

The Contributions of Indian Gaming to Oregon's Economy in 2012 and 2013

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 ninth edition in the series.

There are nine Indian tribes based in Oregon. Eight have a casino. Seven tribes are OTGA members, which is a coalition of Oregon Indian tribes.

Tribes provided audited operating statistics on their casinos, hotels, and restaurants for this report. ECONorthwest estimated amounts for one tribe that did not submit statistics.

In addition to tribes, this report includes information from other including the Oregon Lottery, National Indian Gaming Association, U.S. Bureau of Economic Analysis, Oregon State Police, Washington State Gambling Commission, Oregon Racing Commission, and the Oregon Department of Justice.

This study describes the economic impacts on Oregon from tribal gaming in 2012 and 2013. The report also includes a review of the gaming economy in Oregon and the financial support tribal casinos gave to local charities and tribal governments.

Major Findings

Nine tribes operated casinos in Oregon in 2012 and eight did in 2013. These gaming businesses varied in size and complexity. All had restaurants, six had connecting hotels, and some had spas, RV parks, golf courses, shops, arcades, conference centers, and other amenities.

The casinos were in small cities and rural towns. They directly employed 4,784 and paid almost \$202.8 million in wages and benefits in 2013. In addition, earnings from the hotels and casinos financed tribal and community needs, especially healthcare, education, housing, and public safety. About 706 tribal jobs directly depended on the support of gaming operations.

Spending by tribal gaming operations, including the tribal government programs casinos supported, triggered economic impacts felt throughout Oregon. As discussed in this report, in 2013:

- The direct economic impacts of Oregon tribal gaming and the tribal government services gaming supported include \$706.4 million in economic output, 5,490 jobs, and \$237.1 million in wages and benefits.
- These impacts stimulated additional employment and economic output, as their effects rippled throughout the state economy. The combined economic impacts in 2013 were nearly \$1.4 billion in output, 11,510 jobs, and \$479.6 million in payroll.
- Tribal gaming is heavily regulated, accounting for 80 percent of what is spent in Oregon overseeing gaming even though casinos represent 33 percent of all gaming done. Tribes spent \$27.6 million on regulatory and surveillance costs for their casinos. The Oregon Lottery, horse racing industry, and charity gaming operations spent about \$6.2 million.
- Just over \$477 million in gaming was done at tribal casinos. The Oregon Lottery made \$860.8 million. In total, all forms of gaming amounted to nearly \$1.46 billion in 2013—an increase of 3.1 percent from 2012.
- The average Oregonian spent \$376.64 gaming, which is about 0.95 percent of their personal income.
- As a result of all the economic impacts traced back to tribal casinos, local, state, and federal governments collected a total of \$132.5 million in taxes and other revenues.
- Tribal casinos made donations and grants to local charities equal to \$6.9 million in 2013. Since 1992, the year of the first tribal gaming facility in the state, tribes have given \$101.3 million to charities.
- Tribal gaming stimulates tourism, especially to rural areas. Casinos attracted over 7.4 million visitors in 2013. Their hotels sold 410,189 room nights—a new record. Visitors from other states and countries account for over nine percent of all gaming done at Oregon casinos.

Section 2 Oregon Casinos and Tribes

There are nine federally recognized tribes based in Oregon and eight have one casino each. The first opened twenty years ago.

Although 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.

Casinos in 2013

Casinos are located on tribal lands in predominantly rural and semi-rural areas. The average town in Oregon with a tribal casino has 5,596 residents. Six casinos have hotels that collectively provide 1,388 rooms. Because of their locations, tribes are major drivers of the rural Oregon economy through their employment and spending, and in ability to stimulate tourism. Figure 1 is a map of the casinos that operated in 2013.

Figure 1: Tribal casinos in Oregon, in 2013



Table 1 lists the names, locations, tribal ownerships, opening dates, and the hotel guest room counts at the casinos on December 31, 2013.¹

Table 1: Tribal Casinos in Oregon, Year-End 2013

Casino	City/Town	2013 Population	Tribe	First Opened	Hotel Rooms
Chinook Winds	Lincoln City	8,020	Confederated Tribes of Siletz Indians	May 1995	240
Indian Head*	Warm Springs**	3,175	Confederated Tribes of Warm Springs	May 1995	-
Kla-Mo-Ya	Chiloquin	735	The Klamath Tribes	July 1997	-
Old Camp (closed)****	Burns	2,835	Burns Paiute Tribe	August 1998	-
Seven Feathers	Canyonville	1,910	Cow Creek Band of Umpqua Tribe of Indians	April 1994***	298
Spirit Mountain	Grand Ronde**	1,544	Confederated Tribes of Grand Ronde	October 1995	254
The Mill	North Bend	9,720	Coquille Indian Tribe	May 1995	203
Three Rivers	Florence	8,480	Confederated Tribes of the Coos, Lower Umpqua & Siuslaw Indians	June 2004	93
Wildhorse	Pendleton	16,780	Confederated Tribes of the Umatilla Indian Reservation	Nov 1994	300
Average population of towns with casinos ->		5,596		Total rooms ->	1,388

* Casino renamed and relocated from Kah-Nee-Ta to Warm Springs in February 2012.

** US Census, American Community Survey 2009-2013.

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

**** Casino closed November 2012.

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 with video lottery terminals or VLTs. Similar to VLTs owned by the Oregon Lottery, VLTs are effectively the same as modern slot machines found at casinos in Las Vegas. By the end of 1995, five other tribes opened their own casinos. By June 2004 there were nine casinos in Oregon—one for each tribe.

In February 2012, the Warm Springs closed their casino at the Kah-Nee-Ta Resort and opened a new casino, named Indian Head, that same month. Since the new casino has no hotel attached to it and is 14 miles from Kah-Nee-Ta, no hotel rooms are indicated for the Warm Springs' casino on Table 1. In November 2012, the Burns Paiute closed the Old Camp Casino and intend to build a new casino.

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 7,413,556 visits were made to Oregon casinos in 2013. Casino hotels filled 410,199 room nights in 2013 with an average annual occupancy rate of 81 percent.

¹ Opening dates refer to a tribe's first gaming operations whether in a permanent or temporary facility. The Wildhorse and Chinook Winds casinos started in temporary structures. Three Rivers also began in a temporary structure that was replaced with a permanent casino building in late 2007. The Warm Springs built a new casino in a different location than their original casino.

Casino Capacity

The eight casinos had 7,462 VLTs at the end of 2013 compared to 11,944 VLTs operated by the Oregon Lottery in 2,259 bars and restaurants throughout the state. Tribal casinos had 113 house-banked table games (e.g., blackjack, craps, roulette), 28 poker tables, and 1,047 seats in four bingo halls. Five casinos also offered keno, which compete against keno games available at 3,238 supermarkets, bars, and other non-tribal Oregon Lottery retailers. All eight operating tribal casinos in 2013 had restaurants and lounges with total seating capacity for 4,483.

Table 2: Oregon Tribal Casino & Lottery Gaming Capacity, Year-End 2013

Gaming Venue in Oregon	VLTs	Table Games	Poker Tables	Bingo Seats	Keno Wagering Outlets	Restaurant & Lounge Seating
<u>Tribal casinos</u>						
Chinook Winds	1,162	23	7	450	1	863
Indian Head	500	8	-	-	-	120
Kla-Mo-Ya	353	3	-	-	-	68
Old Camp (closed)	-	-	-	-	-	-
Seven Feathers	1,023	18	-	334	1	806
Spirit Mountain	1,803	30	15	138	1	1,205
The Mill	725	8	-	-	-	435
Three Rivers	705	11	2	-	1	470
Wildhorse	1,191	12	4	125	1	516
Total Tribal Gaming	7,462	113	28	1,047	5	4,483
<u>Oregon Lottery:</u>						
At lottery retailers	11,944	-	-	-	3,238	-

Sources: Tribal reports and the Oregon Lottery.

The number of VLTs at tribal casinos has changed little in recent years. Several casinos reduced their machine counts and the Old Camp Casino closed. Offsetting this was an expansion by the Warm Springs, which replaced their casino at Kah-Nee-Ta with the larger Indian Head Casino. By the end of 2013, there were 7,462 VLTs in tribal casinos compared to 7,439 two years earlier. The numbers of poker, bingo, and table games at casinos declined slightly, as have the number of lottery VLTs, keno sites, and retailers

