

The Contributions of Indian Gaming to Oregon's Economy

An Economic Impact & Benefit Analysis

For the Oregon Gaming Alliance

February 15, 2005

ECONorthwest

ECONOMICS • FINANCE • PLANNING

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Executive Summary

Assignment

The Oregon Gaming Alliance (“OGA”) is a coalition of nine Indian tribes that own and operate casinos in Oregon. The OGA retained ECONorthwest to conduct an economic analysis of the impact of the casino gaming industry on Oregon and on tribes themselves.

Specifically, ECONorthwest was asked to begin with an analysis of gaming in Oregon and discuss the dimensions of Indian casinos relative to all gaming in the marketplace. This would be followed by an analysis of the economic impact on the Oregon economy by the casinos in the state, using 2003 data. The report then would conclude with a series of focused discussions on various economic topics including the extent to which gaming has improved the economic and social quality of life of Oregon tribal members, the employment situation in Oregon, and other benefits.

Qualifications

ECONorthwest is the Northwest's largest and most respected economic consulting firm. From our offices in Oregon, Colorado, and Washington, we work for private and public sector clients throughout the U.S., including over a dozen tribes. Founded by University of Oregon economics professor Dr. Ed Whitelaw in 1974, ECONorthwest has since completed more than 1,000 projects in economics, finance, planning, and policy evaluation. We bring this experience, plus a commitment to quality products and personal service, to each of our clients and projects. Our staff of over 30 economic professionals has earned a solid reputation for high-quality analysis and service.

Robert Whelan, senior project manager at ECONorthwest, prepared this report. He specializes in gaming industry economics and has more than 20 years of experience in economic forecasting. Alec Josephson, an economist at ECONorthwest for over ten years, specializing in economic impact analysis, also contributed to this analysis. Mr. Josephson and Mr. Whelan have done numerous economic impact studies together for private businesses and government entities.

Caveats

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

- ECONorthwest used revenue and expenditure data from the tribes. ECONorthwest conducted checks against internal data sources to ensure the overall reasonableness of the information provided by tribes.

- Some data were provided by sources we believe are accurate. Among the sources are the Oregon Lottery, the Oregon Racing Commission, the Washington Lottery, the Washington Gambling Commission, the US Department of Transportation, the Oregon Employment Department, the Federal Aviation Administration, the Securities and Exchange Commission, and the Oregon Department of Justice.
- Demographic, economic and other data were gathered from several government sources including the U.S. Census. For some tribes, data was insufficient or not available.

Findings

For Oregon tribes, gaming offers an economic development opportunity that generates jobs and incomes for members and non-members alike. Further, gaming generates the financial resources that tribal governments need to provide essential services, build local infrastructure, and promote economic development. For Oregon tribes, tribal gaming means less poverty, higher standards of living, and less reliance on state and federal assistance.

In 2003, ECONorthwest estimates that Oregon tribal casinos accounted for 35 percent of all the gaming conducted inside the State of Oregon and just 27 percent of the gaming done by Oregon residents. Nonetheless, the impact of the tribal gaming on the economy of the State has had a dramatic impact since they first opened back in 1992.

Among the findings of our impact analysis we found that the tribal gaming businesses run by Oregon tribes in 2003:

- Directly supported approximately 5,328 jobs and \$192.4 million in wages and benefits for workers at the casinos and in tribal government activities supported by gaming;
- Indirectly generated another 5,640 jobs and \$156.5 million in income for workers in other sectors of Oregon's economy;
- Tribal gaming generated over a billion dollars in total economic output in Oregon in 2003.
- Because of the economic activity derived from tribal gaming, State and local governments collected over \$42.6 million in taxes and other revenues while saving nearly \$7.1 million in public assistance costs through greater statewide employment.

As a result of casinos, the Oregon tribes have made considerable progress over the last ten years.

- The tribes' economic status is improving. In the decade of the 1990's, largely because of tribal gaming, the number of Native American households earning at least \$50,000 a year increased nearly four fold.

- Educational attainment has vastly improved with one in five adults now having college degrees.
- The percentage of Native Americans in Oregon living below the poverty line fell 7.5 percent between 1990 and 2000 compared to a one percent decline in Oregon as a whole. Meanwhile, because of the impact of gaming the unemployment rate among Native Americans in Oregon dropped sharply in the 1990's while rising elsewhere in the State.

We concluded that tribal gaming is working as an economic development tool and as a means for tribes to appropriately meet the socioeconomic needs of their members. Still, a large gap exists. Oregon tribal members are more likely to live in poverty, be unemployed, and be behind in educational attainment. Gaming has only begun to close the gap, but with continued growth further improvements in the quality of life for tribal members and their rural community members are apt to be realized.

Oregon Casinos and Tribes

There are nine federally recognized tribal governments based in Oregon. Each has one casino. In 2003 there were eight casinos.

Although the tribes that own these casinos are sovereign nations, the State of Oregon exercises considerable control over the size, location, and types of games, regulation, and other important features of casinos. To build and run a casino, a tribe and the Governor of the State must first negotiate an agreement, called a gaming compact, which determines key features of the casino. For instance, Oregon compacts limit tribes to one casino each.

This section begins with an overview of the casinos in Oregon today and a short history. It is followed by brief descriptions of the tribes in alphabetical order. For each tribe we provide a synopsis of their history, where they are located, the dimensions of their gaming markets, and the characteristics of their casinos. This section concludes with an analysis of gaming regulation in Oregon.

Casinos

Table 1 lists alphabetically the casinos in Oregon. Also shown is the location of each casino, the tribe that owns it, when it first opened, and the number of hotel rooms and RV hook-up sites, if any, as of December 2004.¹

Table 1: A Summary of Oregon Casinos

Casino	City	Tribe	First Opened	Hotel Rooms	RV Sites
				Dec. 2004	Dec. 2004
Chinook Winds	Lincoln City	Confederated Tribes of Siletz Indians	May 1995	247	51
Indian Head	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	-	42
Seven Feathers	Canyonville	Cow Creek Band of Umpqua Tribe of Indians	April 1992*	146	32
Spirit Mountain	Grand Ronde	Confederated Tribes of Grand Ronde	October 1995	100	-
The Mill	North Bend	Coquille Indian Tribe	May 1995	115	-
Three Rivers	Florence	Confederated Tribes of the Coos, Lower Umpqua & Siuslaw Indians	June 2004	-	-
Wildhorse	Pendleton	Confederated Tribes of the Umatilla Indian Reservation	Nov. 1994	100	100
Total Lodging at Tribal Casinos				878	276

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

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

¹ Two casinos opened in temporary buildings and were later replaced with permanent structures (Chinook Winds and Wildhorse). Opening dates on the table refer to the first time casino gaming was conducted whether in the permanent or temporary facility.

The initial gaming compacts executed by the Governor of Oregon limited tribes to only one type of casino table game—blackjack. In January 1997, the Grand Ronde negotiated a change that allowed them to put roulette, craps, and other casino table games onto their casino floor in exchange for funding a charitable foundation with a share of the casino’s profits. Since then the Siletz, Cow Creek, and Umatilla have amended their compacts similarly. Others have so far chosen not to expand into other forms of table games.

Lodging at Oregon Tribal Casinos

Unlike tribes in Washington and California, most of the tribes in Oregon operate hotels with their casinos. Four Oregon tribes built brand new lodging alongside their casinos. Two tribes incorporated existing lodging rooms into their new casinos.

The Warm Springs built their Indian Head Casino at the Kah-Nee-Ta Lodge—a resort hotel the tribe had been operating since 1972. In 2004, the Siletz purchased the Lincoln City Oceanfront Resort from Shilo Inns and reconfigured it to create more luxury suites. The 247-room property is now the largest hotel associated with a casino in Oregon, but an expansion underway at Spirit Mountain will bring the total number of rooms at that casino to 250 in May 2005.²

By the end of 2004 six casinos in Oregon had 878 hotel rooms. There were also 276 full-service RV sites at five casinos. Other tribes are contemplating building hotels, adding rooms, and accommodating more recreational vehicles.

Total Investment by Oregon Tribes on Hotels and Casinos

The nine tribes have made a huge investment in hotel-casinos and in building auxiliary visitor amenities. The cumulative investment, starting with the first bingo hall in 1992 through to the end of 2003, was nearly \$245 million. The tribes paid for these investments using their own resources and by borrowing money—largely from out-of-state lenders.

This was an extraordinary expenditure in rural tourism development. ECONorthwest estimates, based on construction data from FW Dodge, that the tribes’ capital expenditures in hotel-casinos equaled 11.4 percent of all the money spent in the State on hotel, motel, amusement, social, and recreational building construction since 1992. That equals about one out of every nine dollars.

Gaming Tribes

Figure 1 is a map showing the principal locations of the nine gaming tribes in Oregon. Besides the locations on this map, most tribes have land parcels that are not contiguous to these principal locations.

² *Room to Grow*. Smoke Signals. May 1, 2004.
http://www.grandronde.org/PR/past_articles/2004/0501/may01.htm

Figure 1: Tribes in Oregon



Source: Oregon State University Indian Education Office website
http://oregonstate.edu/dept/indianed/Oregon_Tribes.htm

Most tribes are in rural communities of less than 10,000. The notable exceptions are the Coquille in North Bend (population 14,089) and Coos, Umpqua, and Siuslaw in Florence (population 13,575).³ All nine, however, are in areas that historically have below state-average incomes and high unemployment.

The Burns Paiute Tribe

The Burns Paiute Tribe descends from the Wadatika band of Paiute, which lived and seasonally migrated over a vast 5,200 square mile territory that extended from the Cascade Mountain Range in central Oregon and 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.

³ Population and income estimates come from Claritas, Inc. and are mid-2004 estimates. Data on cities and towns are for the Zip codes of those communities, not just the areas within the city limits.

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 about 300 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.⁴

Burns and the adjacent town of Hines have 6,748 residents. The rest of Harney County is sparsely populated, with more than 10 square miles for each additional resident. Harney County has fewer than 3,000 households compared to nearly 1.4 million statewide. Furthermore, incomes in this largely ranching-based economy are modest. The average household in Harney County earns 25 percent less than households in the rest of Oregon. Neighboring counties have similar characteristics.

The Old Camp Casino serves a small market of modest incomes. It is further disadvantaged by limited tourist traffic, the lack of an Interstate highway in the county, and its proximity to Nevada where casinos offer a greater variety of gaming at more competitive pricing. As a result of these circumstances, the Old Camp Casino is Oregon's smallest. It has 150 VLTs, three blackjack tables, poker, a 300-seat bingo area, arcade, and an RV park with 42 sites.

The Confederated Tribes of the Coos, Lower Umpqua, and Siuslaw Indians

The Coos, Lower Umpqua, and Siuslaw Indians are three tribes organized into a confederation. They occupied southwest Oregon coastal areas along the three major rivers in Coos, Douglas, and Lane Counties that were named after the tribes. In 1855 coastal tribes signed a treaty with the U.S. Government, but a year later the Rogue River War broke out south of Coos Bay and the U.S. Army, in a preemptive strike, rounded up the Coos Indians and forced them to live in an encampment. The Lower Umpqua Indians were soon forced in as well. Both tribes later refused to relocate to the Siletz Reservation and, instead, joined the Siuslaw Indians. In 1918 the three tribes formed a confederation and pursued land claims they were entitled to under the 1855 treaty.

Under a program by the Eisenhower administration in the 1950's, the U.S. Congress terminated the Confederated Tribes of Coos, Lower Umpqua, and Siuslaw Indians along with all other tribes of western Oregon. In 1984, after a long battle, the status of the Confederated Tribes of Coos, Lower Umpqua, and Siuslaw Indians was restored.⁵

⁴ <http://www.harneycounty.com/Paiute.htm>

⁵ http://www.ctclusi.org/cultural_historical.asp

After several years of legal disputes, in June 2004 the Coos, Lower Umpqua, and Siuslaw opened the Three Rivers Casino—named for the three rivers of the tribes. The casino is about a mile east of the coastal city of Florence. The Florence area has 13,575 permanent residents and a large summer season population. It once had a thriving natural resource industry sector, but the local economy today is predominantly dependent on the spending by retirees and tourists. High paying jobs are scarce. Half of all households in Florence earn less than \$30,000 a year (the statewide average is \$52,245).

Although Florence itself confronts economic challenges, the casino is located on Highway 126, which is the main route connecting Eugene to the Oregon coast. The casino, therefore, benefits from capturing some customers from the flow of destination tourist and pass through traffic. Three Rivers opened with a temporary casino structure containing 277 VLTs and six blackjack tables—making it the second smallest casino in Oregon. The Confederated Tribes of the Coos, Lower Umpqua, and Siuslaw Indians are planning a permanent structure that would house a resort hotel-casino.

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.⁶

The Coquille Indian Tribe owns the Mill Casino-Hotel in North Bend, Oregon. It overlooks the waterfront off highway US-101. The casino is in close proximity to most of the communities in Coos County (population 62,936). Coos County has long been economically depressed. Unlike much of the Oregon coast, Coos County and its main cities of North Bend and Coos Bay were built as industry towns. Dating back over 140 years the Coos Bay area was a major supplier of coal and lumber for San Francisco. A severe decline in the forest products and fishing industries that began three decades ago has kept the County from growing and prospering. Today, the average household income in Coos County is 25 percent less than what it is statewide.

