

The Contributions of Indian Gaming to Oregon's Economy in 2009

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

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June 24, 2011

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Assignment

ECONorthwest was retained by the Oregon Tribal Gaming Alliance (“OTGA”) to analyze the economic and fiscal impacts of the tribal casino gaming industry. The OTGA is a coalition of nine Indian tribes, each of which owns and operates one casino in Oregon.

OTGA member tribes provided audited operating statistics on their casinos, hotels, and restaurants for this report. The Potlatch Fund — a philanthropic nonprofit — provided information on tribal donations to area charities. 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.

The report describes the size, impact, and events of Oregon tribal gaming in 2009. It is the seventh annual edition and 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 in 2009 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 in 2009 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 2009, all nine casinos had restaurants, seven had hotels, six had RV parks, and some had spas, 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 its worst recession since 1982, as measured by the statewide unemployment rate, which doubled from where it was just two years earlier. Personal income, a measure of the financial wellbeing of Oregonians, fell in 2009 — the first decline in 52 years. The counties where tribes and their casinos are located were particularly hard hit, and tribal gaming operations suffered.

In spite of the serious economic challenges, casinos continued to attract visitors, albeit fewer in 2009 than in the year before. Net revenues were down as well. Although 2009 was a difficult year, tribal gaming still had large impacts on Oregon's economy as revealed in this analysis:

- Tribal gaming directly contributed \$588.2 million in economic output in Oregon and supported another \$123.6 million through support of tribal government. These direct impacts filtered throughout the state, stimulating further employment and economic output.
- When measured in aggregate, nearly \$1.5 billion in economic output in Oregon can be traced back to tribal gaming operations in 2009. This level of economic activity supported 14,415 jobs statewide with a payroll of nearly \$514 million.
- It was nonetheless a difficult year. Casinos saw about 228,000 fewer visitors and sustained about a one percent drop in net revenues. It was the second year in a row of declines.
- In response to the weakness, tribal gaming employment fell by 485 jobs to 5,129 in 2009. The average wage rate rose, but total wages and benefits paid dipped slightly to \$201.9 million.
- Tribal casinos continue to attract greater numbers of tourists. Overnight stays at tribal gaming hotels have increased every year since 2003 and in 2009 casinos saw 56,125 more overnight hotel stays. Out-of-state visitors spent over \$93 million on gaming — an increase of \$1.0 million over 2008 in spite of the recession.
- Reflecting their value as a tourism draw, year-over-year revenue gains were recorded at casino hotels (+11 percent), RV parks (+33 percent), restaurants and bars (+7 percent), and other non-gaming venues (+17 percent).
- Tribal gaming is highly regulated with three layers of oversight: the federal government, the Oregon State Police, and nine tribal gaming commissions. Collectively, over \$14.5 million was spent on tribal gaming regulation in 2009.

- In total, approximately \$157.1 million in earnings from gaming operations were used to pay for tribal government services (\$123.5 million) or distributed to tribal members (\$33.5 million). Since 2003, tribal gaming has provided nearly \$1.2 billion in tribal support.
- Oregon's nine tribes donated over \$7.2 million through community benefit foundations. Although down slightly (-\$124,000) from 2008, these foundations provide grants to area charities throughout the state.
- The economic activity associated with tribal gaming in Oregon accounted for approximately \$32.5 million in tax and fee revenues for the State of Oregon, \$21.1 million to local governments, and \$72.5 million to the federal government. Since 2003, tribal gaming and the economic activity it supports have generated \$248.9 million in tax and fee revenues for the State of Oregon, and \$143.6 million in tax and fee revenues for local taxing jurisdictions.
- During 2009, tribes spent nearly \$34 million on construction at their casino and resort properties. Since 1992, OTGA members spent \$682 million on construction of hotels, casinos, and other resort amenities; all of it in rural portions of the state. The tribes accounted for one out of every five dollars spent building hotel, leisure, and recreation facilities in Oregon over the last 18 years.
- The Oregon gaming market fell \$200.5 million led by a \$178.3 million drop in Oregon Lottery revenues.
- Statewide, a total of \$1,374,308,175 was spent on gaming and \$477,699,059 of that was played at Oregon tribal casinos.
- Tribal casinos had a 34.8 percent share of the market. However, the Oregon Lottery, with its 59.0 percent share, continued its long string of market dominance dating back nearly since its inception in 1985.
- Oregonians reduced their average spending on gaming from \$451.55 in 2007, before the recession, to \$368.75 in 2009.
- The decrease in gaming reflects not only weak employment and incomes, but also a shift towards more conservative spending patterns. In 2009, Oregonians spent 1.02 percent of their personal incomes on gaming — the lowest figure in a decade.

Section 2 **Oregon Casinos and Tribes**

There are nine federally recognized tribal governments based in Oregon and each has one casino. Seven of the casinos also have hotels. Six tribes also operated recreational vehicle (“RV”) parks. In total, the tribes had 1,340 hotel rooms and 603 dedicated RV sites at their casinos by year-end 2009.

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

This section begins with an overview of the casinos in Oregon and a description of their facilities. It is followed by a synopsis of each tribe and concludes with a discussion on annual spending for gaming regulation.

Casinos in 2009

The recession adversely affected the entertainment and leisure spending budgets of consumers. As such, fewer people visited Oregon casinos in 2009, although hotel room demand increased because vacationing tourists stayed closer to home to save money.

In reaction to the weak gaming market, tribes reduced their capital spending. There were no casino expansions in 2009 and few changes to gaming capacity. Some tribes did add dining and lodging capacity, but these were completions of long-term projects that began well before the recession.

Overnight stays at the casino properties increased, as the expanded resorts were able to accommodate more visitors, especially in the peak summer months and weekends. Tribes also discounted room rates to boost occupancies. The average room night sold for \$89.50 in 2009 compared to \$96.74 in 2008.

Visitors spent more on lodging and food in 2009, but less on gaming. This shift to non-gaming revenues sources is a phenomenon shared with gaming elsewhere in the county — most notably in the Las Vegas market. It is a reflection of a more value-conscious, recession-affected consumer.

For Oregon tribes, this change in consumer behavior is problematic. Casinos work on narrow, even negative, operating margins on food, beverage, and lodging sales. As such, the decline in gaming relative to other sources of revenues during 2009 has put financial pressure on tribal governments and their members.

Table 1 lists the names, locations, tribal ownerships, opening dates, and the number of hotel rooms and RV sites, as of December 31, 2009.¹

Table 1: A Summary of Oregon Casinos, Year-End 2009

Casino	City	Tribe	First Opened	At Year-End 2009	
				Hotel Rooms	RV Sites
Chinook Winds	Lincoln City	Confederated Tribes of Siletz Indians	May 1995	227	142
Kah-Nee-Ta	Warm Springs	Confederated Tribes of Warm Springs	May 1995	170	51
Kla-Mo-Ya	Chiloquin	The Klamath Tribes	July 1997	-	-
Old Camp	Burns	Burns Paiute Tribe	August 1998	-	17
Seven Feathers	Canyonville	Cow Creek Band of Umpqua Tribe of Indians	April 1992*	298	191
Spirit Mountain	Grand Ronde	Confederated Tribes of Grand Ronde	October 1995	250	-
The Mill	North Bend	Coquille Indian Tribe	May 1995	203	102
Three Rivers	Florence	Confederated Tribes of the Coos, Lower Umpqua & Siuslaw Indians	June 2004	93	-
Wildhorse	Pendleton	Confederated Tribes of the Umatilla Indian Reservation	Nov. 1994	99	100
Total Lodging at Tribal Casinos				1,340	603

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

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

The initial gaming compacts limited tribes to only one type of casino table game—blackjack. In January 1997, the Grand Ronde negotiated a change that allowed them to install roulette, craps, and other casino table games in exchange for funding a charitable foundation with a share of the casino’s profits. Since then, the Coos, Lower Umpqua, and Siuslaw, the Siletz, Cow Creek, Coquille, and Umatilla have amended their compacts similarly.

ECONorthwest estimates there were 9,685,292 unique patron visits to Oregon casinos in 2009. The tribal RV parks accommodated 82,360 overnights visits and 344,054 hotel room nights were sold. Average annual occupancy rates for the RV parks and hotels were 37.4 percent and 76.8 percent, respectively.

Casino Capacity

The nine casinos had 7,445 VLTs at the end of 2009 compared to a substantially larger number of machines operated by the Oregon Lottery — 12,342. Tribal casinos had 124 house-banked table games (*e.g.*, blackjack, craps, roulette), 38 poker tables, and 2,184 seats in five bingo halls. Five casinos also offered keno, which competed against keno games available at 3,259 Oregon Lottery retailers across the state. All nine casinos had full-service restaurants and together had seating capacity for 4,682 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 2009

Gaming Venue in Oregon	VLTs	Table Games	Poker Tables	Bingo Seats	Keno Wagering Outlets	Restaurant & Lounge Seating
<u>Tribal casinos</u>						
Chinook Winds	1,121	26	7	1,200	1	1,051
Kah-Nee-Ta	306	6	2	-	-	330
Kla-Mo-Ya	374	6	-	-	-	115
Old Camp	110	-	-	-	-	69
Seven Feathers	1,356	20	6	334	1	829
Spirit Mountain	1,940	33	15	400	1	954
The Mill	729	10	2	-	-	404
Three Rivers	700	11	3	125	1	470
Wildhorse	809	12	3	125	1	460
Total Tribal Gaming	7,445	124	38	2,184	5	4,682
<u>Non-Tribal Gaming:</u>						
At lottery retailers	12,342	-	-	-	3,259	-

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

During 2009 there was little change in gaming capacity at the tribal casinos with a net increase of 58 VLTs and single-digit declines in both table games and poker. In contrast, the Oregon Lottery added 51 video lottery retailers and installed a net increase of 245 more VLTs across the state. Keno games were expanded to an additional 291 retailers.