Table 3: Trends in Gaming Capacity, 2011 to 2013

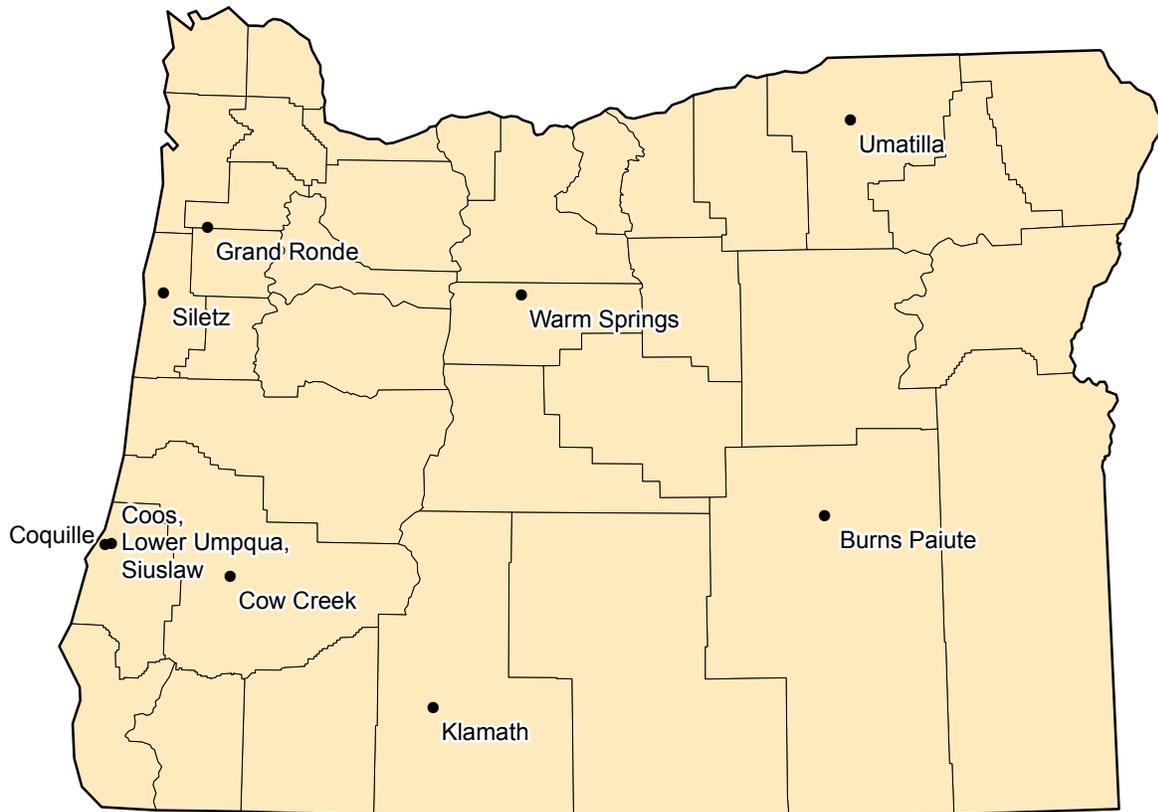
Gaming Units at Year End	2011	2012	2013
<u>At Tribal Casinos:</u>			
VLTs	7,439	7,411	7,462
Table games	116	117	113
Poker tables	38	28	28
Bingo seats	1,323	1,329	1,047
<u>Oregon Lottery:</u>			
VLTs	12,145	12,113	11,944
Video Lottery sites	2,323	2,296	2,259
Lottery Keno Retailers	3,339	3,266	3,238

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 16,780. 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 Washington was located there.²

The Burns Paiute opened the Old Camp Casino in August 1998 using a previously closed casino moved from the Lummi Nation in Bellingham, Washington. Physical deterioration and a weak local market led to the Tribe to close Old Camp on November 25, 2012. The Burns Paiute Tribe hopes to build a new 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 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.

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

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

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 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.

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

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

With the treaties came the forced removal of the Willamette Valley tribes to the Grand Ronde Reservation 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.

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. 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.

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

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

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;
- 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 Tamástsiikt 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.

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

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 14 miles from the main road, Highway-26. In 1972, they added the 139-room Kah-Nee-Ta Lodge.

In 1995 a casino opened at the lodge. In early 2012, the Warm Springs closed it and moved their gaming operations to a new and larger casino right on Highway-26 in Warm Springs. The new casino is named Indian Head. Although it lacks a hotel, the better location attracts more visitors than the old casino at Kah-Nee-Ta.

Gaming Regulation and Surveillance

Indian casinos in Oregon are highly regulated — considerably more so than commercial casinos are. Oregon tribes pay for over 80 percent of all the regulatory, security, and surveillance activities done in the state on gaming even though their casinos account for only a third of all the gaming.

There are three independently acting entities directly involved in regulating the operations of tribal casinos in Oregon. In addition, casinos spent nearly \$12 million in 2013 on surveillance and casino security.

The first layer of regulation is the gaming commission. There are now eight 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 2013, tribes spent \$13.9 million on their gaming commissions.

The Oregon State Police (“OSP”) regulate casinos through its Tribal Gaming Section. Fees negotiated with the tribes and imposed on sellers of gaming equipment pay for the operations of the Oregon State Police Tribal Gaming Section. The OSP reported that they received \$1,340,511 from the tribes and \$420,725 from gaming equipment companies in 2013. The OSP 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 \$326,601 in 2013 to the NIGC.

Statewide, \$34.2 million was spent on regulation and surveillance during 2013 on all forms of gaming. Of this, the eight tribal casinos paid nearly \$27.6 million. The Oregon Lottery spent over \$3 million. Charitable gaming and horse racing activities spent about \$3.2 million. Additional, yet indeterminable, amounts were spent on security and auditing at all gaming facilities, including racetracks and Lottery retailers.

Table 4: Federal, State & Tribal Government Gaming Regulatory, Surveillance and Enforcement Spending in Oregon, 2012 - 2013

Type of Gaming in Oregon	2012	2013
<u>Regulation fees & surveillance costs paid by tribes:</u>		
Oregon State Police - tribal gaming section	\$1,519,828	\$1,340,511
Casino surveillance & security expenses	10,869,658	11,952,374
Individual tribal gaming commissions	15,302,542	13,934,875
National Indian Gaming Commission	331,284	326,601
Paid by Oregon Tribes	\$28,023,312	\$27,554,361
Fees paid by gaming equipment vendors	406,075	420,725
Total casino regulatory costs	\$28,429,387	\$27,975,086
<u>Oregon Lottery:</u>		
Payment to Oregon State Police from Lottery	\$2,731,485	\$2,779,379
Security services*	88,509	86,260
Other lottery security expenses*	73,546	139,862
Total OR lottery regulatory costs	\$2,893,540	\$3,005,501
Charitable bingo, raffles & fundraisers	\$418,203	\$398,502
Horse racing	2,462,670	2,774,532
Total Gaming Regulation	\$34,203,800	\$34,153,621

* ECONorthwest estimated calendar year by averaging reported fiscal years.

Sources: Oregon Lottery, Oregon tribes, Oregon State Police, Oregon Department of Justice, and Oregon Racing Commission budget.

Section 3 **Economic 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 economic and fiscal impacts of tribal gaming in 2012 and 2013. The principal drivers of these impacts are the spending, contributions, and jobs supported by the casinos and their associated hotels and related businesses. In addition, we include similar spending and employment created at tribal government levels that are paid from through the revenues from gaming.

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 2012 and 2013

Tribal Gaming

Tribal gaming operations brought in \$565.5 and \$570.2 million in 2012 and 2013, respectively. The main revenue source was gaming itself, which after complementaries (discounts earned by patrons based on their casino play), accounted for approximately 79 percent of total net revenue.

As shown on Table 5, food and beverage sales averaged about \$65 million a year. Hotels and other lodging attracted \$34.5 million in sales in 2012 and \$36.8 million in 2013. Other revenue sources pulled in slightly less than \$17 million a year for tribal casino operations.

Table 5: Tribal Casino Revenues and Selected Expenditures, 2012 and 2013

Revenues & Expenditures	2012	2013
<u>Revenues</u>		
Gaming	\$474,272,522	\$477,019,082
Food & beverage sales	64,923,881	65,805,282
Hotel & lodging	34,528,581	36,847,912
Gift shops, recreation & other	16,684,042	16,748,116
Less complimentary goods & services	(24,872,992)	(26,196,512)
Total Net Revenue	\$565,536,035	\$570,223,880
<u>Selected Expenditures</u>		
Labor	\$212,912,148	\$202,808,761
Utilities	11,094,398	10,971,474
Advertising, marketing, & sales	48,912,460	52,380,205
Costs of goods sold	39,116,554	38,543,714
Repairs & maintenance	5,804,176	5,407,005
Supplies	8,728,845	8,632,369
Professional services	3,849,665	4,119,047
Other operating expenses	49,223,030	36,546,500
Construction & equipment purchases	33,551,316	14,259,704
Tribal government & support	146,767,984	136,154,150

Source: Tribal reports.

Labor was, by far, the largest single expense. Nearly 36 cents of every dollar spent by visitors to the tribal casinos and hotels went towards employee wages and benefits.

Advertising and marketing account was the second biggest cost item taking up nine percent of revenues. If complementary goods and services are added in as a marketing expense, the total rises to about 14 percent. Tribes have to dedicate such amounts so that they can attract patrons from cities to stay and visit at their rural-area gaming properties.

But the largest expenditure after labor is support to tribal government. About a fourth of all revenue goes back to tribes to pay for healthcare, education, infrastructure, eldercare, member support, and other tribal government services.

Casinos and casino resorts are labor intensive. In 2013, the eight gaming operations of Oregon tribes employed an annual average of 4,784 people with a total payroll cost to those tribes of \$202.8 million. The Oregon Lottery employed 429 in fiscal year 2013 and had a payroll of \$37.7 million.⁹

Table 6 details the labor costs of tribal casinos. In 2013, the average worker earned \$29,470 and received \$12,925 in benefits. They also paid \$5,536 in federal and state income taxes, as well as Social Security and Medicare taxes.