The Mill Casino-Hotel has grown because it offers a needed entertainment outlet for locals, but also because it is easily accessible to the swarm of tourists who travel up and down the Oregon coast on US-101. The addition of a 115-room hotel at The Mill in 2000 enhanced the property's appeal to travelers along the southern Oregon coast. The casino has 540 VLTs, eight blackjack tables, arcade, and a 100-seat bingo hall. It will add craps and roulette in April 2005.

⁶ http://www.npaihb.org/profiles/tribal_profiles/Oregon/Coquille.htm

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. 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.⁷ 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 grew to become 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 the busy interstate.

The casino, with smoking and non-smoking areas, has 1011 VLTs, 22 table games including craps and roulette, seven poker tables, keno, and a 450-seat bingo hall. In addition, there is a convention center; a 146-room hotel; indoor pool, sauna and spas; four restaurants; an arcade; an RV park with 32 sites; and a truckstop.

Confederated Tribes of Grand Ronde

The Confederated Tribes of Grand Ronde Community of Oregon was formed in the 1850's. Then the Federal Government forced over 20 tribes and bands of tribes from their traditional homelands in western Oregon and northern California onto what was to become the Grand Ronde reservation. It covered over 60,000 acres on the eastern side of the coastal 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 that original reservation land was lost or taken away from the tribes.

In 1954, with the passage of the Termination Act, the trust relationship between the tribes and the federal government was severed. Tribal leaders worked to reestablish the Confederated Tribes of Grand Ronde Community and this was achieved with the signing of the Grand Ronde Restoration Act on November 22, 1983. Five years later President Ronald Reagan returned 9,811 acres of the original reservation to the Grand Ronde tribes.⁸

⁷ <http://www.cowcreek.com/story/x01history/index.html>

⁸ <http://www.grandronde.org/misc/ourstory.html>

The Grand Ronde own Spirit Mountain Casino, which is on the main east-west route between Portland and Lincoln City. Although built near the once depressed logging communities of Willamina and Grand Ronde, Spirit Mountain benefits from being the closest full service casino to Salem and Portland metropolitan area residents. It also is convenient to the large flow of tourism traffic between Portland and the Oregon coast.

Spirit Mountain has been very successful. In 1997 the casino replaced Multnomah Falls as Oregon's top tourist attraction. Four years later, the Federal government commission that regulates Indian gaming awarded the Grand Ronde a "Certificate of Self Regulation." Only one other tribe has earned such status. It is given to tribes that apply and have strong, effective regulatory structures.

Spirit Mountain has 1,500 VLTs, 75 class-II VLTs (electronic bingo machines), 39 table games including craps and roulette, an 850-seat bingo hall, keno, a 100-room hotel (which is now undergoing a major expansion), meeting rooms, arcade, and a childcare center.

The Klamath Tribes

The Klamath Basin of southern Oregon was the traditional homeland for the Klamath tribes, the Modoc, and the Yahooskin band of Snake Indians for thousands of years. After decades of hostilities with newcomers, the tribes ceded 23 million acres in 1864 and moved to a 1.8 million acre reservation. The Klamath tribes were very resourceful and built highly successful cattle and lumber operations on their lands.

By the 1950's the Klamath were one of the wealthiest tribes in the country. That came to an abrupt end when the U.S. Congress passed the Klamath Termination Act. The Klamath Tribes were restored in 1986, but their land was not returned.

Gradually the Klamath Tribes are rebuilding their economy. In 1997 they opened their first business since termination—the Kla-Mo-Ya Casino, named for an acronym of the three tribes.⁹ Kla-Mo-Ya is off of US-97, the main north-south route of central Oregon, in the town of Chiloquin. In 1990 Chiloquin was the poorest town in the state of Oregon. Through jobs from the casino, the economy in Chiloquin has improved, but still lags well behind the rest of the state.

The casino relies mostly on visitors from the nearly 52,000 residents of the Klamath Falls area a half hour south of the casino and tourist traffic from the highway. Kla-Mo-Ya has 313 VLTs, and six blackjack tables.

⁹ <http://www.klamathtribes.org/history.html>

Confederated Tribes of Siletz Indians

The Siletz are a federally recognized confederation of 27 bands originating from northern California, Oregon, and southern Washington, who were forcibly removed from their homelands by the U.S. Army and relocated to the Coast Reservation in Lincoln County in 1856. The Confederated Tribes of Siletz Indians was terminated in 1955, but in 1977 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 County.¹⁰

The Confederated Tribes of Siletz Indians operate the Chinook Winds Casino in Lincoln City—a major coastal tourist community. Although incomes of the 9,556 residents of Lincoln City are modest, there are a great many second homes in the area that are owned and rented by affluent seasonal visitors. In addition, the casino is less than two hours from Portland's most affluent suburbs, thus Chinook Winds has had success.

The casino is Oregon's largest in terms of building size. It has 1,250 VLTs, 27 table games including craps and roulette, three poker tables, a 600-seat bingo hall, keno, an arcade, childcare center, and a 247-room hotel. They recently added a 51-space RV park.

Confederated Tribes of the Umatilla Indian Reservation

The Umatilla Indian Reservation was established in 1855 by a treaty signed by the U.S. Government with the Cayuse, Umatilla, and Walla Walla tribes. Those three tribes occupied the Columbia River Plateau of southeastern Washington and northeastern Oregon. Of the 510,000 acres originally reserved in 1855, only 178,882 remain as part of the Umatilla Reservation and non-Indians own 48 percent of that.¹¹

The Umatilla own the Wildhorse Resort & Casino, which is located off of Interstate-84 a few miles east of Pendleton—the largest city in Umatilla County. The average household income in Umatilla County is a healthy \$49,951 a year, but there are only 25,449 households there and far fewer in the adjacent Oregon counties. However, Wildhorse benefits from its proximity to the comparatively much more populous and affluent Tri-Cities area of nearby Washington and the steady stream of tourists and truck drivers who travel on I-84.

The Wildhorse has 651 VLTs, 12 table games including craps and roulette, three poker tables, a 400-seat bingo area, keno, off-track-betting, a 100-room hotel, 100-space RV park, and a golf course. In addition, near the casino are a truckstop and a world-class museum—the Tamástsiht Cultural Institute.

¹⁰ http://ctsi.nsn.us/WhoWeAre/history_culture.html

¹¹ <http://www.umatilla.nsn.us/>

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 a treaty was signed between the U.S. government and the Wasco and Warm Springs tribes, 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.¹²

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 11 miles from the main road, Highway-26. In 1972 a lodge was built there and 24 years later a small casino was added.

Although the casino is halfway between the large and comparatively affluent cities of Portland and Bend, its long distance from both cities and location well off the main highway constrain its customer base largely to locals from the northern portions of central Oregon and regular hotel guests.

The Indian Head Casino has 338 VLTs, four blackjack tables, and two poker tables. The resort has 170 rooms, convention and meeting rooms, an RV park with 51 spaces, golf course, tennis courts, spa, hiking trails, and other amenities.

Gaming Regulation

Although the public is largely unaware of it, the nine tribes, the State of Oregon, and a Federal government agency that oversees Indian casinos spent almost \$18.5 million in 2003 to regulate gaming. Out of that total \$13.1 million was spent on regulating Oregon's tribal casinos. From Table 2 we see that was far above the \$2.4 million spent regulating the Oregon Lottery, the \$2.1 million spent overseeing racetracks, and the \$785,814 spent on charitable gaming regulation in 2003.

¹² http://www.warmsprings.com/Warmsprings/Tribal_Community/History_Culture/

Table 2: Federal, State & Tribal Government Gaming Regulation and Enforcement Spending in Oregon, Estimate for 2003

Type of Gaming in Oregon	Cost
Charitable bingo, raffles & fundraisers	\$785,814
Horse and greyhound racing	2,143,625
Oregon Lottery games	2,431,055
Tribal casinos	13,095,620
Total Gaming Regulation	\$18,456,114

Sources:

Charitable gaming — Dayna Marsha, Charitable Activities Section, Oregon Dept. of Justice.

Racing — Oregon Racing Commission budgets 2001/03 and 2003/05.

Oregon Lottery — Kathy Ortega, CFO of the Lottery.

Tribal casinos — Lynn Hillman (Grand Ronde) reported the sum of the regulatory and security spending of the nine gaming tribes, National Indian Gaming Commission, and the budget of the Tribal Gaming Section of the Oregon State Police.

The U.S. regulates casinos in Oregon through a branch of the Federal government called the NIGC or National Indian Gaming Commission. A six-person regional office in Portland watches over the casinos in Oregon.

The NIGC is an independent regulatory agency established within the Department of the Interior. It is funded through fees collected from tribal casinos. Casinos in Oregon paid about \$250,000 in fees to the NIGC in 2003. The NIGC describes its mission as follows:

The Commission's primary mission is to regulate gaming activities on Indian lands for the purpose of shielding Indian tribes from organized crime and other corrupting influences; to ensure that Indian tribes are the primary beneficiaries of gaming revenue; and to assure that gaming is conducted fairly and honestly by both operators and players. To achieve these goals, the Commission is authorized to conduct investigations; undertake enforcement actions, including the issuance of notices of violation, assessment of civil fines, and/or issuance of closure orders; conduct background investigations; conduct audits; and review and approve Tribal gaming ordinances.¹³

The money spent on casino regulation by the State, Federal government, and Oregon's nine tribes helps ensure the fairness, honesty, integrity, and security of gaming. There are strict rules regarding who can work in gaming, who can gamble, how games can be played, who can supply gaming equipment and services, where gaming can take place, and how it should proceed.

Although tribal casinos accounted for only 35 percent of the gaming conducted inside Oregon, the tribes paid for 71 percent of all the gaming regulation. Besides funding NIGC, Compacts require tribes to establish and fund tribal gaming commissions, which are primarily responsible for the regulation of casino gaming operations and to support the Oregon State Police's Tribal Gaming Section.

¹³ http://www.nigc.gov/nigc/nigcControl?option=ABOUT_MISSION

Tribes paid fees to the Oregon State Police (OSP) that funded entirely the \$1,728.250 spent by the OSP Tribal Gaming Section in 2003. The 16 employees of the OSP Tribal Gaming Section were responsible for monitoring casinos, checking the backgrounds of casino employees and suppliers, and ensuring the integrity and fairness of games.

Each tribe has its own gaming commission. Independent of casino management, gaming commissions license employees, monitor gaming to ensure legal compliance and fairness, establish control standards, and conduct audits.

The nine gaming tribes in Oregon collectively have 79 commission employees and another 110 working for the casinos in surveillance. In total, the tribes spend about \$11.1 million a year to regulate and oversee the operations of their casinos.

Gaming Market in 2003

ECONorthwest gathered 2003 gaming revenue data for Oregon and incorporated survey results to find basic answers about the gaming market. In this section, some of the questions we answer are:

- How many dollars were spent in 2003 on gambling in Oregon?
- How much did the average Oregonian spend?
- What percent of all the gaming in Oregon in 2003 was done at the eight Indian casinos?
- Who gambles at Indian casinos in Oregon?

To answer these questions, ECONorthwest assembled data from state lotteries, state government commissions, Federal agencies, tribes, and surveys. We counted not just gaming done inside Oregon, but also the gambling by Oregonians done out-of-state, such as in Las Vegas or racetracks in California.

ECONorthwest also hired the survey firm Riley Research Associates to ask two casino gaming questions as part of a telephone survey of Oregon registered voters. The survey results provide insights into those visiting casinos in Oregon, where they live, what their political affiliations are, and how they feel about Indian casinos.

Gaming Revenues

People often confuse the terms gaming and gambling. They have two very different meanings. Gambling is the activity that consumers do when they make a wager—usually at a venue such as at a lottery retailer, casino, or bingo hall. Gaming revenue is the difference between the total amount players bet and how much they win in cash and prizes. Another way to look at it is to consider gaming revenue the amount that consumers, in total, lose or spend on gambling. Gaming revenue is the standard unit used to measure the market.

Not all gambling produces gaming revenues. Informal social games, such as office Super Bowl pools and many private poker games, do not produce gaming revenues because the players in total do not lose money. The sum of the amounts won by some players equals the losses of all the others. Money simply changes hands between them. There is no house advantage or rake (share of the bets taken out), so there are no gaming revenues.

Oregon permits social gaming at fraternal clubs, restaurants and bars only where local ordinances allow it. Cities, such as West Linn and John Day, for example, allow social gaming such as blackjack played among customers at clubs. Business owners may not benefit directly from these games. Therefore, there is no house rake or no house banking (where players bet against the house or business allowing the game). They are zero sum games, which means money changes hands between players and the losses of one person become the winnings of the other players. No money in net is taken from all the players and given to the business, so there are no gaming revenues. As a result, neither informal nor formal social gaming appears in our assessment of the Oregon gaming market.

