126.4 million in non-resident gaming in 2011. They attracted money to Oregon, much of which would otherwise not have been spent in the state. That has significant economic development benefits, as it is effectively a services export bringing fresh dollars to Oregon.

Figure 12: Where tourists spent \$126.4 million in gaming in Oregon, 2011



Change in Oregon Gaming 2010 to 2011

Gaming conducted in Oregon either at casinos, lottery retailers, racetracks, from homes over the internet, or elsewhere in the state, increased \$12.4 million or 0.79 percent in 2011 from the previous year. The Oregon Lottery saw its video sales jump \$17.2 million or 2.4 percent. It also achieved large gains in its newest product, Mega Millions, which is an interstate lotto game. Tribal casino gaming fell \$11.8 million. Oregon. Illegal gaming rose in large part because of a recovery in online poker and continued growth in sports betting, which is lightly enforced in the state.

The fall in gaming revenue at tribal casinos is in contrast to gains at the Oregon Lottery. Tribal casinos are adversely affected by driving costs. More than three out of every four Oregonians lives more than a one-hour drive from the nearest tribal casino. The average Oregonian must drive two hours and 45-minute to make a round trip visit to a tribal casino. Beside the cost of fuel, that is a substantial investment in time, which is problematic in a recessionary economy. The Lottery doesn't face the same issue.

Table 17: Changes in gaming activity in Oregon, 2010 to 2011

Type of Gaming in Oregon	\$ Change	% Change
<u>Oregon Lottery:</u>		
Scratch tickets	\$944,726	2.5%
Megabucks lotto	2,534,688	22.2%
Powerball lotto	(2,005,519)	-10.0%
Keno	213,931	0.7%
Raffle	(2,399,598)	-50.0%
Pick-Four game	71,745	14.5%
Win for life game	(687,568)	-36.8%
Mega Millions	4,253,882	92.7%
Lucky Lines	(72,270)	-10.3%
Video games	17,191,002	2.4%
Oregon Lottery Subtotal	\$20,045,019	2.4%
<u>Other Gaming:</u>		
Indian casinos in Oregon	(\$11,820,569)	-2.5%
Charitable bingo	(619,832)	-8.0%
Charitable raffles	(7,943)	-0.2%
Charity casinos & fundraisers	(238,502)	-33.0%
Live racetrack betting	5,644	1.0%
Off-track & simulcast betting	(1,385,030)	-16.4%
Parimutuel account wagering	642,830	27.3%
Illegal Internet & other illegal	5,746,109	8.3%
TOTAL	\$12,367,726	0.79%

Oregon Lottery in 2011

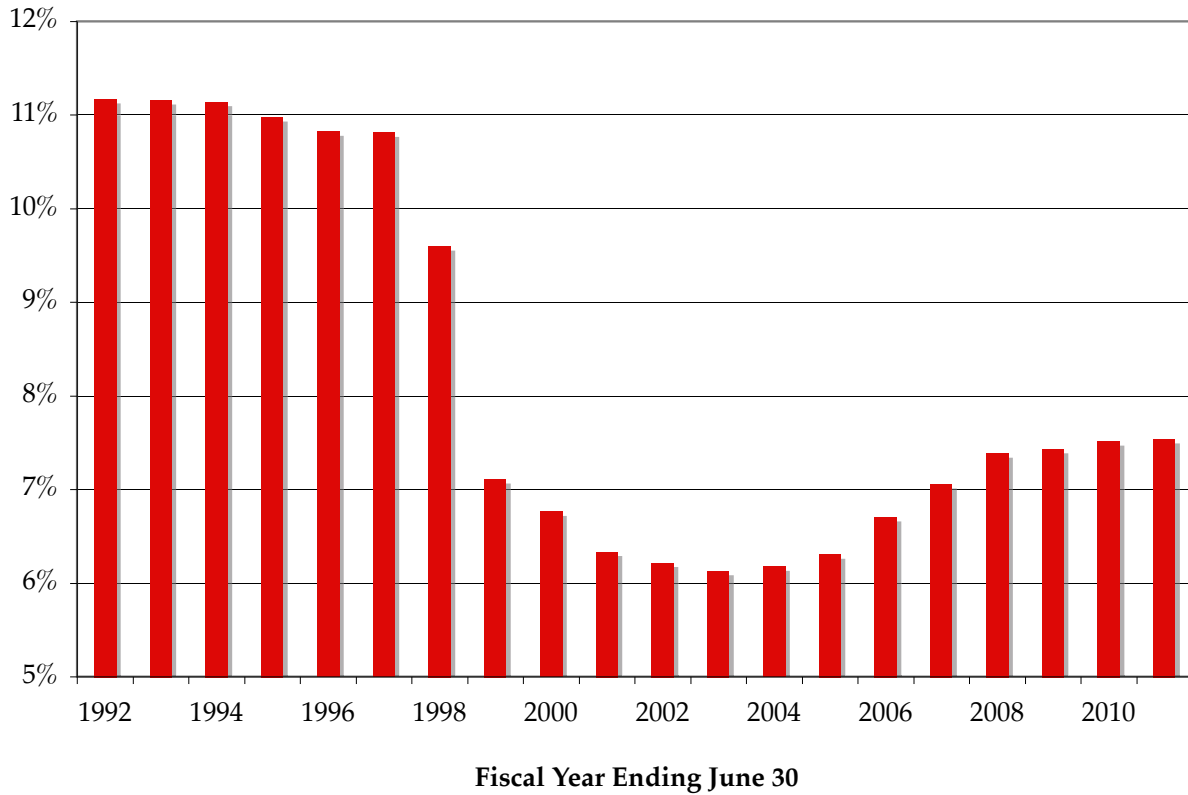
The Oregon Lottery competes for players by adding new games. They regularly introduce new scratch ticket games so to stimulate interest from casual players at market checkout lines. Their raffle game, which has a fixed million-dollar prize and limited ticket issuance, has been successful — pulling in about \$2.3 million a year. In 2010, they started selling the interstate lotto game, Mega Millions, in part to keep players from going to neighboring states (Idaho, Washington, and California) to play. It too has been successful. At this time Oregon tribes do not have lottery games.