Table 6: Oregon Tribal Casino Labor Costs, 2012 and 2013

Labor Statistics	2012	2013
Casino Labor Costs		
Wages, salaries, and tips	\$148,360,220	\$140,978,451
Payroll taxes paid by tribes	14,870,611	14,266,670
Healthcare benefits	33,000,533	31,579,018
Retirement, other benefits & compensation	16,680,783	15,984,623
Total paid by casinos	\$212,912,148	\$202,808,761
Average number of employees	4,958	4,784
Per Employee		
Wages, salaries, and tips	\$29,924	\$29,470
Benefits & taxes paid by casinos	13,020	12,925
Employee-paid income & other taxes	5,621	5,536

Sources: Tribal reports and the Oregon Employment Department.

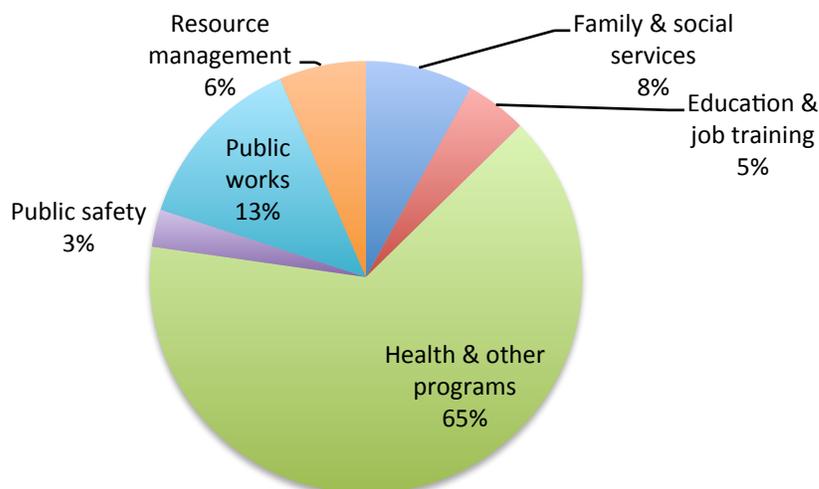
Tribal Government Support

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 operations transferred \$136.2 million to tribal government programs, pensions, and member distributions in 2013. Of this, nearly \$91.1 million went to programs, with healthcare being the largest. Figure 3 illustrates that 65 percent went to pay for health, dental care, eldercare, and other member programs. Tribes are responsible for basic government services including public works, public safety (fire, police, courts), education, job training, family services, and resource management (forestry, fisheries, and maintenance of agricultural lands). All of these constitute the remaining 35 percent.

⁹ Oregon State Lottery. (2013). Comprehensive Annual Financial Report. Page 53.

Figure 3: The Allocation of \$91.1 Million in Gaming Dollars to Tribal Needs, 2013



Results of the Impact Analysis

Table 7 summarizes the economic impacts on Oregon traceable back to tribal gaming in the state during 2012 and in 2013. The direct impacts show the spending effects of gaming operations, leaving out the spending and jobs at the tribal government level paid for by casino transfers. Doing the analysis this way eliminates potential double counting. Instead, Table 7 shows the direct impacts of tribal government activities supported by money earned from gaming as a separate line item.

Table 7: Impacts of Tribal Gaming on Oregon Economy, \$ in millions, 2012-2013

Economic Activity	2012			2013		
	Output	Wages & Benefits	Jobs	Output	Wages & Benefits	Jobs
Direct Impacts						
Gaming & Hospitality	\$565.5	\$212.9	4,958	\$570.2	\$202.8	4,784
Tribal Needs Supported by Casinos	146.8	32.1	667	136.2	34.3	706
Direct Impacts	\$712.3	\$245.0	5,625	\$706.4	\$237.1	5,490
Indirect & Induced Impacts						
Natural Resources & Construction	\$55.4	\$19.5	499	\$34.1	\$10.6	236
Manufacturing	55.6	10.1	206	40.6	8.0	168
Wholesale & Retail Trade	83.3	34.7	977	71.7	28.8	896
Services	473.6	155.4	4,429	438.1	138.3	3,866
Other Oregon Industries	111.5	67.1	1,044	107.0	56.8	854
Indirect & Induced Impacts	\$779.3	\$286.8	7,154	\$691.4	\$242.5	6,020
Total Impacts	\$1,491.6	\$531.8	12,779	\$1,397.8	\$479.6	11,510

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

In 2012, through gaming operations, tribes directly caused \$712.3 million in economic output from 5,625 workers earning \$245 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 \$1.49 billion in output, \$531.8 million in wages and benefits, and 12,779 jobs.

Direct output weakened in 2013. Lower visitor counts at casinos affected employment. Also, casinos generated had for tribal government. Direct employment declined from 5,625 in 2012 to 5,490 in 2013. Wages and benefits fell to \$237.1 million from \$245 million. As a result, induced and indirect impacts fell slightly.

In total, \$1.398 billion in economic output was tied to tribal gaming and felt throughout the state in 2013. There were 11,510 jobs in Oregon, earning \$479.6 million in wages and benefits, attributable to tribal gaming.

By Sectors

Table 7 highlights the ripple effects of tribal gaming on the major sectors of the economy. Service businesses benefit the most from gaming and tribal government in part because they are part of the largest sector in the state, but also because tribes and their employees spend considerable amounts on services. This sector covers broad range of activities from advertising firms and banks to medical offices and landscapers.

In 2013, about \$438.1 million in economic output for the services sector in Oregon was attributable to the eight tribal casinos. That additional output supported 3,866 jobs with an average annual compensation of \$35,773.

Wholesale and retail trade also was positively affected by the spending from tribal gaming and governments. In 2013, \$71.7 million in retail and wholesale output in Oregon is traceable back to the eight casinos. That output supported 896 jobs with an average wage and benefit compensation of \$32,143. Natural resources and construction saw \$34.1 million in output during 2013 due to tribal gaming. This is less than in past years because of slow construction activity by tribes.

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 gaming and hospitality businesses of tribes. The 2013 multipliers for tribal gaming operations in Oregon were:

- **Output multiplier: 2.5**
- Every \$1 million in gaming revenues did support another \$1.5 million of output in other Oregon industries in 2013.
- **Wage & benefits 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: 2.4**
- For every ten jobs at a tribal casino and resort in 2013, including tribal government jobs supported by gaming, was associated with another 14 jobs in Oregon for a total of 24—a ratio of 2.4 to one.

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, like state lotteries, 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 2013, the economic activity from tribal gaming generated approximately \$22.6 million in state income tax revenues. Tribal gaming also was directly and indirectly responsible for \$9.9 million in other Oregon taxes, licenses, and fees (including those for Oregon State Police gaming regulation). In total, \$32.5 million in revenues to the government of the State of Oregon resulted from tribal gaming.

Table 8: Tax and Other Government Revenues Associated with Oregon Tribal Gaming, 2013

Jurisdiction/Source	2013
<u>State of Oregon</u>	
State personal & corporate income tax	\$22,617,730
Other state taxes, fees & licenses	9,917,270
Total State Revenues	\$32,535,000
<u>Local Governments in Oregon</u>	
Local property taxes	\$13,605,615
Other local taxes, fees & licenses	3,244,385
Total Local Revenues	\$16,850,000
<u>U.S. Federal Government</u>	
Federal personal & corporate income tax	\$48,635,375
Excise, Social Security, & other taxes	34,434,625
Total Federal Revenues	83,070,000
Total Government Payments & Taxes	\$132,455,000

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 dollars flow into housing and other real estate and this generates property taxes. And clearly, having 11,510 employed in Oregon earning \$479.6 million in wages and benefits tied to casinos does filter to local governments in the forms of other taxes, fees, and licenses, which the IMPLAN analysis estimates. In total, \$16.9 million in local government revenue in Oregon is attributable to tribal gaming.

The greatest tax impact is federal. Almost all the businesses supplying casinos and tribal governments pay federal taxes and all employees pay income, Social Security, and Medicare taxes. Tribes also pay for federal gaming regulation. When all the direct, indirect, and induces federal tax and related revenues are summed, the result shows almost \$83.1 million in federal government revenues in 2013 were attributable to the eight tribal casinos in Oregon.

In total, the fiscal impact of tribal gaming across all local, state, and federal governments, with the exception of tribes themselves, was \$132.5 million in 2013. But in addition to revenue gains by state and local government, Tribes also provide some government services for the benefit of non-tribal communities.

For example, six of the federally-recognized Tribes use gaming revenues to support tribal police departments having the same authority to enforce federal, state, and local law as city, county, and state law enforcement officers. Tribal police, like police employed by any other sovereign, focus on protection of respective tribe's property and members. Members of the larger communities where tribal members live and where tribal property is situated benefit from having this law enforcement. The value of this is not quantified for purposes of this edition of this report, but is nonetheless material.

Moreover, tribal police departments in Oregon are headquartered in rural Oregon where non-tribal public resources have been stretched thin. Currently, no state or local funds support tribal police operations.

Recent Trends, 2003 – 2013

Tribal gaming operations experienced rising revenues from 2003 to 2007. The recession that followed hurt them. Gaming peaked at \$507.6 million in 2007 and has stayed below that each year since. Non-gaming revenues increase each year except 2010 and reached a record level of \$119.4 million in 2013. This pattern is similar to what has been happening in Las Vegas.