Lotteries, casino games, racetrack betting, commercial poker games, charity bingo, and raffles are examples of types of gambling that do have house advantages and, thus, produce gaming revenues.

Amusement games, which are carnival and crane games played for prizes at fairs and supermarkets, are an exception. People put up money for a skill game where the prize is a toy, watch, or some novelty. Although considered a form of gaming in Washington State, in Oregon we do not count amusement games as a form of gambling.

We determine local gaming revenues for lotteries, parimutuel racing, and some other games by using expected values. The expected value for revenue is the average player loss per dollar bet on a particular game. Thus, for example, if a lottery game keeps on average 30 cents of every dollar bet, we estimate that the revenues for a particular county would be 30 percent of that lottery game's sales. Using expected values takes out potentially large swings due to where people cash tickets and where they buy them. It is particularly important for lotto games, such as Powerball, where there can be a single hundred million dollar winner.

Two Ways of Measuring the Market

There are two distinct ways of measuring the market. The simplest measure counts all the gaming conducted in a given geographic location. This is a good way to assess the size of the gaming industry in a state. However, it is not useful for comparisons to a state's population or income because people often travel across state lines to gamble.

The second method counts all the gaming by residents, whether it is done in the state where they live or outside the state. Only the gambling done by residents is counted, so any gambling by tourists visiting the state is excluded. The advantage of this measure is that it is a component of the budgets of residents. Thus, it tracks closely with changes in the population and income of a state.

Changes From Past Years

Periodically, ECONorthwest has published estimates of the Oregon gaming market. Over the years we have made a number of improvements to our methodology. These changes are usually due to access to new sources of information or redefinitions of certain categories.

For 2003 we have begun using new data on aviation traffic to produce more reliable estimates for out-of-state gaming. Similarly, new estimates on Internet gaming and wagering from home on horse racing were used in this analysis. These changes and improvements affected previously reported estimates of the Oregon gaming market.

Types of Gaming

For the 2003 analysis, we broke the market down along 21 major types of gaming that are either available in Oregon or are played by Oregonians when they travel out of state. A list and description of these 21 forms of gaming can be found in Appendix A at the end of this report.

Gaming Revenues in 2003

Total gaming revenues recorded inside Oregon during the calendar year 2003 were \$1,095,157,308—an increase of nearly \$79.1 million from 2002.

Gaming dollars cross state lines. Tourists and other non-residents accounted for 7.8 percent of all the gaming revenues earned in Oregon during the year. Meanwhile, for every dollar that Oregonians spent on gambling in their state in 2003, they spent another 19.1 cents elsewhere—most of it in Nevada and Washington.

In summary, Oregonians spent \$1,200,200,284 on gaming both in and out-of-state in 2003. That is an increase of 6.97 percent from the previous year. On a per capita basis gaming amounted to \$338.90 or 1.17 percent of personal income. Table 3 is a summary of the gaming market in 2003.

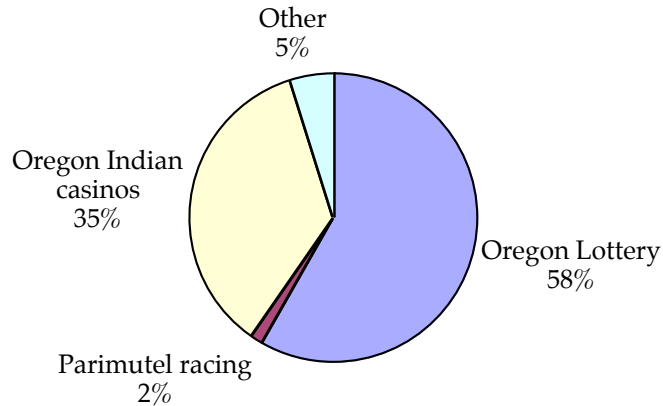
Table 3: Oregon Gaming Market, 2003

Type of Gaming	Gaming Revenues in 2003	
	Conducted in Oregon	Done by Oregonians
<u>Oregon Lottery:</u>		
Pulltabs or breakopens	\$1,087,670	\$1,086,582
Scratch tickets	44,280,583	44,192,891
Megabucks lotto	16,228,402	16,188,579
Powerball lotto	21,711,557	21,601,487
Keno	36,418,995	36,338,738
Sports action game	3,881,948	3,824,036
Pick-Four game	584,849	583,677
Win for life game	1,528,290	1,525,082
Scoreboard sports lottery game	245,359	244,817
Video poker	511,832,040	498,857,436
Oregon Lottery Subtotal	\$637,799,693	\$624,443,323
<u>Other Gaming:</u>		
Charitable bingo	\$13,571,413	\$13,548,070
Charitable raffles	3,659,783	3,655,277
Charity casinos & fundraisers	180,599	180,184
OR Indian casinos	384,191,901	315,855,134
Out of state casinos & cardrooms	-	189,467,904
Live racetrack betting	2,300,350	1,769,779
Off-track & simulcast betting	12,905,305	9,962,644
Parimutuel account wagering	1,953,595	1,953,595
Instant racing VLTs	15,050	9,333
Misc. legal out of state gaming	-	775,422
Illegal Internet & other illegal	38,579,619	38,579,619
TOTAL	\$1,095,157,308	\$1,200,200,284
Increase from 2002	7.78%	6.97%
Population July 1, 2003		3,541,500
Increase from 2002		1.05%
Gaming per person		\$338.90
Est. Personal Income 2003		\$102,538,324,000
Increase from 2002		2.10%
Gaming share of income		1.17%

Market Shares

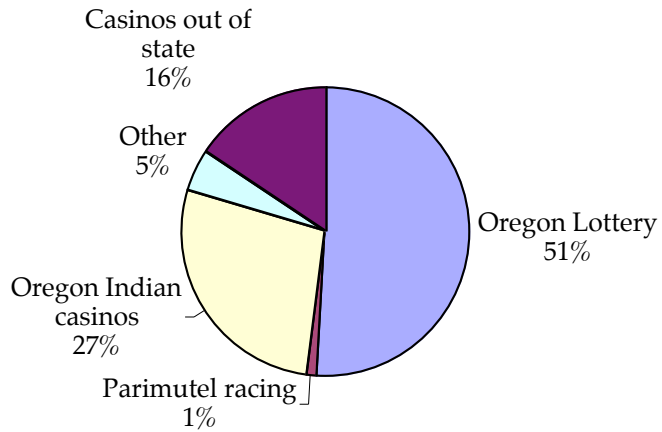
In 2003 the Oregon Lottery was by far the main venue for gaming done in the state. As shown in Figure 2, the Oregon Lottery held a 58 percent share of the market. The eight Indian casinos operating during the year held a 35 percent share of the statewide market.

Figure 2: Market Shares of Gaming Conducted in Oregon in 2003



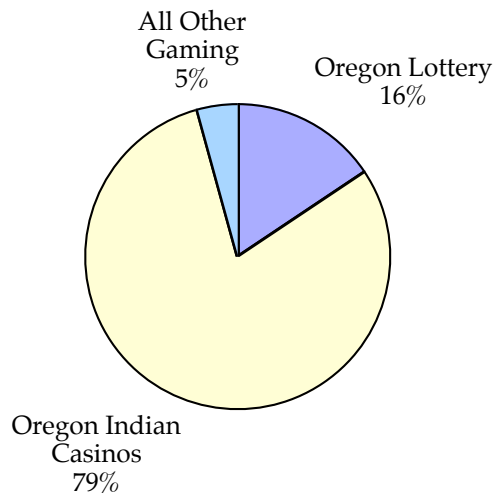
With the exception of video poker, the overwhelming majority of revenues for Oregon Lottery games come from local residents. Consequently, when we look at the market in terms of gaming done by Oregonians, we find that the Oregon Lottery still holds a dominant share of 51 percent. Oregon Indian casinos, on the other hand, cater to more tourists than does the Lottery. As a result we see in Figure 3 that Oregon Indian casinos accounted for only 27 percent of the gaming dollars spent by Oregonians in 2003.

Figure 3: Market Shares of Gaming Done by Oregonians in 2003



In 2003, visitors to Oregon spent nearly \$85.6 million on gambling. Tribal casinos, being gaming destinations, attracted 1,488,703 out of state visitors and 79 percent of tourist gaming dollars. Lottery games, which are considered forms of convenience gaming, appealed more to in state residents. The Oregon Lottery accounted for only 16 percent of the total gaming done by non-residents in 2003.

Figure 4: Market Shares of Gaming Done in Oregon by Non-Residents in 2003



Recipients of Gaming Income

The Oregon Lottery is by far the most profitable gaming provider in the State because it leads all others in revenues yet spend less than four percent of its revenues to cover all operating expenses.¹⁴ The Lottery, however, transfers its profits to various needs for State and local governments. The Lottery also pays commissions to retailers of lottery tickets and video poker games.

The Oregon Lottery reported who received Lottery gaming profits and commissions in the last fiscal biennium (State budgets are done on a two-year cycle ending June 30th and the last historical biennium was 2001-2003). ECONorthwest used OGA data to calculate the net dollars from casino operations, which are revenues minus all payroll, capital, debt service, and cash expenses. We then ranked the top five recipients. They appear in Table 4.

Table 4: Top Five Recipients of Oregon Gaming Income, State Fiscal 2001–2003 Biennium Ending June 30

Recipient of Gaming Income	2001-03 Biennium (Mn. \$)
Oregon public schools - share of Lottery profits	\$511.0
All Oregon Lottery retailers - sales commissions	373.9
Eight Oregon casinos - net to tribes after expenses & capital needs	189.1
OR economic development projects - share of Lottery profits	112.1
OR Parks & salmon restoration projects - share of Lottery profits	110.7

Sources: Oregon Lottery website: <http://www.oregonlottery.org/general/allocate/>, FY 2002 retailer commissions via call to Oregon Lottery. OGA data and estimates by ECONorthwest.

The eight Oregon tribes with casinos in 2003 ranked third among the top five, netting collectively about \$189.1 million. At the top were Oregon Public schools. They garnered \$511.0 million in Lottery profits during the biennium—2.7 times what tribes netted. Grocery stores, bars, restaurants, and other retailers were the second biggest money earners from gaming, making twice as much as tribes did. Retailers collected \$373.9 million in sales commission income from the Oregon Lottery in the biennium. Of that \$313.2 million went to video poker retailers. Two other needs of State government, economic development and parks, ranked fourth and fifth highest. Each received slightly more than \$110 million.

Survey of Registered Voters

Riley Research Associates, a market research firm based in Portland, conducted a random-sample telephone survey of Oregonians that were registered to vote as of July 2004 and who indicated that they were “very likely” to vote in the November 2, 2004 election. Respondents were asked a series of political questions, such as: Whom would you vote for in the Presidential election?

¹⁴ <http://www.oregonlottery.org/general/allocate/>

Statewide interviews were completed for 507 likely voters. That sample size provides results considered accurate within +/-4.35 percent at a 95 percent confidence interval. In other words, if the survey were done 100 times, 95 of the surveys would produce answers that would be within 4.35 percent of one another.

Although the main purpose of the survey was to find out how Oregonians would vote in the coming election, Riley Associates was able to add the following two questions regarding Indian casinos for ECONorthwest and the Oregon Gaming Alliance:

1. How many times, if any, have you visited an Oregon Indian casino in the past year?
2. Would you say you have a very positive, somewhat positive, neutral, somewhat negative, or very negative opinion of the Indian casinos in Oregon?

Important Considerations

Before reviewing the survey results, readers need to keep in mind the following five issues when interpreting the survey results:

- The survey data were not weighted for age, income, or sex, so that the characteristics of those who answered the survey by phone would exactly match Oregon's population. Those surveyed were more likely to be over 54 years old than the population as a whole.
- In this telephone survey respondents living in Oregon are being asked about the number of visits they have made to Oregon casinos in the past year. This creates a negative bias, which understates the number of visits. The reason for this is mobility. Each year about three percent of the population either moves in or moves out of Oregon. Also, we know from previous surveys of the general population, people that recently have moved to Oregon are much less likely to have visited a casino in the state because they are less familiar with the casinos and where they are than those who have lived in Oregon for many years.
- In this survey, we asked people if they visited an Oregon casino. Previous surveys by ECONorthwest covering all Oregonians asked whether they have gone to an Oregon casino to gamble. The difference is substantial because many people visit casinos once or twice in a year for reasons other than gaming. We changed the wording in this survey because we were interested in knowing the general popularity of the Indian casinos in Oregon. That simple change in wording raises the "yes" response rate by about 15 percent.

- Proximity to a casino is the single best predictor of whether a person visited a casino in the last year. We know from other research that Oregonians living 30 minutes away from a casino will visit three times as often as persons living 90 minutes away. Therefore, when you ask in a survey “Have you visited a casino in the past year?” people who live closer to casinos are more likely to answer “yes.” This creates a bias in the results. The “yes” respondents will reflect the populations living nearest to casinos, which in Oregon are more Republican, older, and less urban than average.
- The survey was just of registered voters that say they are likely to vote in the November election. Only about 56 percent of the population 18 and older will vote. In addition, people 18 to 20 years of age vote but cannot gamble in a casino in Oregon. Thus, the survey population is different than the gaming age population of the State.