Table 3: Change in Gaming Capacity, 2008 – 2009

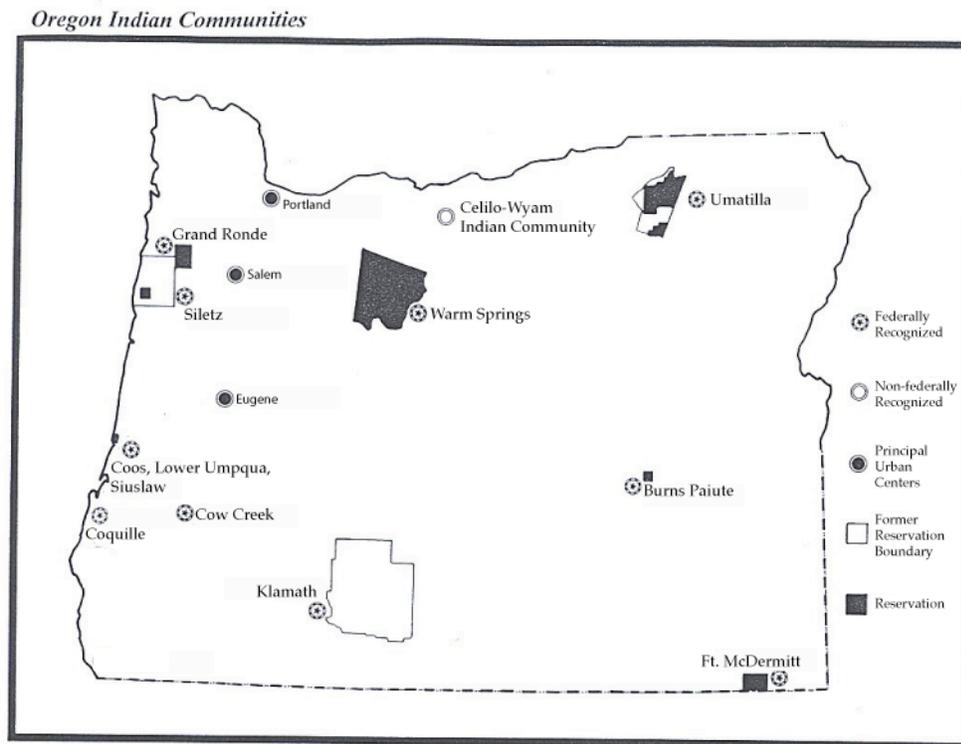
Gaming Units in Oregon	2008	2009	Change
<u>At Tribal Casinos:</u>			
VLTs	7,387	7,445	58
Table games	130	124	(6)
Poker tables	43	38	(5)
Bingo seats	2,184	2,184	-
<u>Oregon Lottery:</u>			
VLTs	12,097	12,342	245
Video lottery retail sites	2,324	2,375	51
Keno game retail sites	2,968	3,259	291

Sources: Tribal reports and the Oregon Lottery.

Tribes in Oregon

Figure 1 is a map showing the principal locations of the nine federally recognized tribes based in Oregon. They are in rural parts of the state in communities ranging in population from 720 to 17,545. Beside the areas noted on this map, most tribes have land parcels that are not contiguous to these principal locations.

Figure 1: Tribes in Oregon



Sources: ECONorthwest and the Oregon Directory of American Indian Resources.

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 Fort McDermitt and Celilo-Wyam Indian Community are included in Figure 1.

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 small cities of Burns and Hines, which have a total population of 4,895. It is Oregon's smallest casino and in 2009 discontinued offering blackjack, although the game was reintroduced recently because of public interest.

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.

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 2832.

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 Nixyaawii 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 Tamastlikt Cultural Institute and the Arrowhead Travel Plaza providing additional attractions and services to Wildhorse patrons. Wildhorse draws 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 is undergoing an expansion that will be completed by September 2011, which includes a 10-story 202-room hotel, five screen cinema, swimming pool, expanded casino, 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.

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 35 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 2009, tribes spent nearly \$13 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 2009, the tribes paid nearly \$1.3 million to the Oregon State Police to fund the tribal gaming section. Gaming equipment companies paid about \$350,000. 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 \$268,118 in fees to support the NIGC’s work.

A statewide total of almost \$20 million was spent on gaming regulation. Of this total \$14,845,312 was paid for by the nine tribal casinos. The Oregon Lottery spent \$3,194,002 on regulatory costs. Charitable gaming and horse racing activities spent about \$1.9 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, 2009

Type of Gaming in Oregon	2009
<u>Regulation fees paid by tribes:</u>	
Oregon State Police (OSP) tribal gaming section	\$1,261,542
Nine tribal gaming commissions	12,964,398
National Indian Gaming Commission	268,118
Paid by Oregon Tribes	\$14,494,058
OSP fees paid by gaming equipment vendors	351,254
Total casino regulatory costs	\$14,845,312
<u>Oregon Lottery:</u>	
Oregon State Police contract	\$2,376,332
Security services	643,175
Other lottery security expenses	174,495
Total OR lottery regulatory costs	\$3,194,002
Charitable bingo, raffles & fundraisers	\$520,129
Horse racing	1,408,046
Total Gaming Regulation	\$19,967,488

** Note: Oregon lottery costs are an average of the state fiscal years ending June 30, 2009 and June 30, 2010.*

Section 3 **Oregon Impacts**

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

- Stable employment for thousands of workers.
- Returns from casinos are used to fund essential tribal government jobs and services; pay for improvements to local infrastructure; and support healthcare, housing, and education programs.
- For tribal members, casinos have meant less poverty, more employment, better standards of living, and less reliance on state and federal assistance.
- For Oregon, tribal gaming has emerged as a catalyst for tourism.
- Casinos are a major source of jobs that pay above average wages and often include health insurance, retirement plans, and other benefits. Casino employees include tribal and non-tribal members. Most casino workers live in rural Oregon.

This section begins with a brief description of the methodology used to measure economic impacts. It is followed by an analysis of 2009 tribal gaming revenues, expenditures, and employment. These direct measures of economic activity drive subsequent downstream impacts. This section then offers a summary of the economic and fiscal impacts of tribal gaming in 2009, and concludes with an evaluation of the changes in gaming and its economic impacts between 2003 and 2009.

Economic Impact Analysis

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

Methodology

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

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

The most widely used input-output modeling software is called IMPLAN, which is an acronym for “Impact analysis for PLANning”.¹⁰ For this analysis, ECONorthwest used the IMPLAN modeling software to build a model of the Oregon economy in 2009. Economic impacts are measured in terms of output, wages, and jobs. *Output* is the broadest measure of economic activity. It is the total value of production. For casino-hotels, output is primarily gaming revenues, lodging, and restaurant sales. However, for retail items, output is the difference between sales and the cost of goods sold. *Wages* are total payments to workers including benefits such as health insurance, life insurance, and retirement accounts. *Jobs* include both full- and part-time jobs.

Stages of Impacts

Economic impacts from tribal gaming are felt at three stages or steps that are measured by IMPLAN for the Oregon economy:

- **Direct impacts** include the output and employment of the nine tribal casinos and their related businesses, such as hotels, golf courses, and restaurants. In addition, because gaming revenues are used to help finance tribal government activities, the direct impacts also include the output, jobs, and wages of tribal government activities that are financed by the casinos.
- **Indirect impacts** describe the effects on industries that supply tribal casinos and tribal governments with goods and services. For example, when an Oregon casino hires a local contractor to install carpeting, the amount paid is an indirect output. Furthermore, when that contractor, in turn, buys carpet from a store in Roseburg, that purchase also contributes to the total indirect output, as does the extra work done by the contractor and store clerk. Indirect impacts can go back many steps from the originating direct source, albeit their size diminishes considerably as they do.
- **Induced impacts** are from the additional income and purchasing power for casino and tribal government employees, as well as for businesses affected by tribal gaming and government operations. In the previous example, the extra wages of the carpet installer and store clerk along with the additional profits of their employers cause incomes in Oregon to rise. So too do the wages earned by casino workers. When all this money is spent in Oregon, it stimulates downstream impacts on the economy. These are income-induced impacts and they are often quite large.

¹⁰ IMPLAN was initially developed by the U.S. Department of Agriculture in cooperation with FEMA and the Bureau of Land Management to assist federal agencies in their land and resource management planning. Since 1993, the Minnesota Implan Group, Inc. has been maintaining IMPLAN and updating the data used in the models.