Trends in Visitation and Operations

Table 9 summarizes visitation and operating statistics for tribal gaming operations in Oregon. Casino visitor counts peaked in 2008 and have decline each year since then. This mostly reflects a fall in casual, infrequent casino player trips. Overnight stays at casino hotels are trending in the opposite direction with each year since 2003 being higher than the year before. This pattern was uninterrupted by the opening on Indian Head in Warm Springs, which has no hotel, replacing Kah-Nee-Ta, which has 170 rooms at its lodge and village in the years before 2012. The data in Table 9 include Kah-Nee-Ta before 2012, but exclude it since.

Table 9: Tribal Gaming Visits, Revenues, and Expenditures, 2003-2013

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Visitation											
Casino	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	7,486,128	7,413,556
Hotel room nights	169,558	212,881	241,738	272,067	280,176	287,929	344,054	364,528	393,031	395,384	410,199
Revenues (thou. \$)											
Gaming	\$384,192	\$419,599	\$459,689	\$487,155	\$507,622	\$489,935	\$477,699	\$478,800	\$466,979	\$474,273	\$477,019
Food & beverage	41,672	45,633	49,082	52,544	54,935	56,261	60,188	60,709	62,074	64,924	65,805
Hotel & lodging	14,783	18,254	21,021	24,774	27,736	27,855	30,794	32,231	34,902	33,381	34,886
Retail, golf, RV & other	13,098	15,552	16,393	15,687	16,493	15,357	19,535	17,284	17,097	17,832	18,710
Less complementaries	(6,050)	(6,629)	(7,973)	(14,205)	(10,042)	(12,995)	(14,026)	(14,755)	(19,849)	(24,873)	(26,197)
Total Net Revenue	\$447,695	\$492,409	\$538,212	\$565,955	\$596,744	\$576,413	\$574,190	\$574,269	\$561,203	\$565,536	\$570,224
Major Expenditures (thou. \$)											
Labor	\$162,935	\$174,161	\$185,588	\$193,951	\$201,897	\$202,899	\$201,922	\$217,294	\$211,731	\$212,912	\$202,809
Operating & regulatory	127,528	128,761	149,733	162,096	183,895	204,054	192,984	183,296	187,617	184,873	171,381
Capital expenditures	42,124	56,735	28,513	65,800	107,170	82,662	47,049	30,456	68,719	33,551	14,260
To Tribal Govt. (thou. \$)	\$141,665	\$168,826	\$179,992	\$202,004	\$176,442	\$173,444	\$157,121	\$148,208	\$142,137	\$146,768	\$136,154

Faltering growth and the challenges of maintaining hotel and casino properties is putting a strain on tribal finances. Casinos are competing by increasing complementaries, called comps in the vernacular of the industry, seeking to attract more visitors. But this does result in tighter margins. As a consequence of these challenges, less was available for tribal government and capital expenditures in 2012 and 2013 than in most previous years.

While the numbers of casino visitors has fallen over the last five years, those that do come play more. As shown in Table 10, in 2013 the average visitor spent \$64.34 on gaming compared to less than \$50 in 2008. Visitors are spending 56 percent more on food and beverages compared to 2008. The offset to this, and it is appreciable, is the increase in complementaries from casinos, which include discounted or free food, show tickets, and hotel rooms. In 2013, the average hotel room sold for \$85.05—a level consistent with the last four years. But occupancies are much higher, reaching a record of 81 percent.

Table 10: Hotel Operations and Casino Visitor Spending, 2007-2013

Measure	2007	2008	2009	2010	2011	2012	2013
Hotel:							
Est. occupancy rate	79.4%	69.7%	76.8%	74.4%	78.1%	77.6%	81.0%
Average daily rate	\$91.71	\$96.74	\$89.50	\$84.46	\$85.05	\$84.43	\$85.05
% of casino visitors	4.0%	4.1%	5.0%	5.9%	7.2%	7.4%	7.7%
Per Casino Visitor:							
Gaming	\$51.91	\$49.42	\$49.32	\$55.24	\$61.11	\$63.35	\$64.34
Food & Beverage	5.62	5.68	6.21	7.00	8.12	8.67	8.88
All Lodging & RVs	2.84	2.81	3.18	3.72	4.57	4.61	4.97
Other	1.69	1.55	2.02	1.99	2.24	2.23	2.26
Complementaries	-1.03	-1.31	-1.45	-1.70	-2.60	-3.32	-3.53
Net spending	\$61.02	\$58.15	\$59.28	\$66.25	\$73.44	\$75.54	\$76.92

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

In 2013, we estimate that 7.7 percent of all Oregon tribal casino visitors in 2013 were guests of one of the six tribal hotels. Counting hotel and non-hotel casino patrons, the average person spent \$76.92 during their visit. Of this, \$64.34 was for gaming, \$8.88 for food and drink, \$4.97 for lodging (hotel and RV parks), and \$2.26 for entertainment, golf, gift shop purchases and other activities. The average patron received \$3.53 in complementary goods and services.

Trends in Economic Impacts

Table 11 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 since.

Since 2003, over 10,000 jobs in Oregon were associated with tribal gaming. In terms of direct jobs, which are those working for the tribes themselves, employment has been kept above the 5,000-job threshold even though the business environment has become challenging.

Table 11: Economic Impacts of Tribal Gaming, 2003-2013

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
2012	712,304,035	244,966,317	5,625	1,491,563,532	531,785,453	12,779
2013	706,377,880	237,115,464	5,490	1,397,806,699	479,645,494	11,510

Trends in 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 towards tribal government and charitable contributions.

Table 12 shows the yearly and cumulative gaming revenues transferred to tribal governments. Since 2003, over \$1.77 billion in gaming revenues have gone towards tribal purposes, including the construction of community centers, health clinics, housing, and other forms of economic development. 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 and Tribal Members, 2003-2013

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
2012	146,768,000
2013	136,154,000
Total	\$1,772,761,000

Competitive challenges from casinos in other states and the Oregon Lottery, as well as a general weakness in gaming overall, have adversely affected tribal gaming revenues. Costs, meanwhile, rise and this is straining the capacity of gaming operations to support tribal government. The \$136.2 million in 2013 is the lowest total in eleven years. The ability of casinos to continue helping tribal government programs, local economic development, and meet the social needs of members depends greatly on whether tribal gaming and hospitality businesses succeed in the future.

Trends in Fiscal Impacts

As shown in Table 13, the economic footprint of tribal gaming in Oregon has continued to benefit local, state, and federal governments. Over the past eleven years, the taxes and fees arising from tribal gaming have been substantial. The State of Oregon realized about \$384.6 million, local governments received \$227.2 million, and the federal government saw \$837.9 million as a result of Oregon tribal gaming. Collectively, they received nearly \$132.5 million in 2013—an amount similar to the eleven-year average.

Table 13: Government Revenues Traced to Tribal Gaming in Oregon, 2003-2013

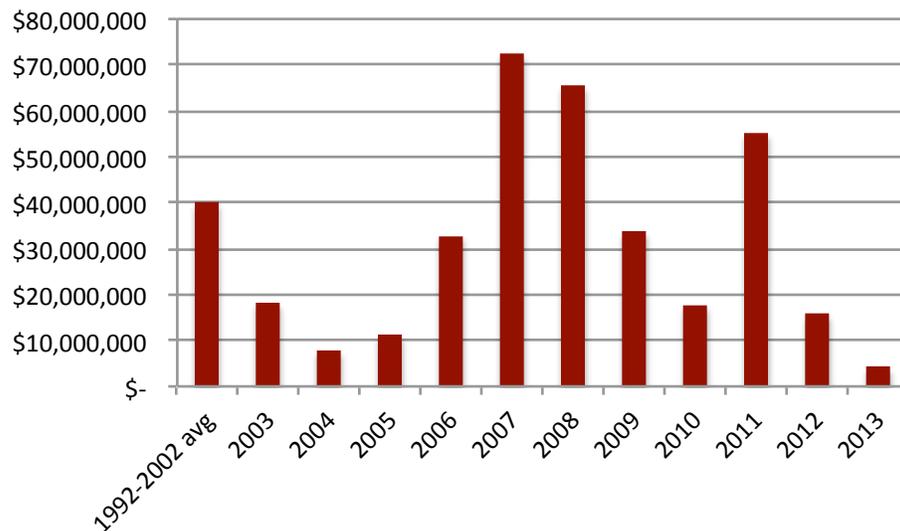
Year	State Government	Local Governments	Federal Government	All Taxes & Payments
2003	\$25,611,700	\$17,013,900	\$58,289,400	\$100,915,000
2004	34,487,100	19,293,900	68,693,700	122,474,700
2005	41,155,000	22,036,900	77,072,700	140,264,600
2006	38,831,700	17,970,700	73,379,400	130,181,800
2007	38,409,000	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	31,148,000	21,977,000	79,345,000	132,470,000
2011	36,076,000	23,303,000	81,588,000	140,968,000
2012	35,965,000	21,511,000	92,174,000	149,650,000
2013	32,535,000	16,850,000	83,070,000	132,455,000
Total	\$384,629,800	\$227,223,000	\$837,948,900	\$1,449,802,700

Trends in Construction Spending

Since the first casino, tribes spent over \$774 million on the construction of gaming casinos and hotels.¹⁰ Tribes were responsible for more than one out of every five dollars spent building hotel, amusement, social, and recreational establishments in Oregon since 1992.¹¹

Spending varies considerably from one year to the next, as illustrated below in Figure 4. Since casinos faced rising operating costs and competing needs for tribal support, construction spending has been reduced. In 2013, \$4.1 million was spent on construction, which is the lowest total in over eleven years.