Who Visits Indian Casinos?

Of the 507 asked if they visited an Indian casino in Oregon in the past year, 504 answered. Of all Oregon adults responding, a third said yes. However nearly half of those went only once to a casino, which is an indication that many were either non-gamblers or very infrequent casino players. As shown in Table 5, those that visited a casino three or more times made up 12 percent of those surveyed.

Table 5: Survey Result to the Question—How many times, if any, have you visited an Oregon Indian casino in the past year?

Category	Did not go to a casino	Went to a casino in last year	Went once or twice	Went three or more times
All likely voters	67%	33%	21%	12%
<u>By Sex:</u>				
Male	71%	29%	20%	9%
Female	63%	37%	23%	14%
<u>By Party Affiliation:</u>				
Democrat	68%	32%	21%	11%
Republican	64%	36%	23%	13%
Independent/other	75%	25%	20%	5%
<u>By Age:</u>				
Age 18 - 34	72%	28%	23%	6%
Age 35 - 44	71%	29%	26%	3%
Age 45 - 54	67%	33%	24%	9%
Age 55 -64	67%	33%	20%	13%
Age 65 -74	60%	40%	22%	18%
Age 75 & over	70%	30%	15%	15%
<u>By Congressional District:</u>				
1st (NW OR)	79%	21%	11%	11%
2nd (Central & E OR)	68%	32%	25%	8%
3rd (Portland)	76%	24%	16%	8%
4th (S. Valley & SW OR)	53%	47%	28%	19%
5th (N coast - Salem)	59%	41%	28%	13%
<u>Portland Residency:</u>				
Portland	84%	16%	9%	7%
Non-Portland	63%	37%	24%	13%
<u>Voted in Last 4 Elections:</u>				
Not voted	70%	30%	20%	10%
Voted once	45%	55%	38%	17%
Voted twice	69%	31%	21%	10%
Voted three times	71%	29%	18%	11%
Voted four times	67%	33%	21%	12%

Results of survey of 507 randomly selected registered Oregonians, 18 years and older, of which 504 responded to the question posed in a telephone interview in the last week of August 2004 by Riley Research Associates.

More women than men visited a casino in the last year. In past surveys when ECONorthwest has asked about gaming, men have been slightly more likely to respond “yes.” The results here may reflect differences in women who are registered voters.

On party affiliation, the survey found that 36 percent of registered Republicans visited Indian casinos in Oregon during the past year while 32 percent of Democrats and 25 percent of other voters did. Areas closest to Indian casinos tend to have higher proportions of Republicans than areas further away in Oregon.

The age distribution of casino visitors matches the general pattern ECONorthwest has observed for many years in Oregon. The incidence of infrequent visitors is fairly constant (20 to 26 percent for the age range from 18 through 74). However, for the most elderly group, those 75 and older, the percent that visited casinos is low. Furthermore, the shares of frequent visitors (three or more visits a year) are disproportionately low for those ages 25 through 44. This too is consistent with past studies.

The reason for the age patterns we see relate to the three things needed by people who want to go to a casino: ample free time, extra spending money, and the means or capability to go to a casino. Those in the prime child rearing ages of 25 to 44 often have little free time and, in many cases, little extra spending money. People in their post-child rearing ages are less constrained and will visit casinos more often. However, mobility issues and health problems affect the oldest group, which in all our surveys shows the least likelihood of visiting casinos in Oregon.

When we break the responses down by Congressional Districts the influence of proximity becomes apparent. The first and third districts are the only ones in Oregon without Indian casinos and both show the lowest incidence of casino visitors. The average person in the Third District, for example, lives 89 minutes from the nearest casino, so only 24 percent said they visited an Oregon casino in the last year and just eight percent said they went three or more times. Those in districts four and five, where there are now five casinos, live an average of 64 minutes away from the nearest casino. Over 40 percent made a visit to one in the past year and over 13 percent made three or more visits.

Fully 37 percent of non-Portlanders went to a casino in the last year while just 16 percent of those living in the City did. Generally research indicates that urban dwellers are more likely to gamble, so the difference here is primarily due to proximity differences. The means to visit a casino also factors into the difference as 14 percent of Portland households lack a vehicle while just six percent living outside the City do.

In this and other surveys we note that those who vote are slightly more likely to visit casinos than those who do not. Although not asked by Riley Associates, we know from past surveys that politically moderate voters are much more likely to go to casinos than those that describe themselves as either liberal or conservative. Further research has shown that those that ascribe themselves as liberal are more apt to be risk averse and, thus, less interested in gaming, while a significant number of those describing themselves as conservative have moral objections to gaming. Therefore, politically moderate or swing voters appear to visit casinos more often than others.

Table 6 shows how likely voters, by various breakdowns, said that they felt about Indian casinos in Oregon. Of 507 surveyed, 493 provided answers to the question posed.

Table 6: Survey Result to the Question—Would you say you have a very positive, somewhat positive, neutral, somewhat negative, or very negative opinion of the Indian casinos in Oregon?

Category	Positive Opinion	Neutral Opinion	Negative Opinion
All likely voters	49%	25%	26%
<u>By Sex:</u>			
Male	44%	27%	29%
Female	55%	22%	23%
<u>By Party Affiliation:</u>			
Democrat	55%	25%	19%
Republican	43%	21%	35%
Independent/other	49%	33%	18%
<u>By Age:</u>			
Age 18 - 34	55%	25%	20%
Age 35 - 44	44%	28%	28%
Age 45 - 54	50%	27%	23%
Age 55 -64	47%	31%	21%
Age 65 -74	51%	19%	31%
Age 75 & over	51%	18%	32%
<u>By Congressional District:</u>			
1st (NW OR)	44%	28%	29%
2nd (Central & E. OR)	45%	27%	29%
3rd (Portland)	53%	28%	19%
4th (S. Valley & SW OR)	53%	18%	29%
5th (N. coast - Salem)	52%	22%	26%
<u>Portland Residency:</u>			
Portland	52%	26%	22%
Non-Portland	49%	24%	27%
<u>Voted in Last 4 Elections:</u>			
Not voted	47%	33%	20%
Voted once	71%	10%	20%
Voted twice	49%	30%	21%
Voted three times	49%	28%	23%
Voted four times	47%	20%	33%

Results of survey of 507 randomly selected registered Oregonians, 18 years and older, of which 493 responded to the question posed in a telephone interview in the last week of August 2004 by Riley Research Associates.

Statewide 74 percent of likely voters have either a positive or neutral opinion of Indian casinos in Oregon. Female voters are more likely than men to hold a positive opinion—but even among male voters only 18 percent are somewhat negative and just 11 percent hold very negative opinions about casinos.

Republican voters have the least favorable view of casinos although the portion that do is clearly a minority (35 percent). Only 19 percent of Democrats and 18 percent of other voters hold negative opinions.

By age group, younger voters are more apt to have favorable opinions about Indian casinos in Oregon. More than a fourth of all voters between 18 and 64 have neutral opinions about casinos. Interestingly, older voters are less likely to be neutral about Indian casinos. About 51 percent hold positive opinions and 31 percent hold negative opinions.

In terms of geography, those in the Portland area tend to view Indian casinos in Oregon more favorably than others. However, in no congressional District is the portion of likely voters having a negative opinion about casinos greater than 29 percent.

Oregon Economic Impacts

Tribal gaming was first introduced into Oregon in 1992. It has become an economic engine for Oregon and especially beneficial for the rural, economically depressed communities where tribes reside.

Tribal gaming offers an economic development opportunity that generates jobs and incomes for tribal members and non-members alike. Further, gaming generates the financial resources tribal governments need to provide essential services, build local infrastructure, and promote additional economic development efforts. For Oregon tribes, tribal gaming means less poverty, better standards of living, and less reliance on state and federal assistance. For the State, casino gaming has emerged as a catalyst for tourism and as a major source of above industry-average paying jobs with health insurance for thousands of rural Oregonians.

OGA asked ECONorthwest to estimate the economic impacts of Oregon tribal gaming. In essence, our task is to describe and measure the contribution of tribal gaming to the individual tribes, their local economies, and the state of Oregon.

This section begins with some basic definitions that outline the scope of the impact analysis. We then describe the tribal gaming industry in terms of its revenues, its expenditures, and employment. We then summarize the economic impacts tribal gaming has had on Oregon's economy and conclude with an analysis of its fiscal impacts on government tax and fee revenues.

Scope of Impact Analysis

As with any economic research, ECONorthwest defined the industry it was to measure and the scope of the impact analysis. Below are some basic assumptions:

- All impacts are a snapshot of the year 2003.
- Our definition of tribal gaming includes the hotels, restaurants, and other ancillary activities and amenities directly associated with the casinos and offered to casino customers.
- Since gaming revenues are used to finance additional tribal government activities, the direct impacts also include the portions of tribal government and other tribal needs that are supported by the revenues from the casinos.
- Only eight casinos were operating in Oregon during 2003. The Three Rivers Casino is the ninth. It was opened in 2004 by the Coos, Siuslaw, and Lower Umpqua Tribes, thus it was not included in the impact analysis

- We measured the total or gross impacts of the casinos. That means we are reporting the impacts that can be traced back to the spending by casinos in 2003. In other words, we found the total number of jobs, sales, income, and tax impacts that are directly and indirectly the result of tribal gaming. This differs from a net impact analysis, which would answer the question what would the economy be like if there were no casinos.

Tribal Casino Operations in 2003

We totaled the 2003 revenues, expenses, and miscellaneous cash outlays of the eight tribal casinos. As shown in Table 7, casino revenues were over \$453.7 million. About 85 percent of revenues came from gaming. Food and beverage sales were \$41.7 million. Over \$14.7 million came from hotel & lodging operations. The remainder was derived from RV parks, golf, childcare, arcades, gift shops, and entertainment ticket sales. The casinos and their hotels employed an annual average of 4,592 workers—the great majority of whom were fulltime employees.

Table 7: Direct Output of Oregon Casinos, 2003

Casino Operations	2003 Totals
<u>Revenues by Source:</u>	
Gaming	\$384,191,900
Food & Beverage	41,671,587
Hotel & Lodging	14,782,852
Other	13,097,591
Total	\$453,743,930
Jobs - Annual Average	4,592

Excludes the Three Rivers Casino, which was not open in 2003.

Casinos spent over \$332.5 million on their operations in 2003. Almost half of that was for labor. Wages and salaries alone totaled \$115.8 million. Added to that are benefits, which averaged 30.5 percent of wages, and payroll insurance costs—bringing the total labor expense for casinos to the \$162.9 million shown on Table 8. Employees at Oregon tribal casinos enjoyed approximately \$19.2 million in paid health care benefits, \$4.9 million in retirement contributions, and \$11.1 million in various other types of employer-paid benefits.

Table 8: Uses of Casino Revenues, 2003

Uses of Casino Revenues	2003 Totals
<u>Casino Operations:</u>	
Wages, Benefits & Payroll Taxes	\$162,935,400
Other Casino Expenses	117,320,600
Contributions, Taxes & Fees	10,207,800
Capital Expenditures	42,123,600
Total For Casino Operations	\$332,587,400
<u>Other Uses:</u>	
Tribal Government & Members	\$109,927,000
Net Savings, Debt Service & Other	\$11,229,500

Excludes the Three Rivers Casino, which was not open in 2003.

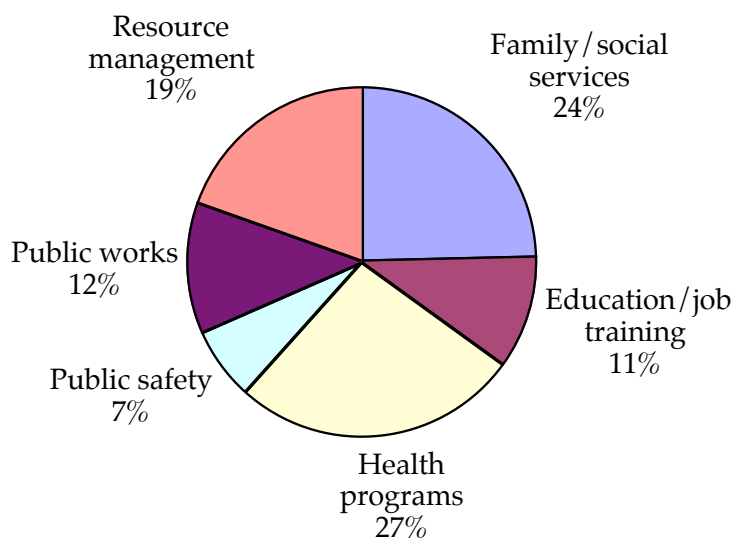
Other casino expenses, which include among other things the cost of food and beverages sold, advertising, utilities, and outside support services, amounted to \$117.3 million. Casinos also spent \$10.2 million in charitable contributions, to support community benefit foundations, to pay for the gaming enforcement section of the Oregon State Police, and some taxes. Capital expenditures, which traditionally are substantial in the hotel-casino business, amounted to over \$42.1 million.