The Oregon Lottery also competes by changing hold rates on their VLTs.¹³ Low hold rates attracts more players to the machines. The average Oregon Lottery machine held 7.54 percent in fiscal year 2011. This low rate helps the Lottery compete with tribal gaming machines and is just 0.20 percent higher than what Las Vegas Strip casinos held in 2011.

¹³ The hold rate is the average percent of every dollar wagered that is lost by players.

As illustrated in Figure 13, since 2004, hold rates on Oregon Lottery VLTs had been edging higher as the state tries to balance the opposing goals of increasing revenues without alienating patrons. In the last four years rates have been kept nearly constant, as the Lottery has tried to stem losses in video lottery machine play, which in 2011 was running about 17 percent below its 2007 peak of \$880 million.

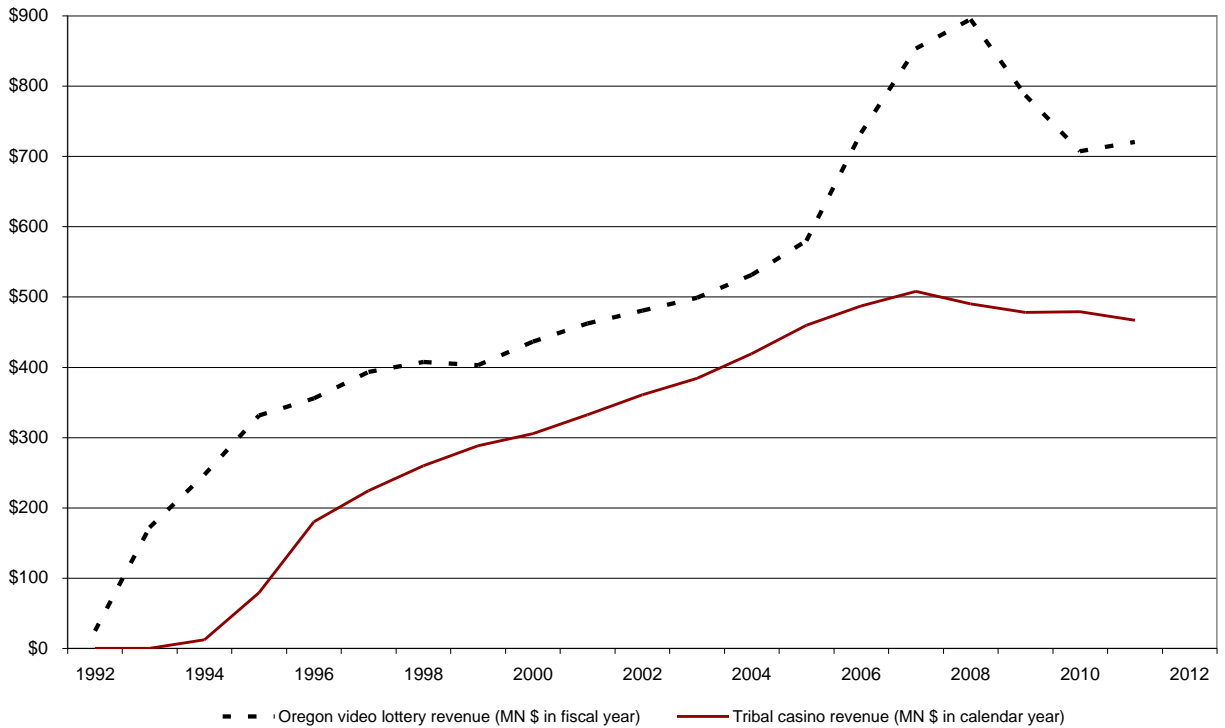
Figure 13: Average hold rate on Oregon Lottery VLTs by year, 1992 to 2011*



* Note: Fiscal year ending June 30.
 Source: Oregon Lottery.

Revenues from the Oregon Lottery video games have always outpaced tribal casinos. The gap between them reached its narrowest point in 2004 when the last tribe opened its casino. But video lottery revenues turned sharply higher when, in 2005, line games were added. Prior to that time the Lottery's VLTs only offered poker games. To patrons, Oregon Lottery line game VLTs are effectively identical to what they would play on the floor of a Las Vegas casino. Some of the same machine titles found in tribal casinos are available on the Lottery VLTs in local Oregon bars and restaurants. Thus, the gap widened after the introduction of line games, as illustrated in Figure 14. The gap narrowed in 2009, but has since broadened.

Figure 14: Gaming revenues from Oregon Lottery VLTs (by fiscal year) versus Oregon tribal casinos (by calendar year), 1992 – 2011*



* Note: This figure shows Oregon Lottery revenues by fiscal year.
 Source: Oregon Tribal Gaming Alliance, ECONorthwest, and the Oregon Lottery.