Figure 4: Annual Casino Related Construction Spending by Oregon Tribes, Millions \$



¹⁰ This includes a revision of data reported previously.

¹¹ According to McGraw Hill Construction.

Section 4 Charitable Grants & Donations

Tribal casinos donate money directly to local charities. Six tribes contribute to community benefit funds, which make grants to charitable organizations in over 23 Oregon counties.

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).

In 2013, these casinos provided \$6,551,255 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.¹² In addition, tribal casinos directly contribute money to area charities.

Table 14 summarizes grants and donations for 2012 and 2013. Since 1992, we estimate from tribal data that gaming operations in tribal Oregon issued over \$94 million in grants to nonprofits statewide and directly donated over \$7 million.

Table 14: Charitable Grants and Donations by Tribal Casinos Since 1992

Charitable Grants & Donations	2012	2013	Since 1992
Thru community benefit foundations	\$6,583,546	\$6,551,255	\$94,185,780
Direct donations to charities	401,277	382,714	7,159,576

Sources: Communications with tribes, tribal foundations, and the Potlatch Fund.

¹² Grant awards, grant dollars issued, and casino contributions to community benefit funds for any single year are not identical because of timing differences.

Section 5 **Gaming Market in 2013**

Gaming revenue is approximately the difference between how much people wager and what they win. We measure gaming revenues in two ways:

- (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 Oregon-based tribes, the Oregon Lottery, racetracks, charitable gaming operations, and other sources. Since Oregonians gamble out of state, ECONorthwest also collected data from Washington and Nevada. In addition, ECONorthwest used a proprietary economic model, based on direct surveys, 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 horse races called in or placed online from other states are not included in our totals. However, bets made by people from other states visiting Portland Meadows are included.

Gaming Revenues

As shown in Table 15, about \$1.456 billion in gaming occurred in Oregon during 2013. Of that total, non-residents accounted for \$133 million or 9.1 percent of the total, which is a record high from tourists for the state. Gambling by Oregonians inside the state was about \$1.323 billion and they spent another \$156 million outside of Oregon. So in total, Oregonians spent \$1.48 billion on gambling in 2013.

Table 15: Gaming Market by Place and Residency, 2013

Gaming in Oregon and by Oregonians	Revenues in 2013	% of Total
<u>Gaming in Oregon:</u>		
By Oregon Residents	\$1,323,790,585	90.9%
By visitors to Oregon	133,122,640	9.1%
Total Gaming Inside Oregon	\$1,456,913,225	100.0%
<u>Gaming by Oregonians:</u>		
Done in Oregon	\$1,323,790,585	89.4%
At places out-of-state	156,362,038	10.6%
Total Gaming by Oregonians	\$1,480,152,624	100.0%

Oregonians traditionally spend substantial amounts of money gambling out of state primarily because of their proximity to Nevada and particularly, Las Vegas. That city attracts a disproportionate number of affluent, as well as younger, Oregon players. Over half the \$156 million Oregonians spent gambling out of state in 2013 was spent in Nevada.

Figure 5 shows the historical trend. In 1994, gambling totaled \$518 million in Oregon and less than \$12 million of that was at tribal casinos, which were just then coming onto the market. Gambling at tribal casinos and the Oregon Lottery increased. The in state market peaked in 2007 at \$1.59 billion then fell \$216 million the following two years. Since then, the market has recovered about a fourth of that loss. However, the recovery is largely due to the Oregon Lottery and not tribal casinos. Gambling by Oregonians has consistently been higher than gambling occurring in the state, although the gap has narrowed in part because of the hotels built and successfully run by Oregon tribes.

Figure 5: Gaming in Oregon and by Oregonians, 1994-2013

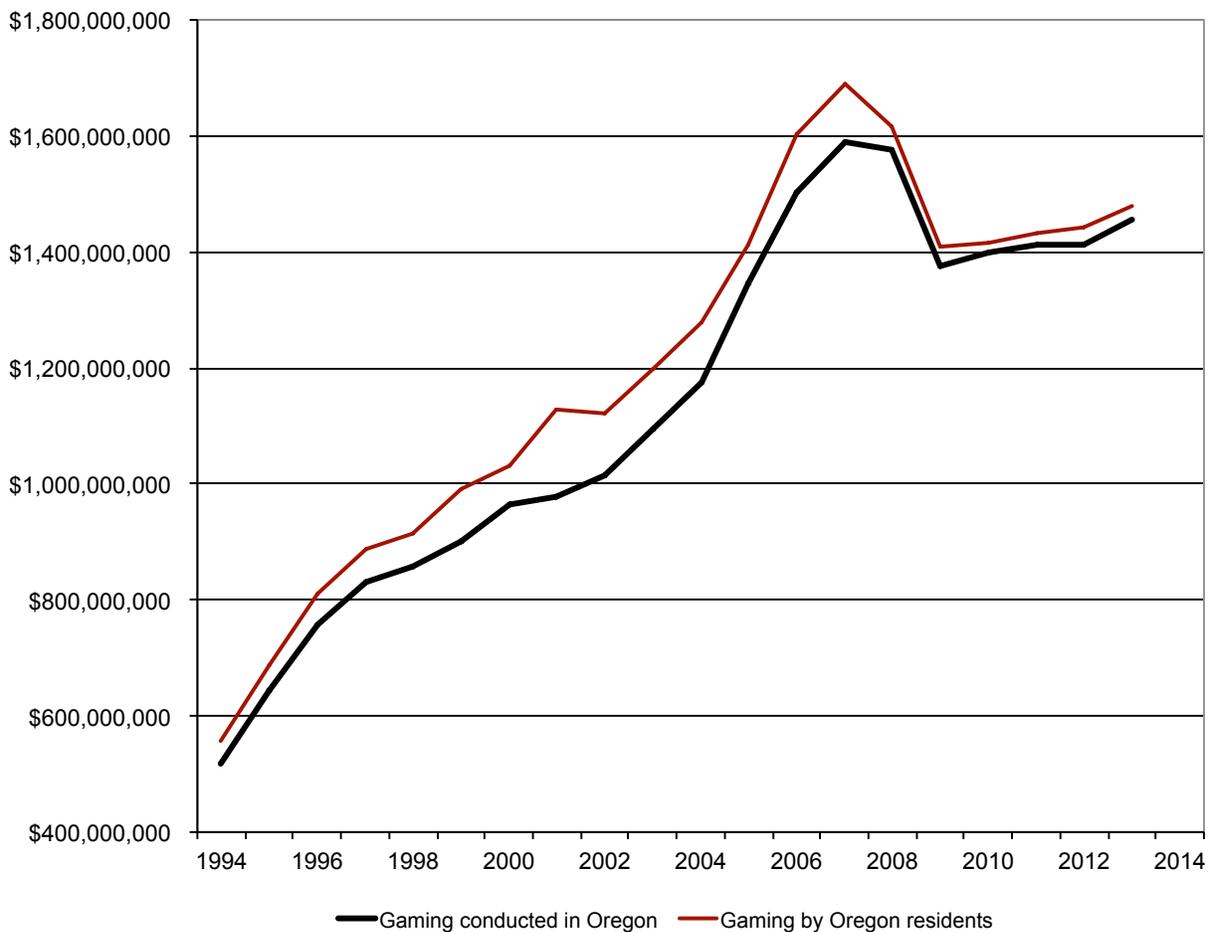


Figure 6 illustrates the long-run trend in tribal casino gaming. Tribal casino gaming revenues peaked in 2007 at \$507.6 million and fell to \$467 million in 2011. A modest recovery is evident in the data for 2012 and 2013.