Six of the eight tribes with casinos running in 2003 had positive cash flows from the tribal gaming operations sufficient to support tribal government expenses. These include the costs of health, family and social services, public works, emergency services, housing, education, and public safety programs. In many cases these programs are available to non-members, as well as tribal members. In total about \$109.9 million from gaming was spent on tribal programs.

Tribal Program Spending

While gaming funded \$109.9 million in tribal government spending, the costs of servicing the needs of their members were substantially greater. Tribal governments spent over \$137.1 million in 2003 just on family and social services, healthcare, education, public works, resource management, and public safety programs during the year. A breakdown of these needs is shown in Figure 5. In addition to these programs, tribes also had to fund housing projects, administrative services, eldercare programs, and a host of other necessities for their communities that would otherwise had become the responsibility of State and local government.

Figure 5: Tribal Government Spending on Major Program Areas, Percent of \$137.1 Million Total of Selected Areas in 2003



Impact Analysis

An impact analysis is a way to measure all the spending, income, and jobs in an economy that can be traced back to a specific industry. In this report we measure the impacts that the eight tribal casinos operating in 2003 had on Oregon's economy. The basis for an impact analysis is an IMPLAN model. Such models measure the effects of an industry, such as casinos, on the inputs and outputs of various sectors of the economy.

Methodology

In simple terms, IMPLAN models work by tracing how and where money starting at the casinos is spent and earned as it circulates through the economy. There are three types of impacts.

In the first stage there are the direct impacts, which is the value of the output (basically revenues) of the casinos, hotels, and the tribal government spending they support. This injection of money into the economy causes indirect impacts primarily by stimulating sales for suppliers of goods and services. It also raises the incomes of workers through higher employment and wages and raises the profits of small business owners that, in turn, spend more money in Oregon. This income benefit causes induced impacts.

For example, spending by a casino at one of its Oregon suppliers causes higher sales for that supplier. They, in turn, will hire more employees and pay additional wages. The supplier too will make some purchases in Oregon to meet the needs of their customer, the casino. In the end the supplier will spend some of its increased profits in Oregon and the benefiting employees will spend most of their wages in the State as well. Money that is spent or earned in another state is considered a loss and has no additional impacts on Oregon's economy. So too is money saved or taxed.

ECONorthwest took the IMPLAN model of the Oregon economy and modified it to reflect the spending pattern of the eight casinos. This was done because the original IMPLAN model is based on national casino industry statistics. Unlike the typical commercial casino in the U.S., tribal casinos in Oregon spend much more money on social, healthcare, and education needs, non-tribal charities, and employee benefits.

ECONorthwest also had to include the increased spending by tribal government, its employees, and members resulting directly from gaming in the analysis. This is because the usage of revenues from tribal gaming is markedly different than commercial casinos. Over a fourth of the revenues in tribal casinos are simply remitted to pay for tribal government and services. ECONorthwest had to tailor the IMPLAN model so that it accurately would measure these tribal government expenditures on healthcare, education, public works, and similar local needs.

Results of Impact Analysis

The direct economic impacts of Oregon tribal gaming are shown in the first three rows of Table 9. These direct impacts include those from the casino operations (gaming and hospitality), and the additional tribal government spending that is made possible because of the casinos, hotels, and related businesses. Tribal gaming directly stimulated \$453.7 million in economic output, \$162.9 million in wages and benefits, and 4,592 jobs in 200. The casinos also supported \$109.9 million in tribal government output with \$29.5 million in wages and benefits for 736 workers.

Table 9: Economic Impacts of Oregon Tribal Gaming in 2003

Economic Activity	Economic Output	Wages and Benefits	Full- and Part-Time Jobs
<u>Direct Impacts Supported by Tribal Gaming</u>			
Gaming & Hospitality Revenues	\$453,743,930	\$162,935,440	4,592
Tribal Needs Supported by Casinos	109,927,050	29,452,780	736
Direct Impacts	\$563,670,980	\$192,388,220	5,328
<u>Indirect & Induced Impacts on Oregon's Economy</u>			
Natural Resources and Construction	\$40,286,620	\$13,089,700	380
Manufacturing	38,746,130	7,729,900	230
Wholesale and Retail Trade	86,833,250	35,612,950	1,460
Services	172,472,310	74,712,650	2,920
Other	124,912,150	25,340,600	650
Indirect & Induced Impacts	\$463,250,460	\$156,485,800	5,640
Total Impact of Casinos on Oregon's Economy	\$1,026,921,440	\$348,874,020	10,968

Casinos in Oregon are a major source of funding for tribal government. Tribal governments provide for public safety; undertake public works projects; carry out conservation programs; and provide other vital social services, such as healthcare, education, employment, and housing services. Many of these tribal programs supplement or replace spending by cash-strapped Federal and State programs that have not adequately met the needs of tribal communities and their non-tribal residents.

There are very tight linkages between Oregon's economy and the spending by tribes and their casinos because tribes are local and, thus, direct so much of their spending to in-state suppliers and workers. The spending by the tribes on goods and services ("indirect" purchases) as well as spending by households whose incomes are linked to tribal gaming ("induced" purchases), result in additional economic impacts on other sectors of the Oregon economy. This is the ripple effect of indirect and induced impacts on Oregon's economy.

As can be seen in Table 9, \$463.3 million in economic output in Oregon came from the indirect and induced impacts of the eight casinos. That additional output supported 5,640 jobs paying \$156.5 million in wages and benefits.

Those indirect and induced impacts spread throughout the many sectors of the economy. The service sector—Oregon's largest—gained the most with approximately 2,920 jobs and \$74.1 million in wages. This is logical, given the labor-intensive nature of tribal gaming and government. It's also very important because the service sector encompasses a wide range of occupations, with workers of different skills and abilities. Tribal gaming, therefore, supports employment and income opportunities for a wide range of people from daycare workers to doctors.

Workers in the trade sector, which consists of wholesalers and retailers, depend on the casinos for 1,460 jobs. Much of that support begins with the direct purchases of goods by the casinos. The casinos spent over \$18.0 million alone in wholesale food and beverages in 2003 just to keep their restaurants running. Overwhelmingly those purchases are made through Oregon suppliers. But the greatest impact came from the spending by the 5,328 employees of the tribes whose jobs were directly dependent upon the casinos. Much of the \$192.4 million they earned in pay and benefits in 2003 was spent in Oregon stores and restaurants.

The “other” sector on Table 9 accounts for more than a quarter of the entire indirect and induced output on the economy. Most of that was recorded by the banking and real estate industries, which derived revenues from tribal gaming primarily through the benefiting employees. Workers in Oregon spend over 29 percent of their incomes on housing.¹⁵ Dollars from casinos flow directly into home purchases, apartment rents, and remodeling projects—and ultimately into property taxes for local schools and communities.

The “other” sector also includes utility purchases. Casinos are heavy consumers of electricity and water because they cater to so many visitors, have large building areas with extensive heating and ventilation, huge amounts of electrical equipment, and most are open 24 hours a day. In 2003, 8,070,578 people visited Oregon casinos in 2003.

Jobs Multiplier

Tribal gaming has a “multiplier effect” on the local economy. Economic multipliers measure the overall impact with which spending on one activity—in this case, tribal gaming—affects such factors as output, taxes, jobs or incomes.

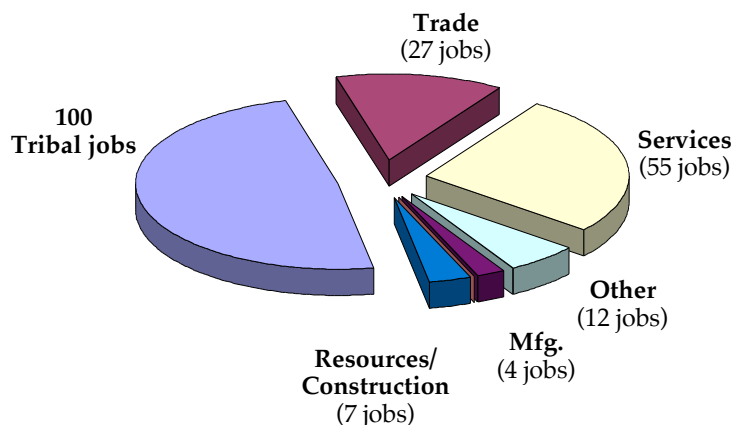
The multiplier of greatest importance, especially in rural Oregon where so many casinos are located, is the jobs multiplier. Oregon tribal gaming has a job multiplier of 2.05. This says that on average, 100 tribal jobs due to gaming support another 105 jobs in other sectors of the state economy.

Figure 6 shows the jobs multiplier associated with every one hundred casino and associated tribal government jobs in Oregon.

¹⁵ From Portland MSA data from the US Bureau of Labor Statistics <http://www.bls.gov/cex/home.htm>.

Figure 6: Job Multiplier, Impact of 100 Tribal Gaming Jobs on the Rest of Oregon's Economy in 2003

For every 100 Tribal jobs, approximately 105 jobs are stimulated elsewhere in the state economy, including...



Government Revenue and Tax Impacts

Tribes are governments unto themselves. They take revenues and then use them to pay for affordable housing projects, healthcare, education, police services, public works, road construction, and social services. Much of this spending also directly benefits non-tribal members of the affected local communities by providing access to various tribal services, such as healthcare, fire protection, and support for public schools. But tribal government spending also indirectly benefits Oregonians by alleviating pressure on Federal, State, and local government resources to attend to the needs of communities.

Casinos in Oregon are part of tribal governments, much as the Oregon Lottery is part of Oregon State government. Neither the Oregon Lottery nor the tribal casinos are subject to income and property taxes, but their cash flows are both used to pay for government services and needs.

While tribal governments and their casinos are not subject to property and income taxes, many do pay state and local jurisdictions for services and some remit hotel taxes to local government. More significantly, tribal members and employees, like all Oregonians, are subject to the usual cadre of income, property, and miscellaneous taxes and fees that all of us pay.

In 2003, casinos in Oregon paid 26.5 percent of their total revenues directly on tribal government, State government, local governments, and local charities. This is quite unlike commercial casinos, which mainly contribute to those social needs indirectly through income tax payments that average less than three percent of revenues.

If we exclude casino support for local charities and tribal government, but include the indirect and induced tax effects, we find that over \$100 million in gaming industry dollars flowed back to Federal, State, and local governments in 2003 in taxes, fees, and licenses. As shown in Table 10, the State of Oregon alone garnered \$25.6 million in taxes, fees, and licenses. This does not include money paid by the casinos for the OSP, local government services, and in the support of charities.

Table 10: Taxes and Government Revenues Attributed to Oregon Tribal Gaming in 2003

<u>Jurisdiction/Source</u>	<u>Tribal Gaming Impact</u>
<u>State of Oregon:</u>	
State personal & corporate income tax	\$16,001,200
Other state taxes, fees & licenses	9,610,500
Oregon Government Revenues	\$25,611,700
<u>Local Governments in Oregon:</u>	
Local property taxes	\$12,072,200
Other local taxes, fees & licenses	4,941,700
Local Government Revenues in Oregon	\$17,013,900
<u>U.S. Federal Government:</u>	
Federal personal & corporate income tax	\$34,450,900
Excise & retirement taxes	23,838,500
Federal Taxes	\$58,289,400
Total Federal, State & Local Revenues	\$100,915,000

The equivalent of 10,968 workers in Oregon were either employed by or because of the casinos in 2003. Their earnings were taxed. They directly and indirectly paid local property taxes. They paid all the other fees and taxes levied on Oregonians by State and local governments. This included everything from car registrations, gasoline taxes, and hunting licenses to fees on their telephone bills, local business licenses, and cigarette taxes.

As we all know, the Federal tax bite is even greater than the State's. Income taxes paid by the employees and businesses that work for casinos, and those that benefit from the induced income effects from tribal gaming totaled almost \$34.5 million. Eighty-nine percent of that came from personal income taxes. Corporations paid the remaining eleven percent of the income taxes. The Federal government also levies excise and retirement taxes. They include Social Security, Medicare, gasoline, phone service, and tobacco taxes. This amounted to \$23.8 million.

In addition to the taxes covered in Table 10, Oregon casinos also were required to pay approximately \$244,000 (0.063 percent of their gaming revenues) to fund the NIGC, over \$1.5 million a year to the Oregon State Police Gaming Enforcement Section, and several hundred thousand dollars in lodging taxes.

Direct Contributions

Oregon tribes are also large contributors to local charitable non-profit organizations. Tribal staffs estimate that the four largest casinos contributed more than \$7.2 million to community foundations in 2003 alone. These foundations award grants to charities that provide vital social, health, and education services to individuals living in the Oregon counties near the casinos. In addition, casinos also directly donated close to a million dollars to other worthy causes including local schools and hospitals.