Adapting IMPLAN to Fit the Actual Spending Pattern of Oregon Casinos

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

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

Caveat

The analysis reveals the gross impacts of tribal gaming and the associated government spending. These are all of the impacts that can be traced back to the original spending by the tribes in 2009 that came from gaming, regardless of what spending would have occurred had the casinos not existed. In other words, all impacts linked to tribal gaming are reported without netting out possible substitution effects, such as the loss of an overnight stay at a non-casino hotel because a guest chooses to stay at a tribal casino hotel instead. As a result, the economic impacts presented in this report are a measure of the economic contributions of the tribes in Oregon.

Tribal Operations in 2009

Tribal Gaming

Table 5 is a summary of the tribal gaming industry’s revenues and expenses in 2009. Visitors spent about \$477.7 million on gaming, which is less than in 2008. However, people spent more for hotel stays, food and beverages, and other purposes. To help capture that business, tribes offered discounts and more complementaries (discounts and free goods and services). In total, net revenues were \$574.2 million or down only \$3.4 million from last year.

Table 5: Revenues and Selected Expenditures by Tribal Casinos in Oregon, 2009

Revenues and Expenditures	2009
Revenues	
Gaming	\$477,699,059
Food & beverage sales	60,188,405
Hotels & RV parks	32,378,487
Gift shops, recreation & other	17,950,129
Less complimentary goods & services	(14,026,376)
Total Net Revenues	\$574,189,704
Selected Expenditures	
Labor	\$201,922,276
Utilities	9,034,000
Advertising, marketing, & entertainment	49,062,742
Cost of goods sold	36,651,763
Repairs & maintenance	3,414,685
Supplies	7,633,446
Professional services	4,062,447
Other operating expenses	45,971,927
Charitables & community benefit funds	7,672,953
Construction & equipment purchases	47,048,974
Tribal govt. services & member support	157,121,280

Source: Tribal reports.

Responding to the weak economy, tribal casinos increased certain expenditures while reducing others. As part of their efforts to attract more visitors tribes increased their advertising, marketing, and entertainment budgets by 3.2 percent to almost \$49.1 million. Largely due to higher food and beverage sales to induce more visits, costs of goods sold rose 1.9 percent in 2009 to \$36.7 million. Utility costs increased as well, reflecting higher kitchen use and some electricity rate increases.

Spending on other categories decreased, including labor (-0.5 percent), repairs and maintenance (-17.5 percent), professional services (-10.4 percent), and construction and equipment (-43.1 percent). Casinos defrayed some capital spending in light of difficult market conditions and to help buffer their tribes from the full consequences of a weak economy. In 2009, financial support of tribal government and member services by gaming declined \$16.3 million to \$157.1 million.

Hotel casinos are labor intensive. As a result, payroll is their largest single cost. Table 6 provides additional details for the labor costs of tribal casinos in Oregon in 2009.

Table 6: Wages, Taxes, and Benefits Paid by Tribal Casinos and Employees, 2009

<u>Labor Statistics</u>	<u>2009</u>
<u>Casino Labor Costs</u>	
Compensation	\$145,826,980
Payroll taxes	\$14,334,565
Healthcare benefits	\$29,219,085
Retirement, other benefits and compensation	\$12,541,646
Total paid by casinos	\$201,922,276
Avg. number of employees	5,129
<u>Per Employee</u>	
Wages	\$28,432
Benefits and taxes paid by casinos	\$10,937
State & federal income and social insurance taxes	\$5,471

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

Tribal gaming operations employed an average of 5,129 workers. This was 485 less than in 2008. However, the average wage rose from \$27,683 to \$28,432. The increase of 2.7 percent was higher than the average Oregon worker, whose annual wage rate grew just 0.6 percent in 2009. To put average annual wages at tribal gaming operations into perspective, this is approximately 72 percent higher than the statewide average wage for workers in the leisure and hospitality industry.¹¹

Tribal gaming also provides employees with substantial benefits packages. As shown in Table 6, tribes spent paid over \$29.2 million for employee healthcare and \$14.3 million for payroll taxes. Employees themselves paid, on average, \$5,471 in Social Security, Medicare, and state and federal income taxes on their wages. Collectively, all tribal gaming employees paid \$28.1 million in such taxes in 2009.

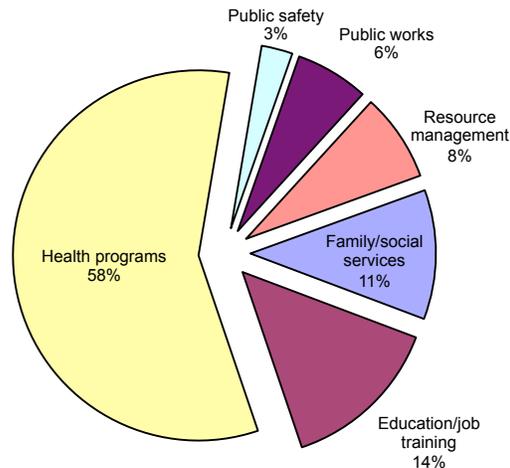
Tribal Government Support

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

After paying operating expenses, capital costs and debt service, tribal gaming generated almost \$157.1 million in revenues in 2009 that were used to support tribal government programs or distributed to tribal members. Most of the revenues (\$123.6 million or 78.7 percent) went to tribal government programs. The remainder (\$33.5 million) was distributed to tribal members. Figure 2 shows how the \$123.6 million in gaming revenues were allocated to major programs offered by tribal governments.

¹¹ Covered employment data for 2009 from Oregon Labor Market Information System at www.olmis.org

Figure 2: The Allocation of Tribal Gaming Revenues to Tribal Government Programs, 2009



Healthcare is the largest tribal government program that casinos revenues help support. About 58 percent of the \$123.6 million in gaming revenues transferred to tribal governments was used to provide healthcare services. Gaming revenues were also distributed to other essential tribal government services, such as family and social services (11 percent), education and job training (14 percent), public works projects (6 percent), and public safety (3 percent). In addition, tribal governments allocated 8 percent of the transferred gaming revenues to resource management programs, and, thereby, continued with their commitment to both environmental and economic development goals.

It is important to understand how recessionary factors affected tribal government spending in 2009. According to the Business Cycle Dating Committee of the National Bureau of Economic Research, the national recession (dubbed the “Great Recession” because of the scale of economic decline) officially began in December 2007 and ended June 2009.¹² By most key measures, Oregon has struggled.

Facing a tough economy, tribal gaming operations increased their marketing efforts at considerable expense. Although fewer visitors came and those that did gambled less, spending on food, lodging, and entertainment actually rose in 2009. These, however, are at best low margin or even loss leading products for casinos. With operating costs rising, margins falling and revenues down, gaming operations made less income for tribal government and membership.

¹² See the Business Cycle Dating Committee September 2010 report at <http://www.nber.org/cycles/sept2010.html>

Results of the Impact Analysis

The economic impacts associated with tribal gaming in 2009 are shown in Table 7. The direct impacts originate from two inter-related activities: 1) tribal casino operations, including gaming, lodging, food and beverage sales, and all other sales; and 2) the additional tribal government spending made possible because of funding from tribal gaming. These direct economic impacts are shown in the first three rows of Table 7.

Table 7: Economic Impacts of Tribal Gaming in Oregon, 2009

<u>Economic Activity</u>	<u>Economic Output</u>	<u>Wages and Benefits</u>	<u>Full- and Part-Time Jobs</u>
<u>Direct Impacts</u>			
Gaming and Hospitality	\$588,216,100	\$201,922,300	5,129
Tribal Needs Supported by Casinos	\$123,647,500	\$49,607,900	892
Direct Impacts	\$711,863,600	\$251,530,200	6,021
<u>Indirect and Induced Impacts</u>			
Natural Resources and Construction	\$52,855,500	\$17,628,400	531
Manufacturing	54,793,900	8,234,100	177
Wholesale and Retail Trade	98,813,000	41,822,800	1,348
Services	432,794,800	154,238,100	5,145
Other	165,777,600	40,509,200	1,193
Indirect and Induced Impacts	\$805,034,800	\$262,432,600	8,394
Total Impacts	\$1,516,898,400	\$513,962,800	14,415

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

Most of the direct economic impacts are attributed to tribal gaming operations. Gaming operations directly generated \$588.2 million in economic activity, including \$201.9 million in wages and benefits, and 5,129 full- and part-time jobs. Gaming operations also underwrote tribal government programs that resulted in \$49.6 million in wages and benefits, and 892 full- and part-time jobs.

The second section of Table 7 shows the combined indirect and induced impacts, by major industry sector, to highlight the tendency of tribal spending to have major ripple effects on jobs and incomes for workers and business owners in other Oregon industries. The service sector — Oregon's largest — benefited the most from tribal gaming and government spending in 2009, with approximately \$432.8 million in output, \$154.2 million in wages, and 5,145 jobs. This is important because the service sector encompasses a wide range of occupations, from waiters and landscapers to doctors and attorneys.