Figure 6: Oregon Tribal Casino Gaming Revenues, 1994-2013

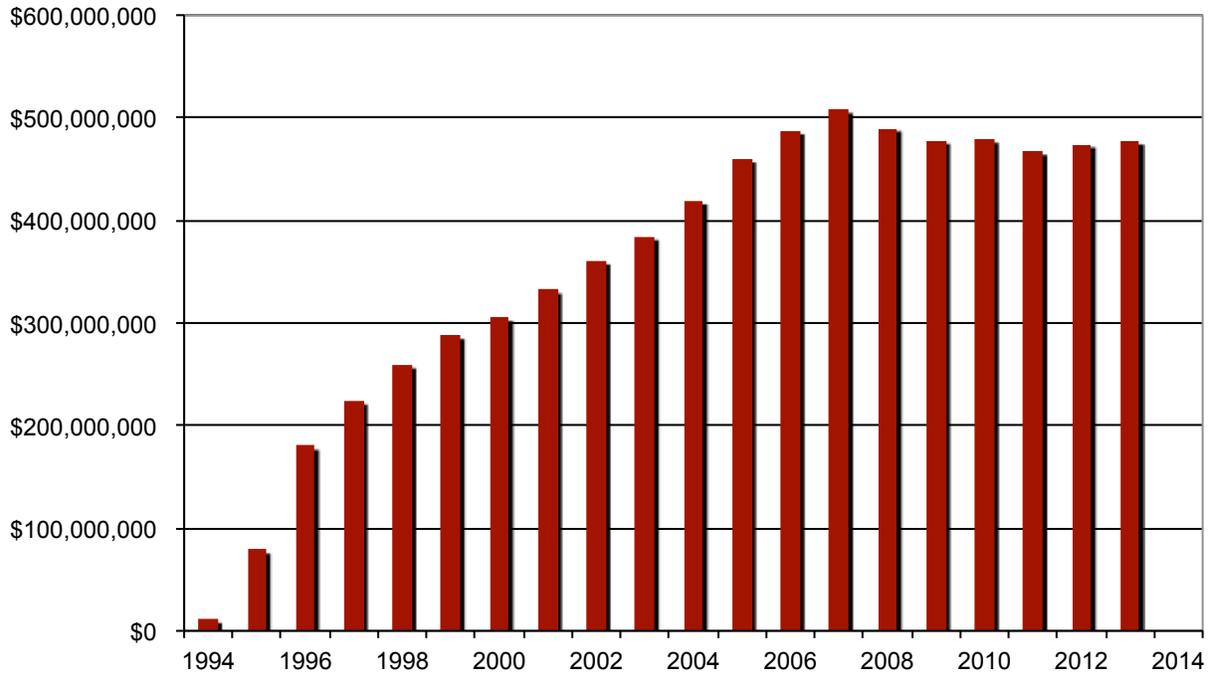


Table 16 is a list of the different forms of gaming and their dollar amounts. The average Oregon resident spent \$376.64 on gaming in 2013 and that equaled 0.95 percent of their annual personal income. Tribal casinos and Oregon’s video lottery games are the only two in the state that exceeded \$100 million in 2013. Illegal gaming is approaching \$100 million. ECONorthwest necessarily relies on estimates for this figure, but there is evidence of upswings in illegal online wagering and sports betting. Laws against sports betting are lightly enforced. Only eight have been charged with bookmaking offenses and no arrests made for bookmaking in Oregon in the last ten years (2003-2012).

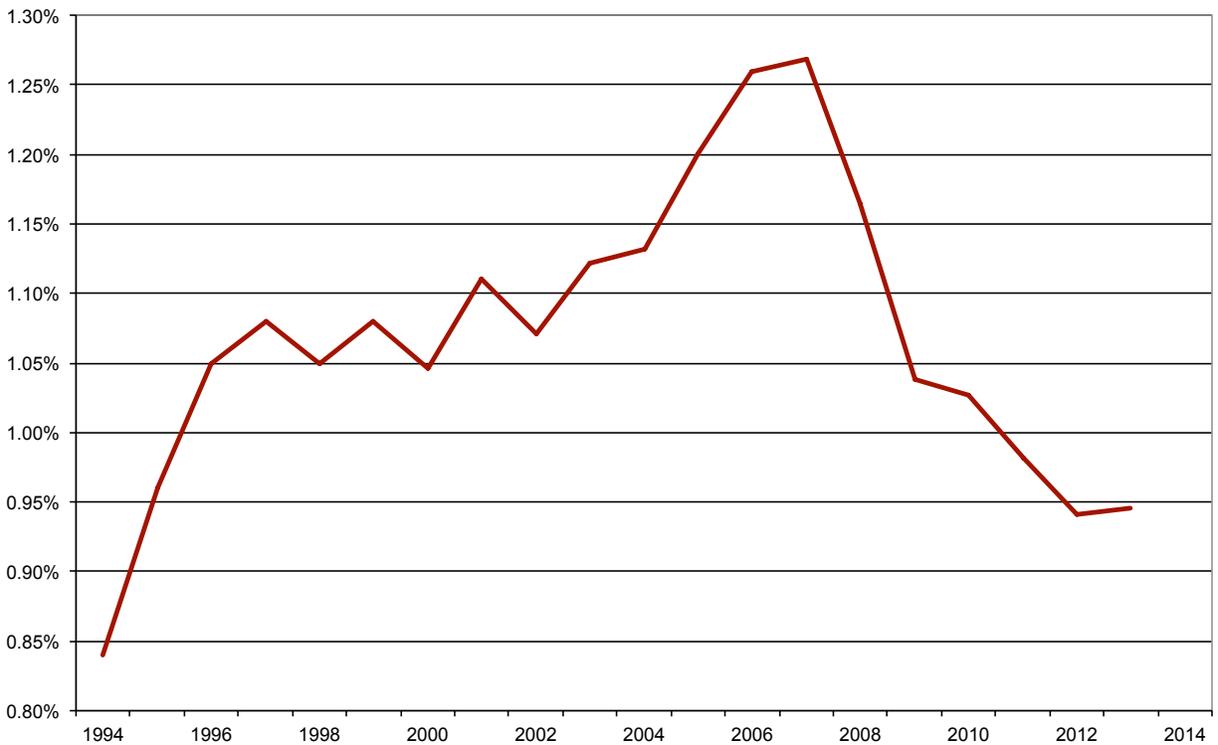
Table 16: Gaming Revenues by Type in Oregon and by Oregonians, 2013

Type of Gaming	Gaming Revenues in 2013	
	Conducted in Oregon	Done by Oregonians
<u>Oregon Lottery:</u>		
Scratch tickets	\$35,617,030	\$35,330,248
Megabucks lotto	14,418,350	14,305,908
Powerball lotto	27,217,647	26,930,507
Keno	28,667,200	28,422,742
Raffle	2,398,961	2,356,927
Pick-Four game	614,546	609,354
Win for life game	1,423,069	1,412,537
Mega Millions	9,144,295	9,073,818
Lucky Lines	616,111	611,697
Video games	740,403,763	705,181,419
Oregon Lottery Subtotal	860,520,972	\$824,235,158
<u>Other Gaming:</u>		
Charitable bingo	\$6,170,790	\$6,156,479
Charitable raffles	5,419,751	5,412,745
Charity casinos & fundraisers	347,529	346,784
OR Indian casinos	477,019,082	381,797,030
WA pulltabs	-	61,773
WA casinos and card rooms	-	42,408,155
Casinos outside OR & WA	-	112,806,335
Live racetrack betting	448,916	403,260
Off-track & simulcast betting	5,879,250	4,332,195
Parimutuel account wagering	4,022,902	4,022,902
Misc. legal out of state gaming	-	1,147,549
Illegal Internet & other illegal	97,084,033	97,084,033
TOTAL	\$1,456,913,225	\$1,480,214,397
Increase from 2012	3.10%	2.73%
Gaming per person		\$376.64
Gaming as a share of income		0.95%

On average, between 1994 and 2013, Oregonians spent 1.07 percent of their personal income on gaming, but in 2012 it fell to 0.94 percent, which was the lowest figure since 1994. Personal incomes in Oregon have been rising twice as fast as spending on gaming by residents since 2011.

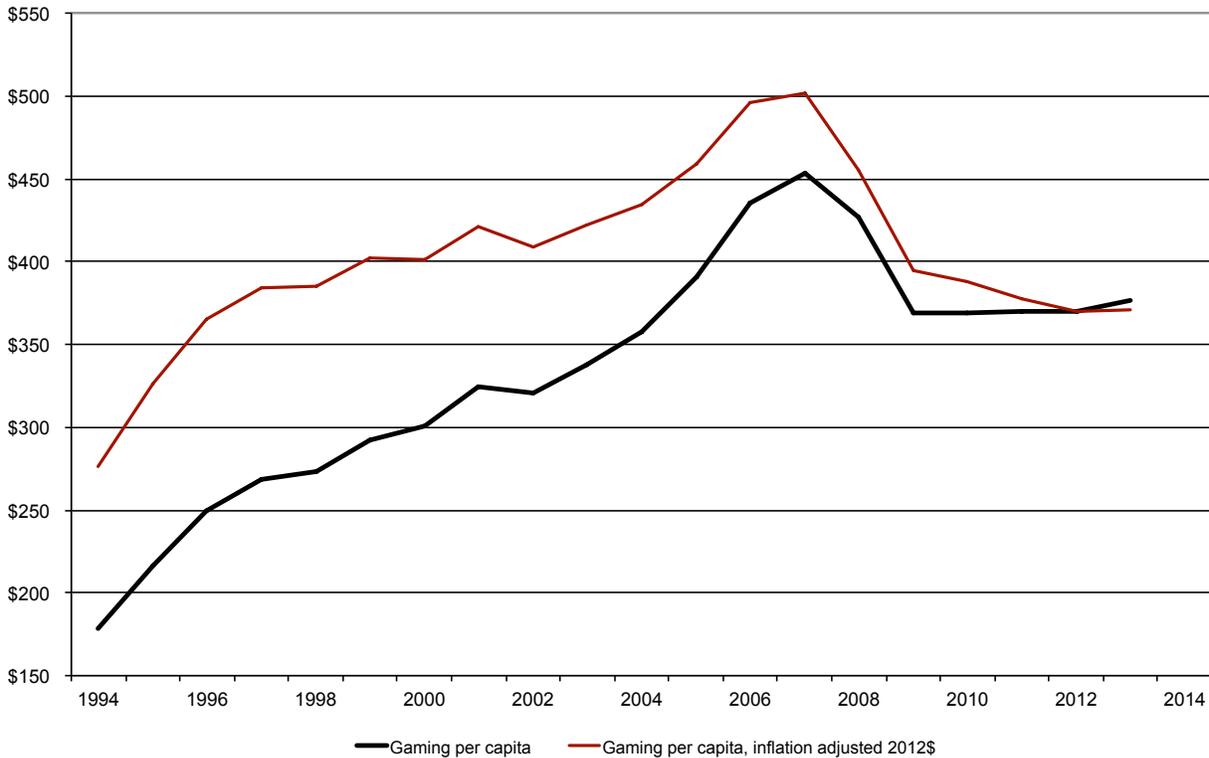
As shown in Figure 7, there was a small increase in 2013 to 0.95 percent. Washington residents also spent 0.95 percent of their person incomes on gaming in 2013.