Gaming also directly contributes to the economic wellbeing of workers in the largely rural communities where casinos are found. Tribal gaming directly hired 21 percent of the leisure & hospitality sector workers in the eight counties that had casinos in 2003. More importantly, they were paid more. Employees in tribal gaming were paid more than twice the average wage of other leisure & hospitality workers in the same counties.

In addition to better wages, the gaming industry offers year-round employment and more attractive benefits than are typically offered by the leisure industry in Oregon. In 2003 the average casino worker received \$4,178 in employer-paid healthcare, \$1,078 in employer-paid 401-K benefits, and \$2,420 in other benefits.

Long Term Impacts

As we have just seen tribal casinos were responsible for 10,968 jobs in Oregon paying \$348 million in wages and benefits. The casinos directly and indirectly stimulated more than a billion dollars in economic output for the State. And we found that \$42.6 million in State and local government tax and fee revenues were traced to tribal gaming.

We measured these impacts for just one year—2003. It is important to note, however, that such impacts occur every year and will continue mounting in the future. Tribal gaming has had a beneficial cumulative effect on society by creating stable employment for an otherwise underutilized labor force in rural and semi-rural Oregon.

The tribes have spent \$245 million in the past twelve years just on building their hotels and casinos. But in addition, tribes have used gaming revenues to build health clinics, housing, and youth centers. They have used the money earned from gaming to improve badly neglected infrastructure and to pay for education programs from Head Start classes to college scholarships.

Oregon tribes are planning more construction, infrastructure development, and social spending. All of this spending will enhance the economic capacity of the communities, tribal members, and affected employees and their families in ways that will pay dividends for Oregon for many years to come.

Socioeconomic Benefits

Tribal gaming is providing a means by which tribes in Oregon can sustain employment, education, healthcare, and other programs for their communities, which have long been neglected and underserved. As such, we see evidence of advancements in the economic and social wellbeing of tribes and their neighboring communities. These are some of the socioeconomic benefits of tribal gaming.

In addition to direct improvements for tribes and the rural areas where they live, gaming has indirectly benefited Oregon society as a whole. By being able to afford to take over and improve social programs tribes have taken some pressure off of State and Federal government programs that historically have aided areas of chronic unemployment and poverty.

Since seven of the nine casinos in Oregon opened between April 1994 and October 1995, some tribes had been able to generate enough cash from their casinos to pay for tribal needs during the latter half of the 1990's. Those whose debt repayments and other casino start-up costs have kept them so far from funding social programs still were able to expand employment opportunities in their local communities, which of course benefits families and reduces poverty.

With beneficial impacts beginning to be felt in the mid 1990's and growing every year since, ECONorthwest was able to compare the 1990 and 2000 U.S. Census data for evidence of socioeconomic improvements. Those benefits that could be measured from Census data are discussed in this section. We then conclude with an analysis of the employment benefits and how by providing work in high unemployment counties, gaming has lessened welfare and health insurance costs for taxpayers.

Socioeconomic Advancements in the 1990's

Socioeconomic advancements for individuals can occur quickly, but for entire communities, such as tribes, the advancement process is far more gradual because many of the benefits are not felt until future generations mature. For instance improvements in educational opportunities, prenatal healthcare, substance abuse treatment programs, family social services, and other community support programs have intergenerational benefits that would become fully evident only after many years have passed. Thus, the initial injection of income from gaming has only just begun to take hold. Still, signs of the improving conditions for Native Americans in Oregon are evident in the Census data.

Eight of the nine Indian casinos in Oregon opened in the 1990's. Therefore, we can compare the 2000 US Census data for Oregon tribal lands and the state's Native American populations to the results of the 1990 US Census for insights into how social and economic conditions have changed over the decade.

Improvements in Household Incomes

One out of every six households covered in the US Census fills out the “long form,” which asks more questions than the typical Census. The long form asks households about their total incomes for the previous year. The income data are sorted by geography, including tribal trust lands, and ethnicity. This allows ECONorthwest to compare changes in income for tribal and non-tribal households during the 1990’s. Note, however, that Census asks about last year’s income, so the 2000 Census reports household incomes for 1999 and the 1990 Census tells us what incomes were in 1989.

The data reveal that 56 percent of Native American households in Oregon earned less than \$25,000 a year in 1989, while just three percent made over \$75,000. Compared to all Oregonians, those that were Native American were far less likely to be in the upper middle-income and affluent income ranks,

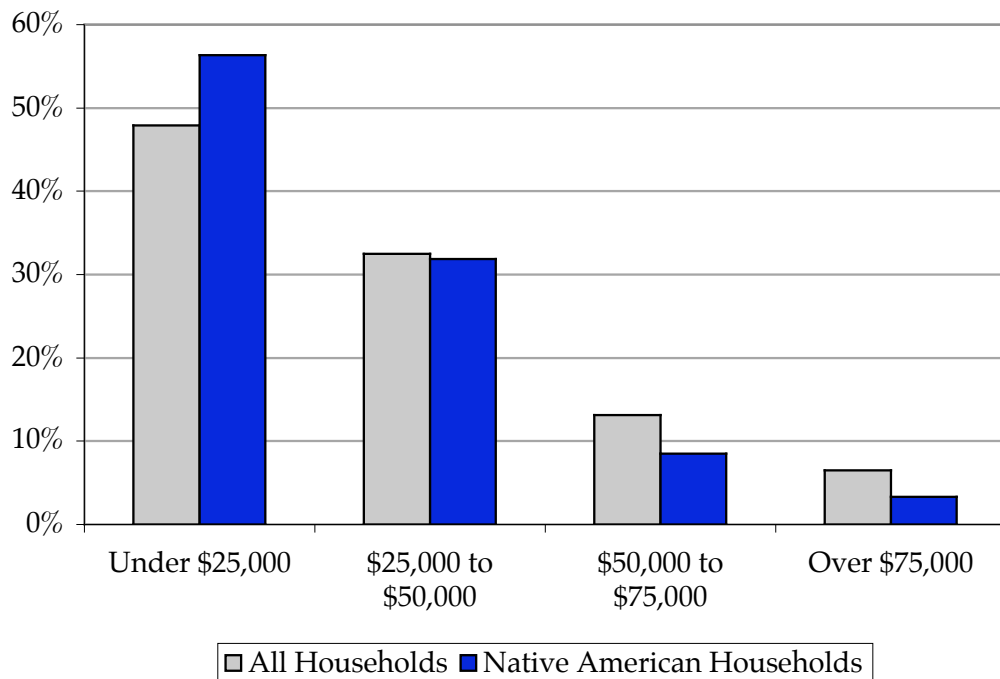
Ten years later many Native American households moved up. The number earning over \$50,000 a year climbed nearly four-fold and eleven percent of Native American households were making in excess of \$75,000 a year. Part of that improvement came from inflation but much of the increase was due to the benefits of tribal gaming, which is why the income gap between Native American and non—native households closed so much in the 1990’s.

The gap between Native and non-native households in Oregon narrowed appreciably in middle and upper-income categories (incomes between \$25,000 and \$75,000 a year), as can be seen when comparing the 1989 data in Figure 7 to the same income data ten years later in 1999 on Figure 8.

While we have seen a marked improvement, a sizable income gap still persists in Oregon especially for poor and near-poor households (those earning less than \$25,000 a year). Over 40 percent of Native American households were in the lowest income bracket in 1999. Although a big reduction from 56 percent back in 1989, who were at the lower income level, Native American households still are much more likely to be struggling with below average incomes.

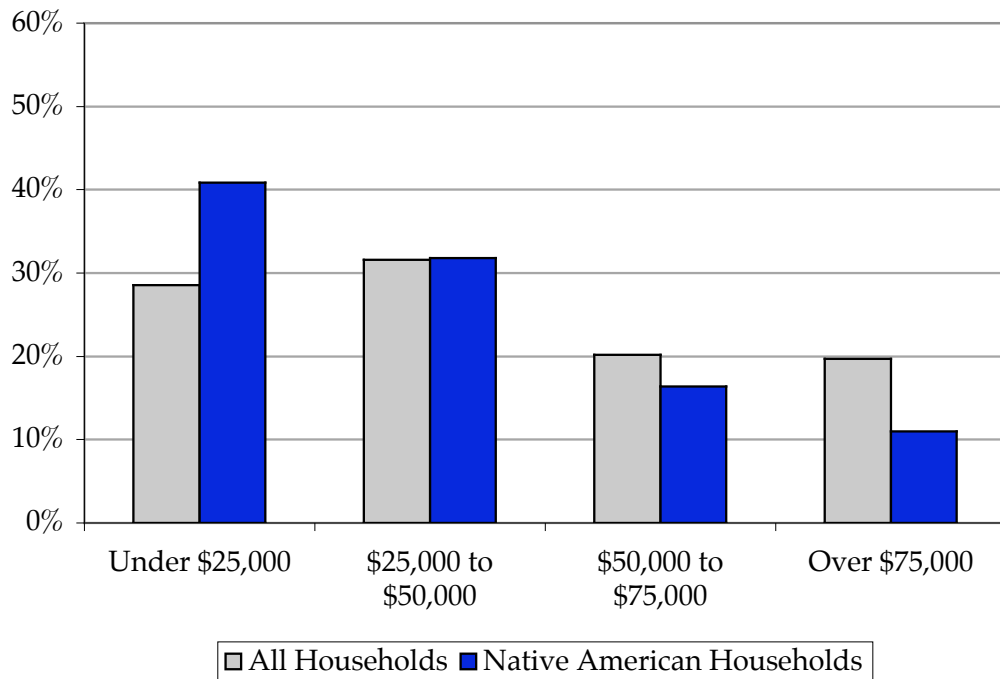
We conclude that the Census yields evidence that tribal gaming had begun to improve the income distributions of Native American households, but that much more progress would be necessary if we are to see incomes in Native American households to approach the same distribution that other Oregon households enjoy.

Figure 7: Income Distribution of Native American and All Households in Oregon, 1989



Source: 1990 US Census of Oregon. Native American data is the sum of American Indian, Eskimo, or Aleut.

Figure 8: Income Distribution of Native American and All Households in Oregon, 1999



Source: 2000 US Census of Oregon. Native American data is the sum of American Indian, Eskimo, or Aleut.

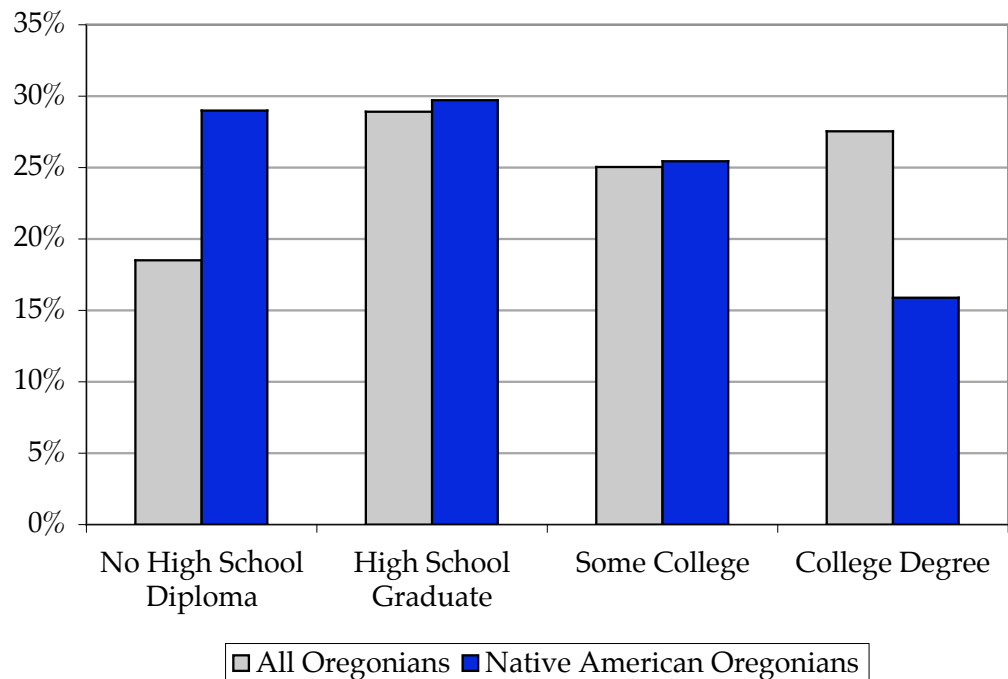
Improvements in Educational Attainment

Few indicators of long-term improvement in socioeconomic status are as good as educational attainment. Better education leads to better jobs, higher incomes, and more stable families. In Oregon there has been a clear advancement in the education of the Native American population since the 1990 Census.

When the U.S. Census measures the education level of people they question only those 25 and older because they are the ones most likely to have graduated from school and be working. The Census asks them the highest level of schooling they have had. This is called “educational attainment.”