Other sectors that benefit significantly from tribal gaming are wholesale and retail trade, and construction. Tribal gaming, and the government activities it supports, generated \$98.8 million in output, \$41.8 million in wages and benefits, and 1,348 jobs for workers and business owners in the state's wholesale and retail trade sectors in 2009. In addition, spending on tribal gaming and tribal government programs affected construction. In 2009, the benefits to workers in construction-related industries amounted to \$17.6 million in wages and 531 jobs. These impacts, however, have fallen for two straight years as tribes cut back on capital spending — down 22.9 percent in 2008, and as previously cited, 43.1 percent in 2009.

The “other” sector as shown in Table 7 accounts for about 14 percent of the indirect and induced employment impacts. Most of those jobs were in the professional services, personal services, financial, and real estate, industries that benefit from tribal gaming primarily as a result of employee spending. Workers in Oregon spend over 29 percent of their incomes on housing.¹³ Dollars earned by tribal employees flow directly into home furnishings, rents, and remodeling projects — and ultimately into property taxes for local schools and communities.

The “other” sector also includes utility purchases. Casinos are heavy users of electricity and water because they cater to so many visitors; use significant amounts of electrical equipment; have large floor spaces with extensive heating and ventilation requirements; and are generally open 24 hours a day.

In 2009, the combined direct and secondary contributions of tribal gaming and government spending totaled \$1.5 billion. This included \$514 million in wages and benefits, and 14,415 jobs.

Total net gaming revenues and monetary support of tribal government declined slightly in 2008. Both continued to decline in 2009, with total net gaming revenues falling by \$3.4 million (-0.6 percent) and monetary support of tribal government programs and tribal members falling by \$16.3 million (- 9.4 percent). As a result, tribal gaming and tribal government employment supported by gaming revenues decreased by 530 jobs (-8.1 percent) in 2009.

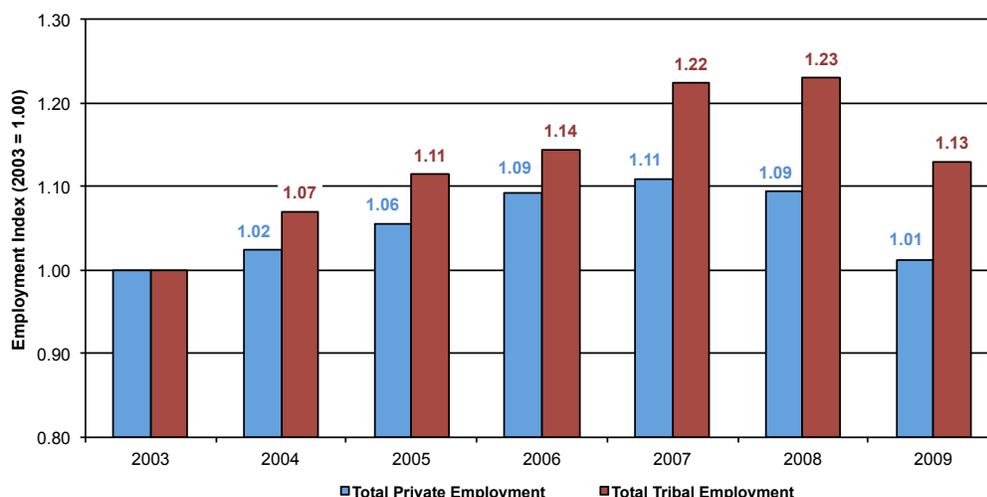
With decreased revenues, spending, payroll and employment, the secondary impacts associated with tribal gaming and tribal government programs supported with gaming revenues also declined in 2009. Total secondary employment impacts in 2008 were 8,932 jobs. In 2009, total secondary employment impacts amounted to 8,394 jobs, representing a 6 percent decline. Much of this decline was absorbed by the state’s construction sector.

Spending on tribal gaming and tribal government programs generated 14,415 jobs in Oregon in 2009. This represents a decrease of 1,068 jobs (-6.9 percent) from the previous year.

A continuing theme throughout this section of the report is to evaluate the economic and fiscal impacts within the recessionary environment of 2008 and the slow economic recovery that started in late 2009. Figure 3 shows how tribal employment compares with private state employment over the 2003 – 2009 period. (For comparison purposes, an employment index has been created that compares employment levels to 2003 employment levels.)

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

Figure 3: Comparison of Oregon Private Sector Employment and Tribal Employment, 2003 – 2009 (employment indexed to 2003 levels)



Sources: Total private employment based on covered employment data from Oregon Labor Market Information System (OLMIS). Tribal employment data provided by tribes.

Figure 3 clearly shows that tribal employment growth has generally exceeded employment growth in the private sector between 2003 and 2009. Even with the decline in tribal employment in 2009, tribal employment increased by 13.0 percent while private sector employment in Oregon increased 1.2 percent between 2003 and 2009.

As the preceding discussion and the last row in Table 7 illustrate, tribal spending has a *multiplier effect* on the state’s economy as spending originally attributed to tribal gaming and government activities circulates to workers and business owners in other parts of the economy. The multiplier effect describes the linkages between tribal activities and the Oregon economy—the larger the multiplier, the greater the linkages. This multiplier effect can be calculated mathematically across all impact measures by dividing the total impacts by the direct impacts.¹⁴

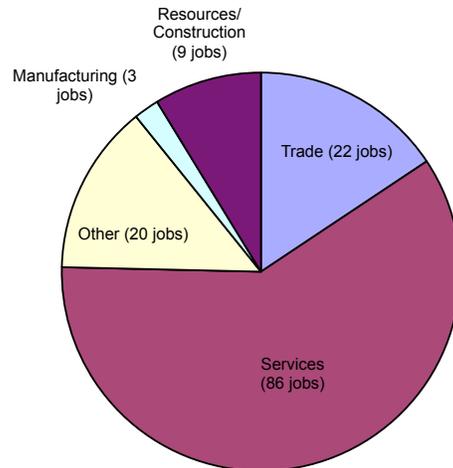
The resulting number can be used to gauge the economic linkages between tribal activities and the rest of the economy. For example, the employment multiplier for tribal activities is 2.4 (14,415 total jobs divided by 6,021 direct jobs). The economic multipliers for tribal gaming operations in Oregon are discussed below for each impact measure:

- **The output multiplier equals 2.1.** On average, every \$1 million in tribal activities generates another \$1.1 million in output in other sectors of the Oregon economy.
- **The wage multiplier equals 2.0.** Every \$1 million in wages paid by the tribes leads to, on average, additional economic activity that generates another \$1.0 million in wages for workers in other sectors of the Oregon economy.
- **The employment multiplier equals 2.4.** Thus, on average, every 100 tribal jobs are linked to another 140 jobs in other sectors of the Oregon economy.

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

Figure 4 shows the multiplier effect arising from 100 tribal jobs. With an employment multiplier of 2.4, every 100 tribal jobs are associated with another 140 jobs in other sectors of the Oregon economy and in a wide range of sectors.

Figure 4: Job Impacts in Oregon, by Sector, Associated With 100 Tribal Gaming Jobs (the “Multiplier Effect”), 2009



The state’s service sector receives the majority of the employment multiplier effects, with 86 service jobs for every 100 tribal jobs. The state’s retail and wholesale trade sector benefits with 22 jobs for every 100 tribal jobs.

Fiscal Impacts

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

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

The greatest fiscal impact associated with Oregon tribes comes in the form of income taxes paid by casino and tribal government employees, tribal members, and non-tribal workers and businesses who subsequently benefit from gaming. In 2009, tribal gaming and the economic activity it creates generated approximately \$21.1 million in income tax revenues for the State of Oregon. This represents 65 percent of the total \$32.5 million in revenues generated for the State of Oregon by tribal gaming and government activities.

Table 8: Tax and Fee Revenues Associated with Oregon Tribal Gaming and Government Activities, 2009

<u>Jurisdiction/Source</u>	<u>Amount</u>
<u>State of Oregon</u>	
State personal & corporate income tax	\$21,067,600
Other state taxes, fees & licenses	11,406,300
Total State Revenues	\$32,473,900
<u>Local Governments in Oregon</u>	
Local property taxes	\$16,720,300
Other local taxes, fees & licenses	4,429,400
Total Local Revenues	\$21,149,700
<u>U.S. Federal Government</u>	
Federal personal & corporate income tax	\$39,282,200
Excise & retirement taxes	33,228,700
Total Federal Revenues	\$72,510,900
Total All	\$126,134,500

Tribal activities also benefit local taxing jurisdictions in this state. In 2009, the economic activity associated with tribal gaming and government spending generated approximately \$21.1 million in revenues for local governments. In total, tribal gaming and government activities in Oregon generated \$126.1 million in revenues for local, state, and federal governments. This is a 9.9 percent decrease from the previous year.

Recent Trends

This section of the report looks at trends in tribal operations, and economic and fiscal impacts over the seven year, 2003 - 2009 time period. It starts by examining trends in casino visitation, revenues, and expenditures. It then shows the important role that tribal gaming has in providing funding for tribal government programs and tribal members. It concludes by evaluating the economic and fiscal impacts associated with tribal gaming and government activities.