Figure 7: Share of Oregonians' Personal Incomes Spent on All Types of Gaming, 1994-2013



The average Oregonian increased their spending on gaming steadily between 1994 and 2007, as tribal casinos and the Oregon Lottery grew. Per capita gaming peaked at \$453 in 2007, declined to \$368 in the recession, and has risen to \$377 in 2013. On an inflation-adjusted basis, per capita gaming in 2013 was about the same as back in 1996, as shown in Figure 8.

Figure 8: Oregon Resident per Capita Gaming, 1994-2013



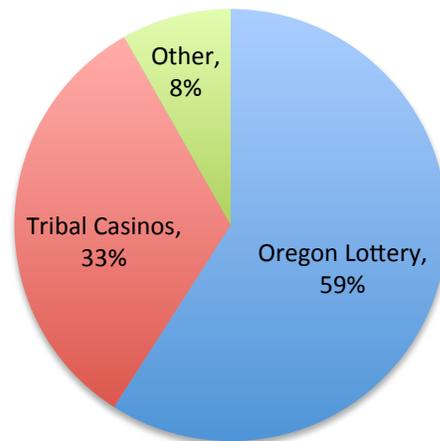
Market Share Analysis

Historically, legal gambling in Oregon was limited to horse and greyhound racing. On April 25, 1985, the Oregon Lottery began. They started selling traditional lottery scratch tickets and, by November that year, expanded to lotto games (Megabucks).

In 1992, the Lottery introduced video poker on the premise that there were ten thousand grey market slot machines in bars and clubs throughout the state. Bettors flocked to the Lottery video poker machines. Attendance at racetracks fell dramatically. Within two years the Oregon Lottery held an 81 percent market share just as tribal casinos emerged.

Over time, tribes increased their share of the market, but always lagged behind the Oregon Lottery, which has a protected competitive advantage being allowed to operate at thousands of locations statewide. 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 2013, the Oregon Lottery had a 59 percent of all the gambling done in Oregon.

Figure 9: Market Shares of the \$1.457 Billion in Gaming in Oregon, 2013

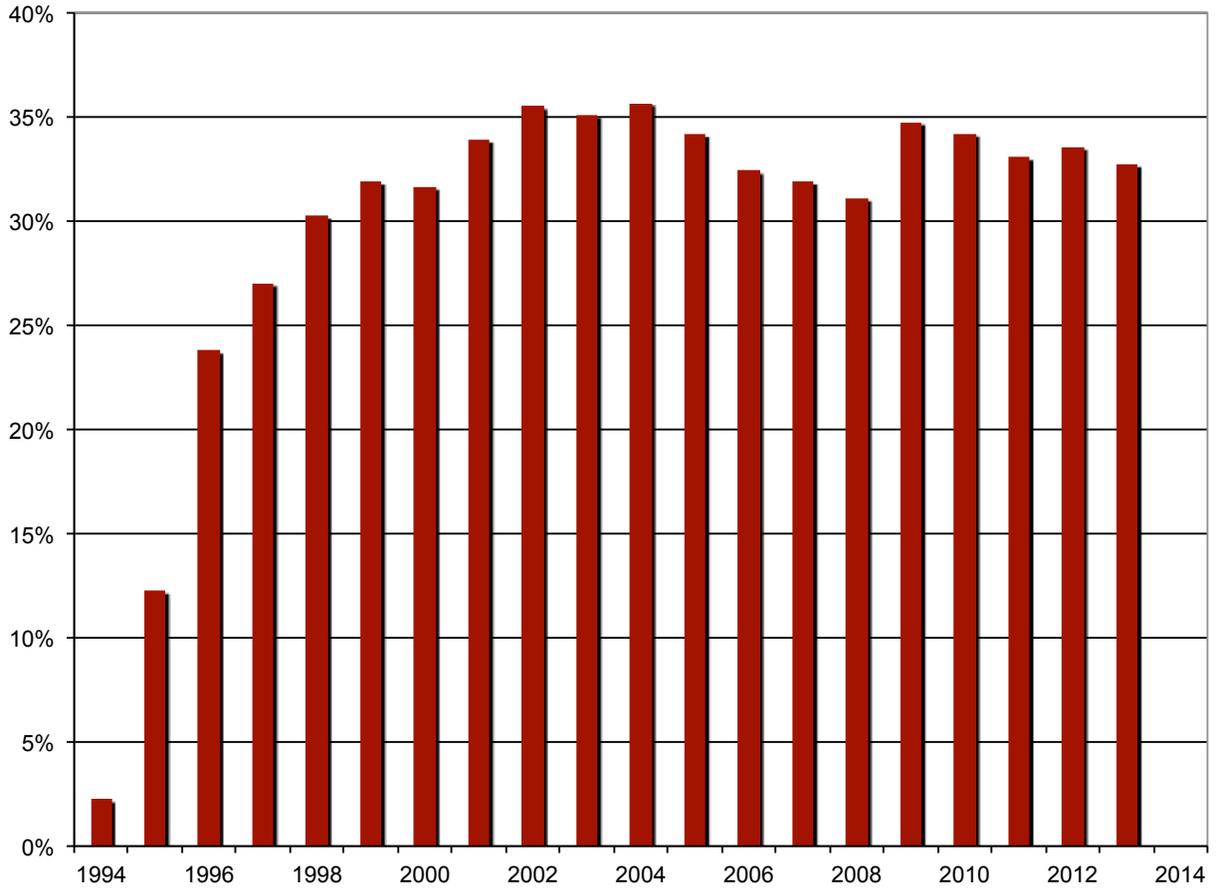


Tribal casinos came onto the market in 1994 when the Cow Creek converted their bingo hall into a small casino followed by a temporary casino opened on the Umatilla Reservation. That year, Oregon tribal casinos had a two percent market share. Other tribes followed suit and by the end of 1995 there were six casinos in the state. They prospered. Tribal casinos became major employers and contributors to rural economies.

The expansion was met strong competition from the Oregon Lottery. The Lottery aggressively expanded geographically. They located video slot machines in bars and restaurants throughout the state and especially in urban area. Tribes could not. The Lottery increased the number of machines in bars from five to six while each Oregon tribe was limited to a predetermined number of machines.

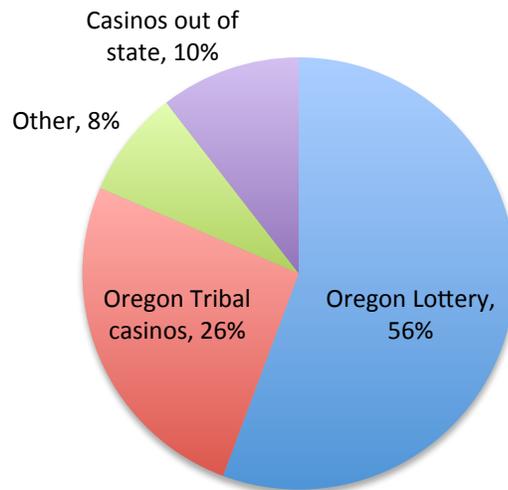
By 2004, the Oregon Lottery had over 10,000 VLTs in over 2,000 places around the state while Oregon tribes had fewer than 6,000 at nine casinos. In addition, the Oregon Lottery added traditional slot machine line games, began accepting larger bills in their machines, increased jackpots, and priced their machines more competitively. Tribal casino market share peaked in 2004. As illustrated in Figure 10, the market share of tribal casinos flattened out. In 2013, tribal casinos accounted for 33 percent of all the gaming done in Oregon.

Figure 10: Tribal Casino Share of the Oregon Gaming Market, 1994-2013



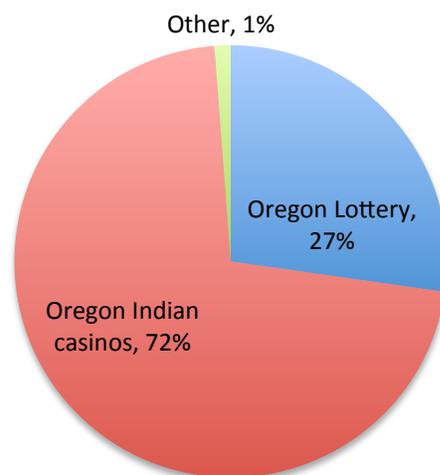
In 2013, Oregonians spent 26 percent of their gaming dollars at the eight tribal casinos in the state. They spent ten percent at casinos in Washington, Nevada, California, Idaho, and elsewhere. But by far, most of the gaming done by Oregonians is on Oregon Lottery products and most notable, VLTs. The Oregon Lottery accounted for 56 percent of all the gaming done by Oregon residents in 2013.