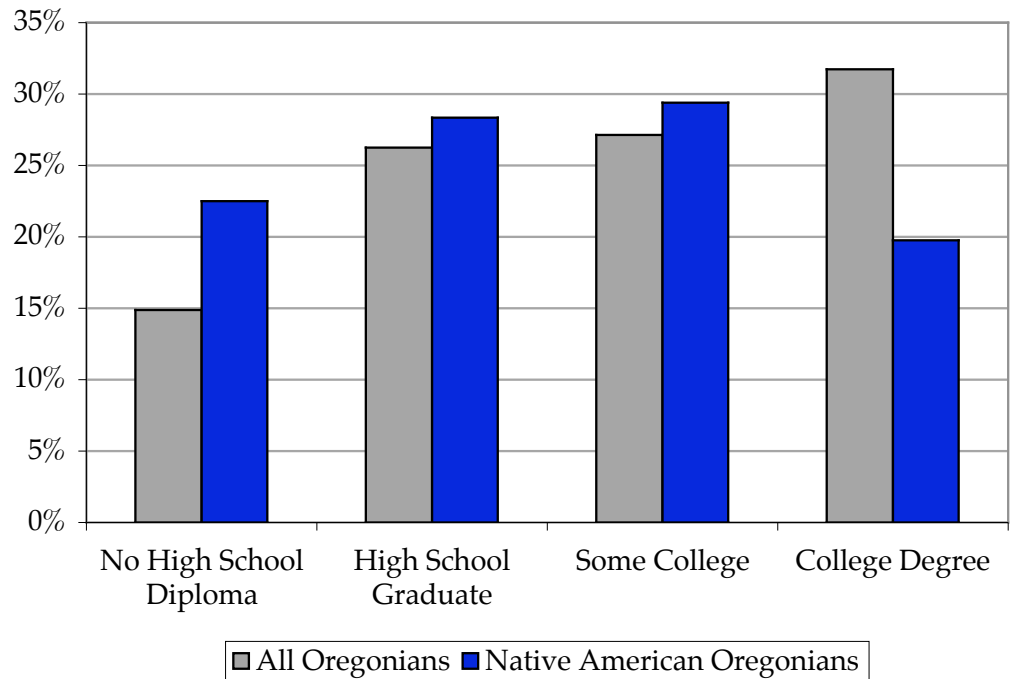
In Figure 9, we see that back in 1990, 29 percent of Native Americans over 25 lacked a high school degree and just 16 percent completed college. From Figure 10, we see that major strides were made during the decade when tribal gaming was introduced. The percent of Native Americans who have had some college education jumped from 25 percent to 29 percent. The share that has earned a college degree went from 16 percent to nearly 20 percent in just ten years. It is a remarkable achievement.

Figure 9: Educational Attainment in Oregon For Native Americans and All Oregonians, Percent of Adults Over Age 25 in 1990



Source: 1990 US Census of Oregon. Native American data is the sum of American Indian, Eskimo, or Aleut.

Figure 10: Educational Attainment in Oregon For Native Americans and All Oregonians, Percent of Adults Over Age 25 in 2000



Source: 2000 US Census of Oregon. Native American data is the sum of American Indian, Eskimo, or Aleut.

Further gains in attainment are ensured as dollars from gaming are funneled into college grants, primary and secondary school programs, scholarships, Head Start, and support at colleges, such as the Indian Education Office at Oregon State University.

More evidence of this progress can be found in Table 11. U.S. Census data show a large 22.4 percent increase in the number of Native American Oregonians enrolled in college between 1990 and 2000. That compares to a 2.5 percent gain for all Oregonians. Gaming has simply made college more accessible and provided some of the community support structures to aid students in achieving success.

Table 11: Change in College Enrollment for All Oregonians and Native American Oregonians, 1990 - 2000

College Enrollment	1990	2000	Change
All Oregonians	199,788	204,811	2.5%
Native American Oregonians	2,242	2,745	22.4%

Sources: 1990 and 2000 US Census of Oregon. Native American data is the sum of American Indian, Eskimo, or Aleut.

Poverty Level

The poverty rate is the percent of a population that is living below the poverty level. The Census calculates this by setting a minimum or threshold income, which is also called the poverty level. The thresholds vary by family size and composition. If a household's income is less than the threshold, then they are considered poor. In the 1990 Census, for example, a family of four with two children would be counted as poor if they earned less than \$12,575. For the 2000 Census the threshold for a family of four was \$16,895.

“Native people have been and still are the poorest minority group in the country; they have had to settle for inadequate housing, education and health services and little or no representation in developing government policies that affect Native people. Maintaining balance in their physical, mental and spiritual life has been a challenge when poverty controls one's life.”¹⁶ So signs of a falling poverty level would be a good indication that tribal gaming would be having a positive impact on tribes in Oregon.

The evidence from the Census shows a large improvement in Oregon. According to the U.S. Census, as shown in Table 12, the number of Native Americans living below the poverty level in Oregon fell 12.6 percent in the 1990's while, at the same time, it jumped 12.7 percent for the state as a whole. The poverty rate, which is the percent of the population living below the poverty level, dropped from 36.1 percent to 28.6 percent.

Table 12: Population Below the Poverty Level for All Oregonians and Native American Oregonians, 1990 - 2000

Poverty Level	1990	2000	Change
All Oregonians:			
Total Population	2,431,040	2,958,927	21.7%
Below Poverty Level	344,867	388,740	12.7%
% Below Poverty Level	14.2%	13.1%	-1.0%
Native Americans:			
Total Population	29,447	32,519	10.4%
Below Poverty Level	10,630	9,290	-12.6%
% Below Poverty Level	36.1%	28.6%	-7.5%

Sources: 1990 and 2000 US Census of Oregon. Native American data is the sum of American Indian, Eskimo, or Aleut.

Although the poverty rate of Native Americans fell dramatically during the decade, it was still twice the statewide average in 2000. Gaming, and the jobs and funding it has brought to tribes in Oregon, has reduced poverty, but there is still much more to be done

¹⁶ Napoli, Maria. *Native wellness for the new millennium: the impact of gaming*. Journal of Sociology & Social Welfare. March 2002

Employment Status of Native Americans

The sharp reduction in poverty among Native Americans in Oregon was due to a combination of rising wages and better job opportunities. Comparing the 1990 and 2000 Census data for those age 16 and above (the official age at which people are counted as being in the labor force), there was an improvement in the employment picture of Native Americans living in Oregon.

As can be seen in Table 13 the unemployment rate in Oregon was 0.3 percent higher in the 2000 Census than it was in the 1990 Census. For Oregonians who identified themselves as Native Americans, the unemployment rate fell 2.6 percent. Indeed the percent of Native Americans who said they were unemployed fell 5.5 percent during the decade while for the state as a whole the number of unemployed climbed 29.1 percent.

Table 13: Employment Status of All Oregonians and Native American Oregonians, 1990 - 2000

Employment Status	1990	2000	Change
All Oregonians:			
Employed	1,323,512	1,630,109	23.2%
Unemployed	87,183	112,529	29.1%
Unemployment Rate	6.2%	6.5%	0.3%
Native Americans:			
Employed	16,121	18,995	17.8%
Unemployed	2,805	2,652	-5.5%
Unemployment Rate	14.8%	12.3%	-2.6%

Sources: 1990 and 2000 US Census of Oregon. Native American data is the sum of American Indian, Eskimo, or Aleut.

However, even though so much progress had been made in the 1990's, a large gap still existed in 2000. The unemployment rate for Native Americans in Oregon was still nearly twice the statewide average.

Employment Impacts on Lowering Welfare Costs

The IMPLAN model found that 10,968 jobs in Oregon could be traced to tribal gaming. The question arises—What effect does this employment have on reducing the costs of public assistance in Oregon? To answer this, we first must estimate what the net job impact was from tribal gaming.

In Oregon, casinos have a net impact on jobs by attracting more visitor dollars to the State and by keeping (recapturing) more tourism spending by Oregonians in Oregon. The recapture and attraction of out-of-state spending brings with it greater demand for labor inside Oregon. “Depending on regional labor market conditions, this additional demand will produce net new jobs (i.e., decreased unemployment) and/or increased incomes. All of these effects result in positive economic impacts for the state. Rising incomes and greater employment generate more household spending, greater tax revenue, and lower public assistance burdens.”¹⁷

Research by ECONorthwest has found that the net job creation varies by casino, but overall it averages 37.3 percent in Oregon. That is higher than national data would suggest, but Oregon attracts large numbers of tourists for its size because several of its casinos are close to state borders and Oregon is in close proximity to Nevada. Thus the recapturing rate of gaming tourist dollars is great. From our analysis we find that the net job creation from tribal gaming is about 4,091 (10,968 jobs times 37.3 percent).

What affect a net job creation has on public assistance is difficult to determine because some casino jobs are filled by out-of-state residents, second job seekers, those switching from another job, and by persons living with employed spouses. However, most Oregon casinos are in traditionally resource dependent communities, such as farming, fishing, and logging towns where jobs are scarce and unemployment was high.

Without employment, families are subject to undue stress. They focus on survival and the quality of life decreases. Improving the employment opportunities for Native people is essential to restore wellness in Native families and communities. A study of a hundred gambling and non-gambling communities close to newly opened casinos, found that unemployment rates, welfare outlays and unemployment insurance declined by about one-seventh (14.3 percent).¹⁸

Many of the jobs created by casinos can be filled by jobseekers with limited experience or skills because casinos traditionally have active in-house training programs. Employees need to learn from the inside the rules and procedures, and pick up skills they would probably not learn elsewhere in the local economy. Also, since casinos are mostly 24-hour operations, they prefer hiring locally. Employees prefer living close to the casinos they work at because they need to drive to and from work at all hours of the day and night. As a result, Oregon casinos have definitely reduced the demands for public assistance, especially in the historically high unemployment areas where they are located.

¹⁷ Taylor, J., J. Kalt, and K. Grant, “Public Policy Analysis of Indian Gaming in Massachusetts: A Report to the Government of the Wampanoag Tribe of Gay Head (Aquinnah),” Faculty Research Working Paper Series #RWP02-019, John F. Kennedy School of Government, Harvard University, May 13, 2002.

¹⁸ Cornell, S., Kalt, J., Krepps, M., & Taylor, J., (1998). American Indian Gaming Policy and Its Socio-Economic Effects. A Report to the National Gambling Impact Study Commission. The Economics Resource Group, Inc. Cambridge, Ma, July 31, 1998

We know of one large casino in Oregon that surveyed its employees soon after opening and found that about 40 percent said they came off public assistance before they got jobs at the casino. But that is 40 percent of the total employment, which includes people who switch from an existing job to work at the new casino. Such transfers would need to be netted out. If done the percent that came off public assistance as a percentage of net jobs created would have been much higher.

In this analysis, to be conservative, ECONorthwest assumes that half the net new jobs would keep families from public assistance. Effectively this would be 18.6 percent of all the jobs stimulated by tribal gaming in 2003 or, in other words, 2,046 of the 10,968.

To measure the cost savings to the Federal and State governments from taking 2,046 off public assistance rolls in Oregon, we had to choose a typical family size on which to base the calculations. We chose a family size of three. We then calculated the cost of various aid programs in 2003 to the average three-person family in Oregon. These appear in Appendix B in the back of this report.

Table 14 shows the savings to the Federal and State of Oregon governments from keeping 2,046 families of three off public assistance. In total the Federal government saves almost \$40 million in public assistance costs. The State saves about \$7.1 million. In addition to these savings, both would also garner income, retirement, and unemployment insurance tax revenues that they would otherwise not receive if it had not been for the net job creation by tribal gaming in Oregon.

Table 14: Government Savings on Public Assistance Programs Because of Tribal Gaming, 2003

Public Assistance Program	Federal Government Savings	State of Oregon Savings	Total Government Savings
Temporary Assistance for Needy Families (TANF)	\$7,767,315	\$3,524,022	\$11,291,337
Medicaid - Oregon Health Plan	7,287,576	4,543,024	11,830,600
Food Stamps	9,781,734	675,026	10,456,760
Housing Assistance	13,610,888	-	13,610,888
Child Care Benefits	6,983,037	956,163	7,939,201
Less Income Tax Adjustments	(5,520,891)	(2,621,554)	(8,142,445)
Net Savings to Federal & State Government	\$39,909,659	\$7,076,682	\$46,986,341

Conclusion

ECONorthwest compiled data from all nine Oregon tribes and crosschecked the information against public and other sources. We then took the totals of tribal gaming operations spending, revenue, and government support and ran an economic impact analysis. The results indicate that over a billion dollars of economic output in Oregon in 2003 can be traced back to tribal gaming. Furthermore, over \$100 million in local, State of Oregon, and federal government revenues are attributable to that output.

Although of appreciable size, casinos in Oregon accounted for just 27 percent of the gaming dollars spent by residents. Indeed, Oregonians spent nearly twice as much on Oregon Lottery games than they did at the eight casinos that operated in the state in 2003.

For the tribes, casinos have been a blessing. They have brought jobs to largely under-developed, economically struggling areas. The initial boost came from construction. Since 1992 Oregon's nine tribes have spent \$245 million on hotel-casino and related tourism projects. In 2003, gaming directly supported 5,328 mostly year-round, fulltime jobs with good benefits for tribes and their employees living in surrounding communities. Moreover, tribal casino industry wage rates average more than double that of comparable industry jobs. All of this has benefited the rest of Oregon's economy sufficient to support another 5,640 jobs and \$156.5 million in payroll outside of the tribal casinos and governments.