Gaming Operation Trends

Visitation statistics are reported in the top two rows of Table 9. In 2009, tribal casinos saw over 9.6 million unique visitors in 2009 — a 2.3 percent decrease from the previous year. However, more guests stayed at tribal casino hotels. Room nights sold rose by 56,125 and totaled 344,054. The improvement in hotel operations was due to more rooms being available throughout 2009, lower average room rates, and an apparent increase in “stay-at-home gaming” by players who, in better economic times, would have flown to Las Vegas to gamble.

Table 9: Tribal Gaming Visitation, Revenues, and Expenditures, 2003 – 2009*

	2003	2004	2005	2006	2007	2008	2009
Visitation							
Casino (Est. Unique Visits)	8,102,578	8,600,599	8,866,809	9,716,658	9,778,825	9,913,247	9,685,292
Hotel Room Nights	169,558	212,881	241,738	272,067	280,176	287,929	344,054
Gross Revenues							
Gaming	\$384,192,000	\$419,599,000	\$459,689,000	\$487,155,000	\$507,622,000	\$489,935,100	\$477,699,100
Food & Beverage	41,672,000	45,633,000	49,082,000	52,544,000	54,935,000	56,261,300	60,188,400
Hotel, Lodging & RV	14,783,000	18,254,000	21,021,000	24,774,000	27,736,000	27,854,600	30,794,000
Other	13,098,000	15,552,000	16,393,000	15,687,000	16,493,000	15,356,900	19,534,700
Less complementaries	(6,050,000)	(6,629,000)	(7,973,000)	(14,205,000)	(10,042,000)	(12,995,000)	(14,026,400)
Total Net Revenues	\$447,695,000	\$492,409,000	\$538,212,000	\$565,955,000	\$596,744,000	\$576,412,900	\$574,189,800
Major Expenditures							
Labor	\$162,935,000	\$174,161,000	\$185,588,000	\$193,951,000	\$201,897,000	\$202,899,000	\$201,922,300
Operating & Other	127,528,000	128,761,000	149,733,000	162,096,000	183,895,000	204,054,300	192,984,100
-Donations/Contributions	7,713,000	8,088,000	9,079,000	9,698,000	9,349,000	7,904,900	7,673,000
-Fees to S&L Govt	1,987,742	4,872,526	4,864,000	2,247,000	2,309,000	3,839,224	2,221,200
Construction/New Equipment	42,124,000	56,735,000	28,513,000	65,800,000	107,170,000	82,662,468	47,048,974

* Note: ECONorthwest revised casino visitation data from previous reports. The data shown here are estimates of unique visitors, which is defined as a customer that drives to a casino. Earlier data appeared to count persons walking into casinos, which results in over-counts especially at properties where patrons often walk in and out of a casino multiple times on one visit day.

Over the past two years, casinos kept labor costs nearly steady at \$202 million while their revenues declined. This had created financial strains. Tribal gaming operations reduced expenditures in 2009 and cut capital spending in response to the challenge.

In 2009, tribal casinos managed to increase occupancies by 7.1 percent, but did so through lower average daily room rates. Patrons spent more per visit overall, but less on gaming and took advantage of more complementary goods and services. The data, shown on Table 10, are indicative of a competitive market and challenging times. Consumers are more risk adverse, wagering less money, and yet seek an entertaining, local alternative from travel to Las Vegas and other more costly destinations.

Table 10: Hotel-Casino Operating Averages, 2008 and 2009

Parameter	2008	2009	Change
Hotel:			
Est. Occupancy Rate*	69.7%	76.8%	7.1%
Average Daily Rate	\$96.74	\$89.50	(\$7.24)
Per Casino Visitor:			
Gaming	\$49.42	\$49.32	(\$0.10)
Food & Beverage	5.68	6.21	0.54
All Lodging	2.81	3.18	0.37
Other	1.55	2.02	0.47
Complimentaries	(1.31)	(1.45)	(0.14)

* Occupancy rate based on estimated number of rooms available.

Tribal Government Support Trends

After deducting expenses, making contributions, and paying debt service, most of what remains from gaming operations goes to tribal governments. Gaming revenues are a critical source of tribal support and historically this support had been increasing, although it has declined since the recession.

In 2009, approximately \$157.1 million in gaming revenues went to support tribal government programs or were distributed to tribal members. This, however, represents a \$16.3 million decrease (-9.4 percent) from 2008 and largely reflects the recession, market competition, and the difficulties balancing tribal social needs with that of maintaining gaming operations, which require ongoing capital investment and marketing to remain successful.

Despite the drop in gaming revenues transferred to tribal government programs and tribal members in 2009, the history of tribal gaming as an important economic development engine for the tribes is undeniable. Table 11 shows the annual and cumulative gaming revenues transferred to the tribes. Over the last seven years, almost \$1.2 billion in gaming revenues has been used to build or improve health clinics, housing, youth and cultural centers; provide medical and social services; pay for job training services and education programs ranging from Head Start to college scholarships; and increase the standard of living of tribal members.

Table 11: Tribal Gaming Revenues Used to Support Tribal Government Programs and Tribal Members, 2003 – 2009

Year	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
Total	\$1,199,494,000

Oregon tribal governments have plans for continued investments in social programs, economic development projects, and infrastructure. These investments will help to improve local communities, as well as enhance the economic conditions of tribal members, employees, and their families for years to come. Much of this spending, however, is dependent on the success of the tribes’ major economic development program—tribal gaming.

Economic Impact Trends

Table 12 shows how changes in the economic fortunes of tribal gaming operations and their ability to fund tribal government has affected their direct and total economic impacts on Oregon.

Table 12: Economic Impacts of Tribal Gaming and Tribal Government That Gaming Supports, 2003 – 2009

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

Between 2003 and 2007, the economic contributions of tribal gaming in Oregon increased, but this growth slowed significantly in 2008 and fell in 2009. Statewide, about \$1.5 billion in economic activity, including \$514.0 million in wages and benefits (labor income) and 14,415 full- and part-time jobs are directly or indirectly linked to tribal gaming in 2009. Five years before, a similar number of jobs were linked to tribal gaming while the industry’s impacts on statewide output and labor income rose 14.3 and 9.2 percent, respectively. This demonstrates that in spite of the deep recession, tribal gaming in Oregon has grown in economic importance while provide relatively steady employment, especially in rural communities.

Fiscal Impact Trends

Economic activity attributable to tribal gaming does add to the taxes and other revenues collected by state, local, and federal governments. Major conduits of this are income and payroll taxes of employees, property taxes of Oregonians whose incomes rely wholly or partly on tribal business and government activities, and direct payments by tribal casinos to state and federal regulators. The trend in these fiscal impacts had been rising since 2003 and 2009, as illustrated in Table 13, although as with many sectors of the economy, the recession has had an effect.

Table 13: Tax and Fee Revenues, by Major Taxing Jurisdiction, 2003 – 2009

Year	State of Oregon	Local Governments	Federal Government
2003	\$25,611,700	\$17,013,900	\$58,289,400
2004	\$34,487,100	\$19,293,900	\$68,693,700
2005	\$41,155,000	\$22,036,900	\$77,072,700
2006	\$38,831,700	\$17,970,700	\$73,379,400
2007	\$38,409,000	\$21,755,200	\$74,160,000
2008	\$37,937,400	\$24,361,700	\$77,665,800
2009	\$32,473,900	\$21,149,700	\$72,510,900
Total All Seven Years	\$248,905,800	\$143,582,000	\$501,771,900

The cumulative impacts over the past seven years are large. Total revenues of about \$248.9 million for the State of Oregon, \$143.6 million for local governments in Oregon, and \$501.8 for the federal government can be traced back to tribal gaming.

Section 4 Charitable Grants by Casinos

In 2009, contributed \$7,157,401 to community benefit funds and those funds awarded \$6,640,856 in grants to area nonprofits.¹⁵ Community benefit fund grants are awarded to nonprofits in specific counties near tribal casinos that have table games other than blackjack. There are six tribes that do. The amounts from casino gaming that are contributed to these funds are based on formulas set in the gaming compacts negotiated between the individual tribes and the Governor. Table 14 summarizes grants by county. In addition to these grants by the six tribes with community benefit funds, all nine tribes and casinos made contributions to charities that totaled \$515,552.

Table 14: Community Benefit Fund Grants, 2009 and 1997 – 2009, by County

County	2009	1997 - 2009
Benton	\$100,103	\$1,100,585
Clackamas	206,813	1,113,184
Coos	707,897	3,498,412
Curry	2,000	67,578
Deschutes	128,000	806,458
Douglas	190,629	3,892,551
Jackson	144,687	1,638,856
Josephine	94,124	1,092,571
Klamath	54,813	300,557
Lane	433,882	5,251,040
Lincoln	1,084,131	5,832,167
Linn	102,747	1,056,022
Lake	-	13,250
Marion	491,845	5,462,171
Morrow	16,500	227,511
Multnomah	1,429,390	21,078,423
Polk	653,961	6,858,747
Tillamook	84,705	1,179,937
Umatilla	376,337	3,093,959
Union	62,442	522,186
Wallowa	2,500	245,762
Washington	140,600	2,000,737
Yamhill	78,000	4,959,542
Other	54,750	205,023
Total	\$6,640,856	\$71,497,228

Source: Mr. Ken Gordon, Executive Director of the Potlatch Fund on March 2, 2011.