Figure 11: Where Oregonians Spent \$1.48 Billion in Gaming, 2013



Tribal casinos captured 72 percent of the \$133.1 million that non-residents spent gambling in Oregon during 2013. Casinos attracted out of state money to Oregon, much of it to the rural communities where tribes are found. The Oregon Lottery got about 4.2 percent of its revenues from non-residents. That is about \$36.3 million in 2013 or 27 percent of non-resident gambling. All but \$1.1 million of non-resident Oregon Lottery play was on VLTs, especially at establishments in North Portland.

Figure 12: Where Non-Residents Spent \$126.4 Million in Gaming in Oregon, 2013



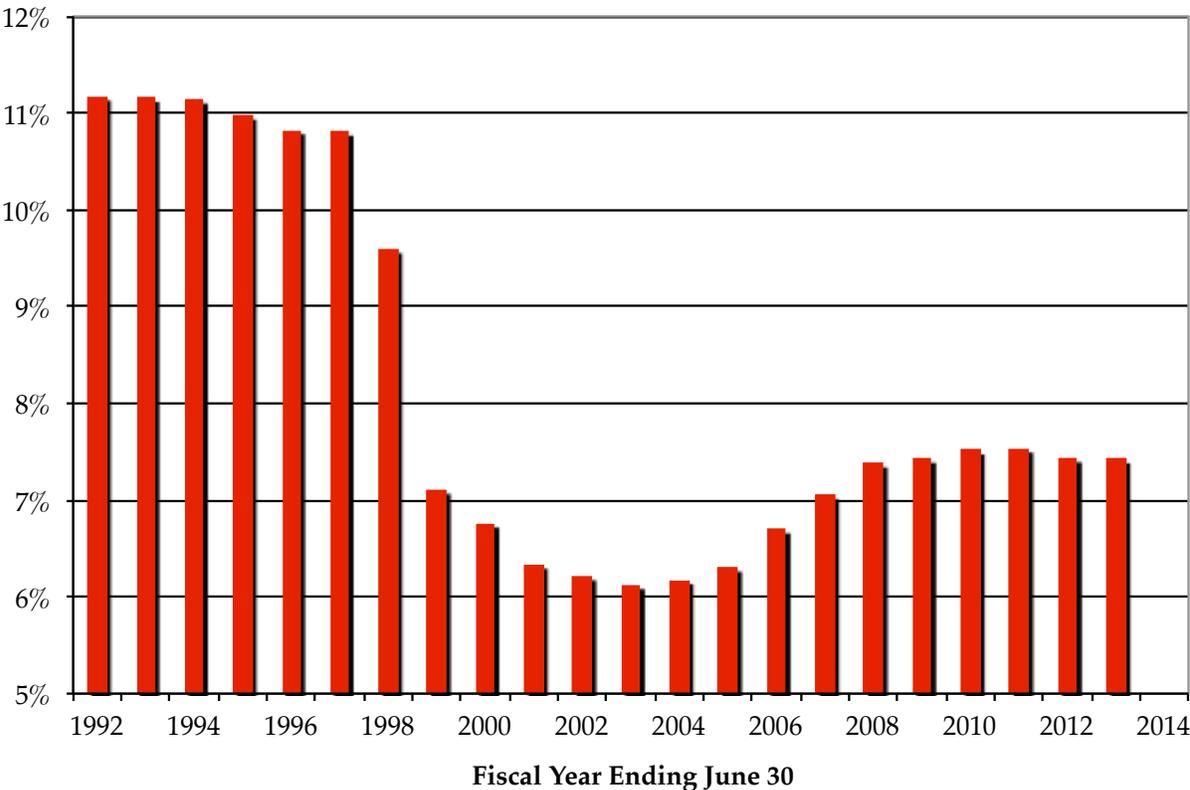
Oregon Lottery in 2013

The Oregon Lottery competes for players by adding new game titles, which it does routinely for scratch tickets and video lottery machines. Occasionally, the Oregon Lottery introduces new games the last of which was Mega Millions in 2010. They also compete for players by changing hold rates.¹³ Low hold rates attract more players.

The Lottery sets a competitive hold rate on its VLTs in competition with other forms of gaming, especially tribal casinos. In the fiscal year ending June 30, 2013, the average Oregon Lottery VLT held 7.43 percent. That is slightly better than the 7.50 percent of Las Vegas Strip casinos during period.

As illustrated in Figure 13, during the first six years Oregon Lottery VLTs, which were all poker machines then, held about eleven percent. Since, hold rates were reduced. In 2013, Oregon Lottery video poker machines averaged 5.6 percent. But only 13 percent of the betting is on video poker. Players prefer line games, which are traditional slot machine style products. Hold rates on Oregon Lottery line games, including VLTs with progressive (large) jackpots, averaged 7.85 percent, which brings the overall average to 7.43 percent.

Figure 13: Average Hold Rate on Oregon Lottery VLTs by Fiscal Year, 1992-2013



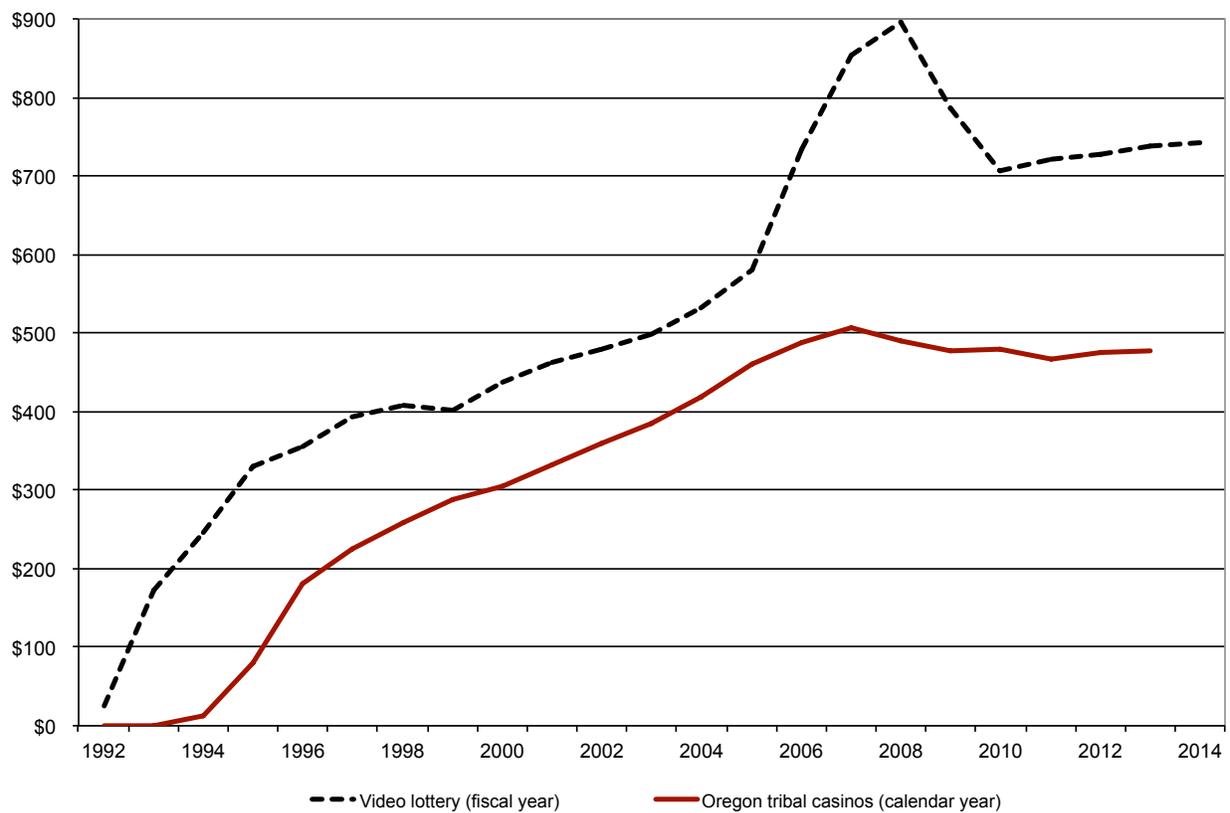
*Note: Fiscal year ending June 30.
Source: Oregon Lottery.*

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

The Oregon Lottery has market advantages that tribes do not have. The most notable is the Lottery’s ability to place VLTs in bars and restaurants, which the owners operate on behalf of the Lottery in exchange for a share of the gross. Furthermore, the Oregon Lottery has a monopoly. No other entity, and certainly no tribe, can locate gaming machines throughout Oregon.

From 1992 through 2004, Oregon VLTs offered video poker. During those years, the VLTs produced about \$100 million a year more in gaming revenues than tribal casinos in Oregon did. As shown in Figure 14, the introduction of line games in 2005 increased video lottery play to a point where annual gaming revenues from VLTs exceeded that of tribal casinos by more than \$300 million. To patrons, Oregon Lottery line games are effectively identical to what they would play on the floor of a casino. The gap narrowed with changes in laws governing bar and restaurant operations, but remains still about \$250 million a year.

Figure 14: Gaming Revenues from Oregon Lottery VLTs versus Oregon Tribal Casinos, 1992-2013



* Note: This figure shows Oregon Lottery revenues by fiscal year ending June 30.
 Source: Oregon Tribal Gaming Alliance, ECONorthwest, and the Oregon Lottery.