A direct consequence of gaming has been the improvements seen in education, family incomes, and healthcare of Indians in Oregon in the past decade. Although these gains have been remarkable, the social and economic wellbeing of Native Americans still lags well behind that of other Oregonians. Some casinos have yet to prosper to the point at which they can pay-off debts from casino developments and support tribal government services. Others have membership needs that are simply overwhelming.

In conclusion, casinos have had a measurable and substantial impact on the lives of Oregon's tribes, but there is much more work to be done before they can approach parity with the rest of Oregon.

Appendix A

Categories of Gaming

ECONorthwest collects revenue data on 27 different forms of gaming. For this report, we combined some of the categories and reduced the market analysis down to a set of 21 forms of gaming that make up the Oregon gaming market. The 21 categories of gaming are:

1. **Oregon Lottery pulltabs or breakopens.** Pulltabs, which are also known as breakopens, are Oregon Lottery games where players buy a piece of paper for a specific game. The players pull off paper tabs to reveal symbols. These symbols indicate whether a player has won a prize. Pulltabs or breakopens are roughly similar to a paper form of a slot machine. Pulltabs, other than those from the Oregon Lottery, sold in bars in other states and in some casinos are accounted for elsewhere in our market table.
2. **Oregon Lottery scratch tickets.** These are traditional lottery scratch off tickets, usually for small to mid-sized prizes, which typically are sold for \$1 to \$5 at convenience stores and markets throughout Oregon. They are called scratch or instant tickets because the player determines whether they have won by scratching off a waxy coating to reveal numbers or symbols that indicate if they are a winner.
3. **Oregon Lottery Megabucks lotto.** The Megabucks game was the original lotto game in Oregon. Lotto is a game where players buy a ticket with numbers or symbols and then await the outcome of a drawing where numbers or symbols are randomly selected. Megabucks drawings are done three times a week and the top prize is at least a million dollars.
4. **Oregon Lottery Powerball.** This is a multi-state lotto game sold in Oregon. When the carryover pool is large, many out of state residents will play the game as well. Only the revenues from sales of Powerball tickets sold inside Oregon are counted in this category.
5. **Oregon Lottery keno.** This is a centrally determined keno game that is played every four minutes throughout Oregon at bars and markets. Keno games run by other states and in casinos are accounted for elsewhere in our market table.
6. **Oregon Lottery sports action game.** This is a parlay card based on football game outcomes, which is sold by Oregon Lottery retailers in the fall and winter. The game is fairly popular with out of state residents.

7. **Oregon Lottery pick-four game** is a once a day lotto with a modest prize payout, which is similar to numbers games on the East Coast.
8. **Oregon Lottery Win For Life game** is a three times a week, four number lotto game that pays winners a top prize of a thousand dollars a week for life.
9. **Oregon Lottery Scoreboard game** is similar to an office football pool where players pick the last digits of game scores. Unlike many office pools, the number selection in this Oregon Lottery game is done randomly. It is available at Oregon Lottery retailers during football season.
10. **Oregon Lottery video poker.** As of October 8, 2004 the Oregon Lottery had 10,124 video poker machines in 1,996 establishments throughout the State. The terminals are tied to a central computer run by the Lottery. To have video poker a retailer must have a liquor license. They are currently limited to six machines per establishment (five before 2004) and, unlike all other Lottery games, players must be at least 21 years of age. Many players from Washington—and to a lesser degree Idaho and California—will visit video poker retailers to play.
11. **Charitable bingo.** This includes bingo games run by charities and licensed by state government. Bingo sessions held at casinos are reported under casino revenue. Games with handles below the state minimum for licensing (\$5,000 in Oregon) are excluded.
12. **Charitable raffles.** All state licensed charitable raffles and fifty-fifty games are included here.
13. **Charity casinos.** Some charities run events called casino nights or Monte Carlo nights. These are licensed by states. Casino night revenues may include small amounts from raffles, pulltabs, and other gaming activities that are done at some charitable casino events.
14. **Oregon Indian casinos.** In 2003 there were eight Indian casinos in Oregon. We include all forms of gaming conducted at the casinos including bingo, pulltabs, off track betting, and video poker.
15. **Out-of-state casinos and cardroom casinos.** This category is the sum of all the gaming dollars spent by Oregonians in casinos and cardroom casinos out of state. This would include Indian casinos, commercial casinos, and cruise ship casinos. In addition, it includes cardroom casinos in Washington State. In 2003 there were 120. Cardroom casinos offer house banked casino card games, such as blackjack.

16. **Live racetrack betting.** This includes wagering at horse and dog racetracks on the live races (as opposed to televised or simulcast races).
17. **Off track & simulcast betting.** This is the revenue from all wagering at racetracks and at commercial off track betting parlors on races being conducted at other locations. The revenues from off track betting done at Indian casinos in Oregon are not in this category. They are included in the Oregon Indian casino total.
18. **Parimutuel account wagering.** Oregon allows companies, called “hubs,” to accept bets of races over the Internet and by telephone for customers who establish accounts with them. Players then bet on races from home by telephone or through the Internet. In this category we only count revenues originating from Oregon residents. Hubs in Oregon, however, handled about \$821 million in wagers from non-residents. Since these bets were made from out-of-state and went to races run outside Oregon, the gaming revenues from these wagers are not part of the Oregon gaming market.
19. **Instant racing VLTs.** An instant racing VLT is a parimutuel racing simulation machine, similar to a video slot machine, which takes wagers from a network of machines and pools them. Legal in Arkansas, Wyoming, and Oregon, these were tried in Portland in 2003 and later removed because they got little action.
20. **Miscellaneous legal out of state gaming.** This covers all other forms of legal gaming, but the largest component is betting on lotteries outside of Oregon. It also would include such things as non-casino slot play in Montana, wagering on Jai Ali, and video poker at bars in Nevada and Louisiana.
21. **Illegal Internet and other illegal.** This is a catchall category for all forms of illegal gaming. It is estimated based on national averages and comparisons to local personal income levels. The main forms of gaming in this category are illegal sports betting (other than the Oregon Lottery, Nevada sports books, and similar legal outlets), simulated casino gaming over the Internet, dog fighting, cock fighting, non-casino pai-gow, unlicensed poker games with house rakes, and other casino games played illegally.

Appendix B

Calculating Government Savings from New Employment

A Cato Institute study in 1995 found the value of the benefits that a typical three-person family on welfare received.¹⁹ Welfare has been radically restructured since this study. To determine the benefit to the government if a person was taken off welfare and put in a casino job, all the welfare programs must be reexamined. Furthermore, the administrative costs that the government incurs will now also be included. First the costs to the government for a person on welfare will be determined, and then the costs (and benefits) to the government for a person working in a casino will be determined. The programs evaluated will generally be the current incarnations of the welfare programs that were used in the Cato study.

A family of three with no other income would receive \$460 per month, or \$5,520 per year from TANF.²⁰ In 2003, the government of Oregon paid roughly 31.21 percent of all TANF costs.²¹ The cost to the state is about \$1,722.79 per year and the cost to the federal government is \$3,797.21 per year. Administration costs are negligible.

The typical three-person family on Medicaid cost the state \$4,789 in the year 2000 - \$1,423 per average child and \$1,943 per average adult.²² In 2003 dollars, this is \$5,117.17. Note that from 1991-2001, the average annual growth rate of Medicaid spending was 16 percent, so the cost could realistically be as much as \$7,475.13. The federal matching rate was 63.11 percent in 2003.²³ This implies that the state spends \$1,887.72 per year on Medicaid for the average three-person family while the government is spending \$3,229.45. Inferred administrative costs are approximately \$222.15 per person in Medicaid.²⁴

¹⁹ Michael Tanner, Stephen Moore, and David Hartman, "The Work Versus Welfare Trade-Off: An Analysis of the Total Level of Welfare Benefits by State," Cato Institute, September 19, 1995.

²⁰ DHS: Determining and Calculating Benefits. [Web page] <http://dhsmanuals.hr.state.or.us/EligManual/05TF-I.htm>. [Accessed August 22, 2004].

²¹ TANF Financial data. [Web page] http://www.acf.dhhs.gov/programs/ofs/data/tanf_2003.html. [Accessed August 22, 2004].

²² Kaiser Family Foundation State Health Facts Online: Oregon: Medicaid Spending. [Web page] <http://www.statehealthfacts.kff.org/cgi->

²³ Revised Federal Medical Assistance Percentage," Federal Register 68, No. 116 (June 17, 2003).

²⁴ See food stamp note.

There are several programs that are federally funded. Food stamps for a family of three without outside income are worth approximately \$371 a month, or \$4,452 a year. In 2002, administration expenditures in Oregon were approximately \$79.237 million, or \$220 per person. This adds an additional \$330 to the federal government's costs and \$330 to the state's costs.²⁵ As long as a family pays one-third of its income on rent, federal vouchers are available to cover the rest. The fair market rent for a two-bedroom apartment is \$509 per month.²⁶ With the target family having no income, the cost to the federal government is \$6,108. Administrative costs are not available for this program, so it is assumed 5 percent of the budget deals with administrative issues. This adds \$545.96 in costs to the federal government.²⁷

The Cato study includes three additional programs: WIC, LIHEAP, and food commodity benefits. WIC will not be included in this analysis because it does not appear to appropriately fit the target family. LIHEAP is being ignored because only 25 percent of eligible families participate in the program, making it unlikely that our target family will be participating.²⁸ The food commodity benefits are not being included because the source of the food aid – Oregon Food Bank – is a private non-profit organization. Although it does receive government funding, this boiled down to roughly \$9.59 in funding per aid recipient.

Table 15: Costs to State and Federal Government per Recipient by Program. 2003

Government	TANF	Medicaid	Food Stamps	Housing	Total
Federal	\$3,797.21	\$3,562.68	\$4,782.00	\$6,653.96	\$18,795.85
State of Oregon	1,722.79	2,220.95	330.00	-	4,273.74
Total	\$5,520.00	\$5,783.63	\$5,112.00	\$6,653.96	\$23,069.59

The annual savings from social programs to the state would thus be roughly \$4,273.74 per year. Once the adult becomes gainfully employed, they will begin to need childcare. The state will now need to spend money on Employment Related Day Care (ERDC). The family will incur a co-pay of \$267²⁹ (out of a maximum payment by the state of \$508 per month).³⁰ Oregon pays roughly 14.78 percent of the cost of the childcare benefits.³¹

²⁵ Total administration expenditures times the percentage of food stamp participants in Oregon get Oregon administration costs. Oregon administration costs divided by Oregon participants gets average administration cost per individual. These numbers are taken from the House Ways and Means Green Book, 2004.

²⁶ Fair Market Rents. [Web page] <http://www.huduser.org/datasets/fmr.html>. [Accessed August 22, 2004].

²⁷ Percent of vouchers that go to Oregon * amount of direct housing assistance * 5% (administrative amount) / number of vouchers in Oregon.

²⁸ Current Issues Related to Poverty. [Web page] <http://www.cato-oregon.org/issues.htm>. [Accessed August 22, 2004].

²⁹ ERDC Co-payment Estimate. [Web page] http://dhsmanuals.hr.state.or.us/ERDC_CALC/FMPRO?-db=ERDCCALC.fp5&-lay=Main&-format=input.htm&-findany. [Accessed August 23, 2004].

³⁰ DHS Child Care Subsidy Rates. [Web page] <http://www.dhs.state.or.us/children/childcare/ccrate1.htm>. [Accessed August 22, 2004].

³¹ U.S. House Ways and Means Committee. "Background Material and Data Within the Jurisdiction of the House Committee on Ways and Means." 108th Congress, 2004.

This implies that the cost to the state is \$427.43 per year while the cost to the federal government is \$3,183.08. Data is not available on administrative costs, so assuming five percent of the total budget is dedicated to administration; roughly \$270.73 would then be spent overall. If Oregon is paying 14.78 percent of the cost, the share of the administrative cost is roughly \$40.01 to the state and \$230.72 for the federal government.

The state's revenues would change from the family's new income situation. A survey of four casinos in Oregon shows that the average income for a non-senior management job at a casino was \$20,860.94.³² After childcare credits, the family will receive a refund of \$1,281.60. Similarly, they will receive \$2,699 from the federal government from the earned income tax credit.

The savings from moving the family off of TANF and Medicaid minus the costs of ERDC and the tax refund end up netting the state \$2,524.70 in total savings annually. The federal government saves \$12,683.05 annually. The total benefit to the government is \$15,207.75 every year.

Table 16: Costs to State and Federal Government per Recipient by Program. 2003

Government	Cost of Welfare	Tax Adjustment	Child Care Benefits	Net Benefits
Federal	\$18,795.85	(\$2,699.00)	\$3,413.80	\$12,683.05
State of Oregon	4,273.74	(1,281.60)	467.44	2,524.70
Total	\$23,069.59	(\$3,980.60)	\$3,881.24	\$15,207.75

³² Data obtained from casinos.