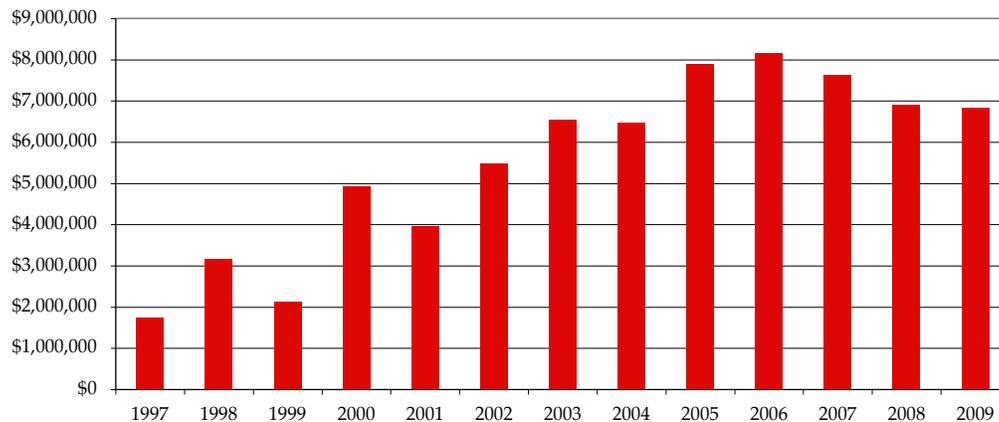
¹⁵ Grant awards, grant dollars issued, and casino contributions to community benefit funds are not necessarily identical because of timing differences.

Counties with casinos that offer expanding table gaming and those nearby such casinos that also have a concentration of charitable organizations have historically received most of the grant dollars. In 2009, nonprofits in Multnomah County received over \$1.4 million, which made it the largest recipient. However, this is in part due to the prevalence of statewide nonprofit organization offices in Multnomah County, many of which spend the grant money they receive throughout the state.

Lincoln County charities received nearly \$1.1 million, making it the second-largest recipient. Nonprofits in Lincoln County are eligible for grants from both the Chinook Winds and Spirit Mountain casinos, which are the two largest casinos in the state.

Annual grants by community benefit funds financed by Oregon tribal gaming revenues rose dramatically since 1997. This reflects the benefits of casinos being able to expand gaming variety and boost revenues. The recession, however, had taken a toll on gaming revenues, from which the amounts provided are based, and grants fell a modest \$50,000 in 2009. Nonetheless, grants by casino-supported community benefit funds remained substantial — they were over \$6.8 million in 2009 as shown on Figure 5. Since 1997, about \$71.5 million in grants have been awarded to local charities throughout Oregon.

Figure 5: Grants to Charities by Casino Supported Community Benefit Funds in Oregon, 1997 – 2009



Source: Mr. Ken Gordon, Executive Director of the Potlatch Fund on March 2, 2011.

Section 5 **Gaming Market in 2009**

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

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

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

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

Gaming Revenues in 2009

As shown in Table 15, gaming in the state totaled \$1,374,308,175 in 2009 and 8.6 percent of that came from non-residents. But Oregonians spend more on gambling outside of the state than tourists spend while visiting Oregon. As a result, the total amount of gaming by Oregonians is higher (\$1,410,692,202) than what is gambled inside the state.

Table 15: Gaming Market by Place & Residency, 2009

Where Gaming was Done and Where Players Came from	Revenues in 2009	% of Total
<u>Gaming in Oregon:</u>		
By Oregon Residents	\$1,256,558,423	91.4%
By visitors to Oregon	117,749,751	8.6%
Total Gaming Inside Oregon	\$1,374,308,175	100.0%
<u>Gaming by Oregonians:</u>		
Done in Oregon	\$1,256,558,423	89.1%
At places out-of-state	154,133,778	10.9%
Total Gaming by Oregonians	\$1,410,692,202	100.0%

Residents of Oregon spent nearly 11 percent of every dollar they gambled at casinos and other venues outside the state. This is probably because of Oregon's close proximity to Las Vegas and Reno, and to the many casinos and cardrooms in Washington, Idaho, and California.

Table 16 shows where and on what games people gambled. Oregon Lottery games accounted for \$810.5 million of the gaming done in Oregon during calendar year 2009. Revenues at the nine tribal casinos in the state approached \$478 million.

The average Oregonian spent \$368.75 on gaming in 2009. This was \$57.15 less than what they spent in 2008 and was the second consecutive down year after approximately two decades of continuous increases. It was also the first year in recent memory that per capita gaming of Oregonians was less than Washington residents, who spent an average of \$389.54.

Table 16: Oregon Market by Type of Gaming, 2009

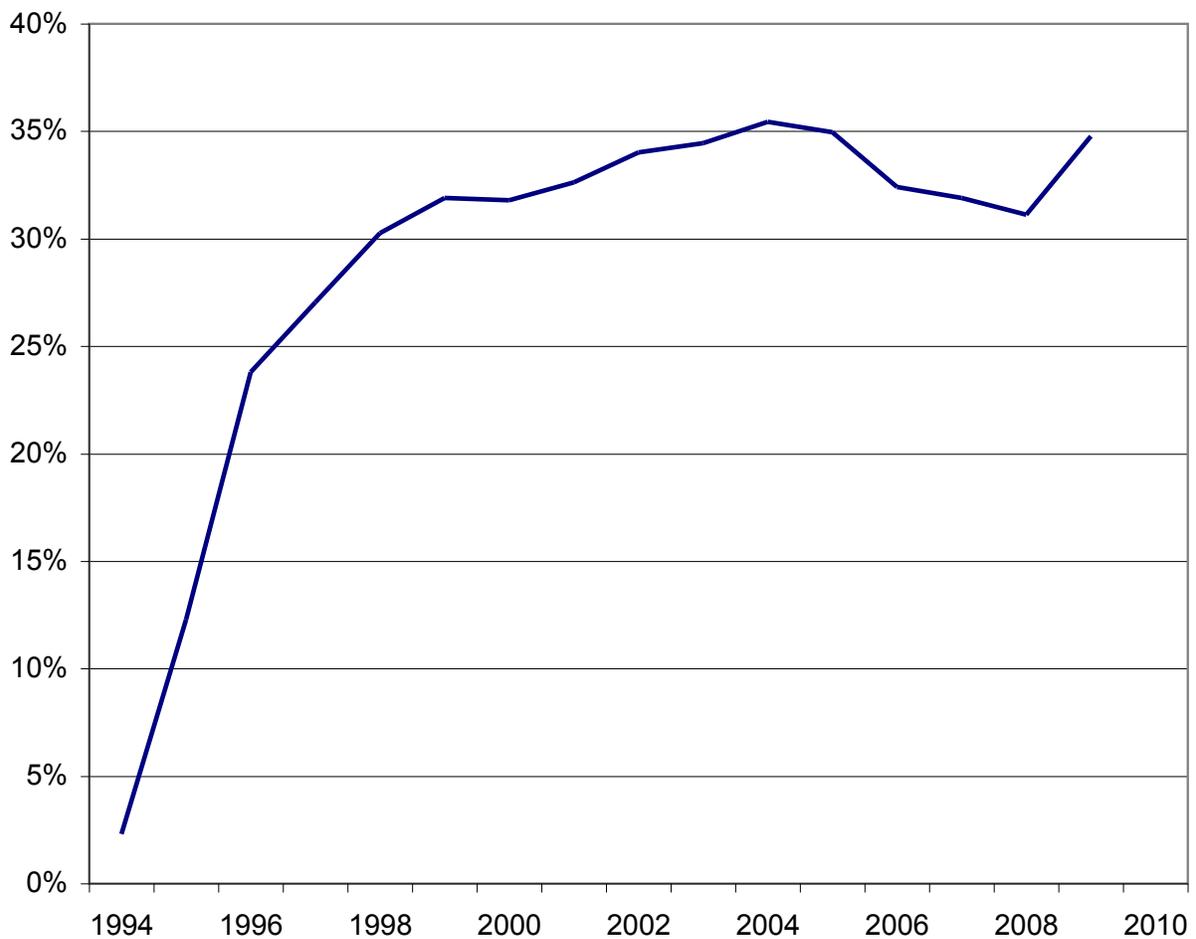
Type of Gaming	Gaming Revenues in 2009	
	Conducted in Oregon	Done by Oregonians
<u>Oregon Lottery:</u>		
Scratch tickets	\$35,200,675	\$34,932,440
Megabucks lotto	10,597,044	10,518,349
Powerball lotto	27,537,385	27,253,167
Keno	31,034,049	30,791,065
Raffle	2,399,455	2,359,719
Pick-Four game	478,714	473,754
Win for life game	2,235,115	2,218,586
Lucky Lines	787,446	782,046
Video games	700,190,837	679,044,935
Oregon Lottery Subtotal	\$810,460,720	\$788,374,062
<u>Other Gaming:</u>		
Indian casinos in Oregon	477,699,059	384,358,769
Charitable bingo	8,632,658	8,612,448
Charitable raffles	4,675,057	4,668,744
Charity casinos & fundraisers	706,282	704,638
WA pulltabs	-	72,421
WA casinos and card rooms	-	37,006,707
Casinos outside OR & WA	-	116,047,235
Live racetrack betting	584,683	506,881
Off-track & simulcast betting	8,665,408	6,448,572
Parimutuel account wagering	3,697,248	3,697,248
Misc. legal out of state gaming	-	1,007,415
Illegal Internet & other illegal	59,187,060	59,187,060
TOTAL	\$1,374,308,175	\$1,410,692,202
Increase from 2008	-12.73%	-12.63%
Gaming per person		\$368.75
Gaming as a share of income		1.02%

Oregon has been slowly recovering from a deep recession. It began in November 2007 and technically ended in June 2009, but it was not until January 2010 that employment started to grow once again. Indeed, in 2009, the number of residents with jobs fell 80,500. Just to keep up with population growth, the state needs to see employment rise 26,000 jobs a year. So 2009 was a particularly bad year for the economy and it was reflected in gaming activity, which fell 12.73 percent in Oregon.

Market Share Analysis

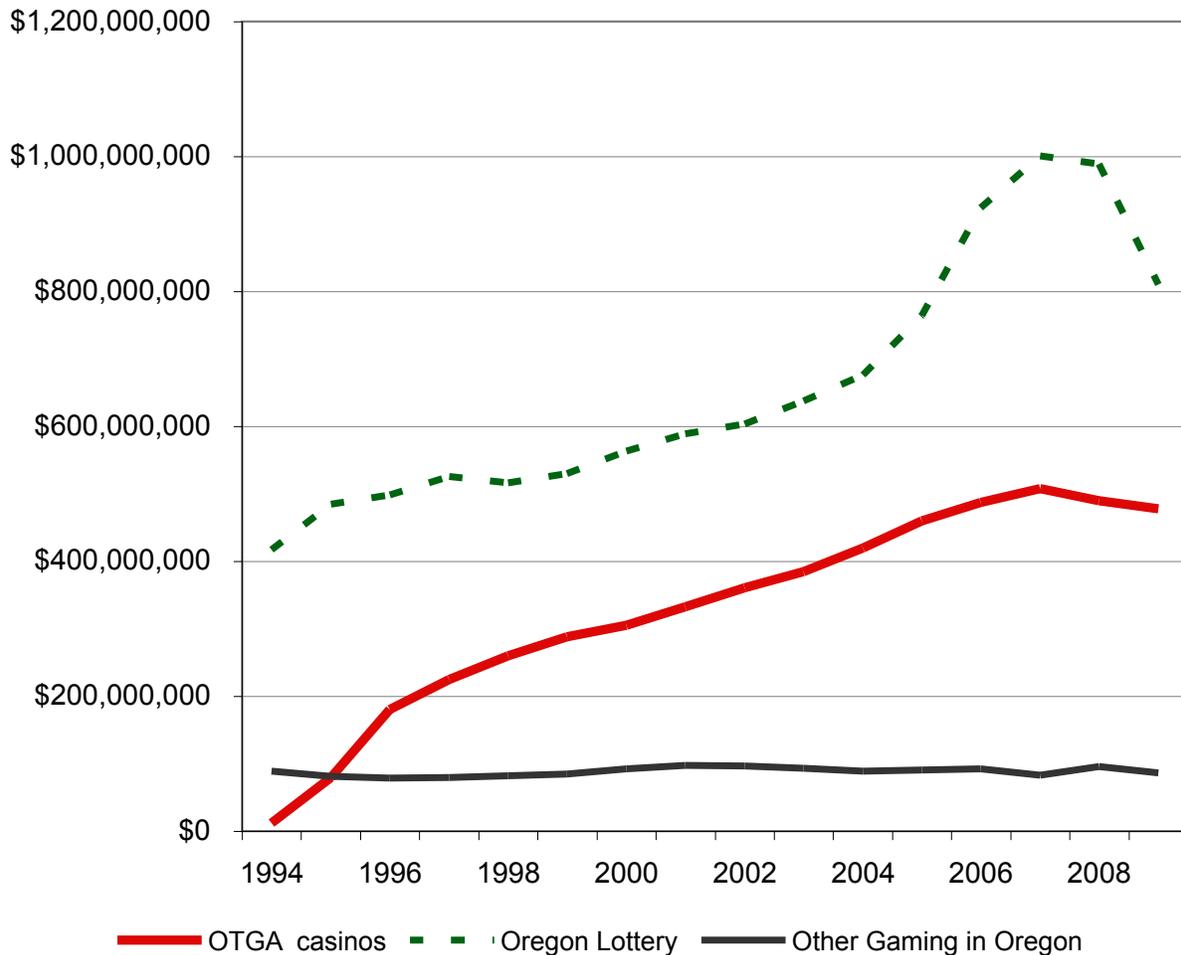
The market share of gaming in Oregon held by tribes grew in 2009 to 34.8 percent, reversing a declining trend going back to 2004 before the introduction of video line games by the Oregon Lottery.

Figure 6: Market Shares of Tribal Gaming in Oregon, 1994 - 2009



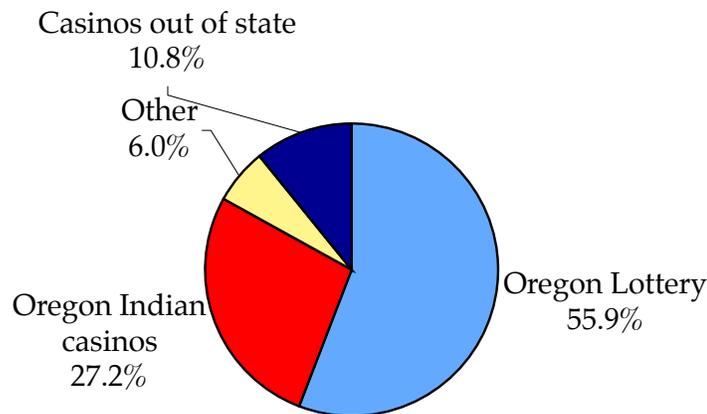
Since first opening back in 1994, tribal casino gaming revenues have lagged that of the Oregon Lottery although quickly exceeded other forms of gaming. As illustrated in Figure 7, casinos and the Lottery have seen fairly steady growth although the recent recession affected both.

Figure 7: Gaming Revenues in Oregon by Type, 1994 - 2009



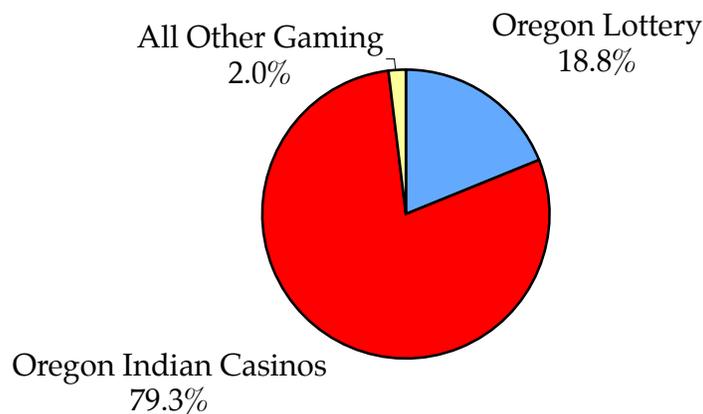
In 2009, Oregonians spent a smaller share of their gambling dollars on Oregon Lottery games than the year before (55.9 percent versus 59.6 percent). All shares on all other forms of gambling rose.

Figure 8: Market Shares of Gaming by Oregonians in 2009



A similar shift occurred in gaming by non-residents. They spent a high share of their dollars at tribal casinos, but less on Oregon Lottery games.

Figure 9: Gaming Market Shares of Oregon Tourists, 2009



Gaming Activity in Oregon: Market Changes in 2009

A combination of factors contributed to a \$200.5 million drop in gaming in Oregon. This was far deeper than the \$16.1 million drop in 2008. Tribal casinos saw revenues fall 2.5 percent, but the Oregon Lottery endured an 18.0 percent loss. Video Lottery gaming fell 20.2 percent. Other Lottery games fell one percent. Charitable gaming suffered too during the recession as residents has less discretionary money. Only two lottery lotto games, which benefited from sales driven by high jackpots, and live horse racing, experienced modest increases during the year.

Table 17: Changes in Gaming Activity in Oregon, 2008 to 2009

Type of Gaming in Oregon	\$ Change	% Change
<u>Oregon Lottery:</u>		
Breakopens	(\$140,807)	ended April 2008
Scratch tickets	(2,616,852)	-6.9%
Megabucks lotto	768,667	7.8%
Powerball lotto	1,448,546	5.6%
Keno	(2,887,068)	-8.5%
Raffle	2,399,455	new game
Pick-Four game	(23,469)	-4.7%
Win for life game	(21,638)	-1.0%
Lucky Lines	(31,637)	-3.9%
Video games	(177,234,470)	-20.2%
Oregon Lottery Subtotal	(\$178,339,273)	-18.0%
<u>Other Gaming:</u>		
Indian casinos in Oregon	(\$12,235,996)	-2.5%
Charitable bingo	(2,206,443)	-20.4%
Charitable raffles	(439,411)	-8.6%
Charity casinos & fundraisers	(173,864)	-19.8%
Live racetrack betting	1,855	0.3%
Off-track & simulcast betting	(1,869,449)	-17.7%
Parimutuel account wagering	(172,593)	-4.5%
Illegal Internet & other illegal	(5,065,297)	-7.9%
TOTAL	(\$200,500,471)	-12.73%

Oregon Lottery in 2009

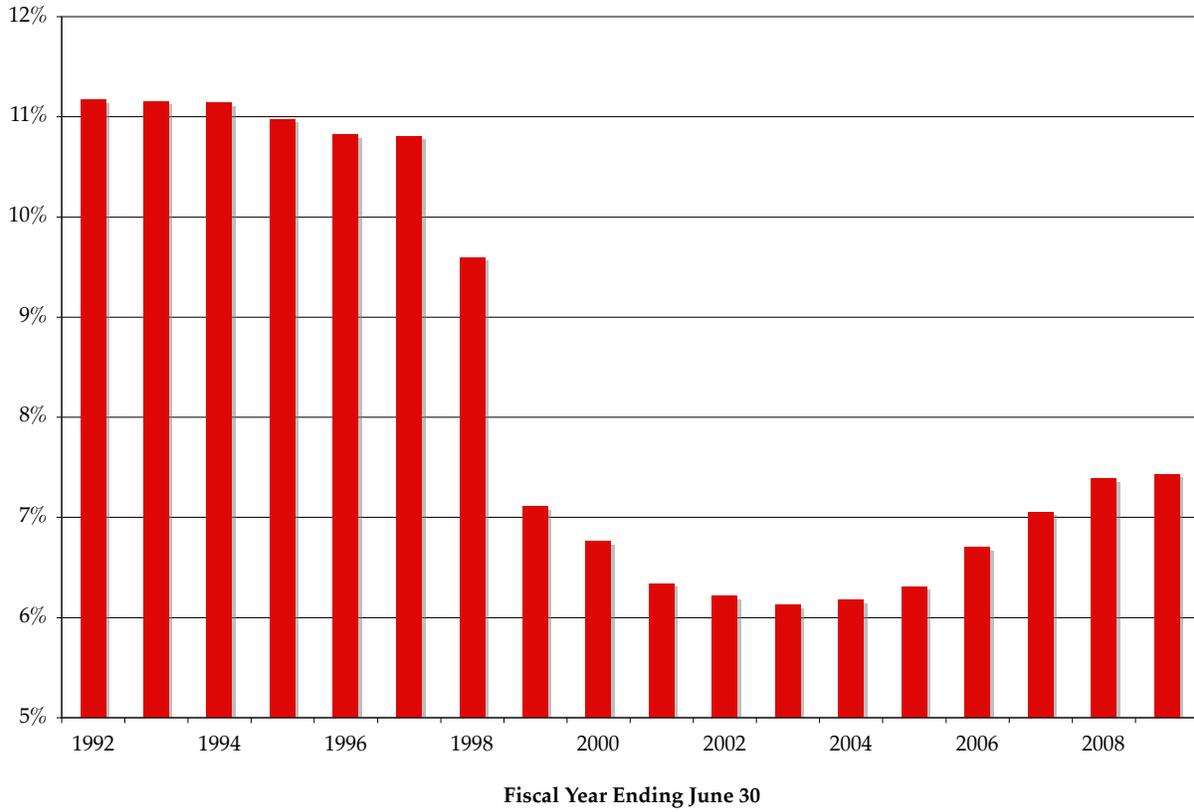
The Oregon Lottery has a two-to-one market share advantage over tribal casinos. Its competitive strength is convenience, which is protected by laws affording it a monopoly over the types of games it may provide and locations. Tribes are restricted to one casino each and they are on trust lands, which for most consumers are a considerable distance from their home communities.

The Oregon Lottery also competes for players by changing the games and hold rates on their VLTs.¹⁶ Low hold rates attracts more players to the machines. The average Oregon Lottery machine held 7.43 percent in fiscal year 2009, which was about one-third percent higher than slots on the Las Vegas Strip.

As illustrated in Figure 10, since 2004, hold rates on Oregon Lottery VLTs have been edging higher as the state tries to balance the opposing goals of increasing revenues without alienating patrons.

¹⁶ The hold rate is the average percent of every dollar wagered that is lost by players.

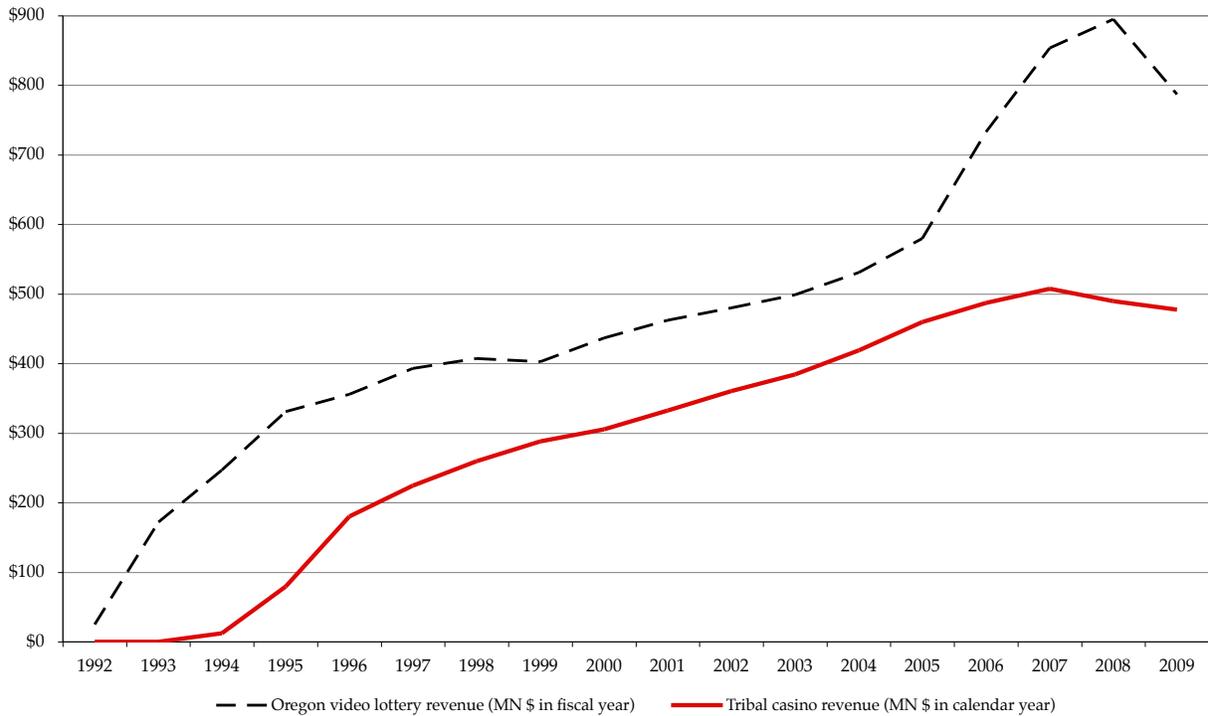
Figure 10: Average Hold Rates on Oregon Lottery VLTs, 1992 – 2009*



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

Oregon Lottery video games have, on balance, a competitive advantage over tribal casinos because of their widespread distribution throughout the state. This is reflected in the revenue growth of the video lottery in contrast to tribal casinos. Shown on Figure 11, the revenue gap between the Oregon Lottery video games and tribal casinos has been appreciable. In 2005, when the Oregon Lottery added line games (prior to that their VLTs only offered poker games), the revenue gap widened considerably. It narrowed in 2009, but the gap was still formidable.

Figure 11: Gaming Revenues from Oregon Lottery VLTs (by fiscal year) versus Oregon Indian Casinos (by calendar year), 1992 – 2009*



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

Gaming by Oregonians: Changes from 2008 to 2009

Oregonians spent nearly \$204 million less on gaming in 2009 than they did in 2008. Most of that drop occurred in Oregon video lottery games, which were adversely affected by the smoking ban. They sustained a 20.2 percent drop in resident gaming.

Table 18: Changes in Gaming by Oregonians, 2008 to 2009

Type of Gaming	\$ Change	% Change
Indian casinos in Oregon	(\$13,289,010)	-3.3%
Oregon video lottery games	(172,021,138)	-20.2%
Other Oregon Lottery games	(1,114,113)	-1.0%
Charitable gaming	(2,812,034)	-16.7%
Live, on-line, & offtrack racing	(1,555,992)	-12.7%
Casinos out of state	(7,910,932)	-4.9%
All other forms of gaming	(5,227,971)	-8.0%
TOTAL	(\$203,931,191)	-12.63%