

The Economic Impact of Tribal Gaming: A State-by-State Analysis

Submitted to:

American Gaming Association



Submitted by:

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September 2017

The U.S. casino gaming industry has long been a significant contributor to the national as well as state economies, driving an array of economic activity including output, jobs, wages, taxes, other government revenue, and capital investment. The tribal gaming sector, representing nearly half of all revenue in the U.S., is a critical driver of that economic activity.

Tribal gaming is operated by Native American tribes as an exercise of their inherent sovereign rights as independent nations under federal law.¹ Under the Indian Gaming Regulatory Act (“IGRA”), gaming is recognized as a “means of promoting tribal economic development, self-sufficiency, and strong tribal governments.”² Toward these ends, tribes have historically used gaming profits in accordance with IGRA to:³

- Support tribal government operations;
- Develop tribal infrastructure;
- Support tribal social and economic programs and services, such as health care, education, housing assistance, public safety, vocational training, youth programs, elderly care, transportation, cultural, and environmental and natural resource services;
- Fund the development of other tribal enterprises;
- Help charitable causes; and
- Make payments to local governments and contract for government services (e.g., law enforcement, fire protection, and judicial services).

Tribal gaming has experienced tremendous growth over the years, becoming an important component of the casino gaming industry. Since the passage of IGRA in 1988, tribal gaming has grown 300-fold from a \$121 million segment of the U.S. gaming industry, consisting of small bingo halls and gaming facilities, to a \$30 billion plus segment in 28 states that includes many resort destination casinos that are on par with the most successful commercial casinos in the country.⁴ Amidst this evolution, tribal gaming has come to generate just over 44% of all gaming revenue in the casino gaming industry.⁵ In fact, seven

¹ Indian Gaming Regulatory Act, 25 U.S.C. § 2701(5).

² Indian Gaming Regulatory Act, 25 U.S.C. § 2702(1).

³ Alan Meister, 2017, *Casino City’s Indian Gaming Industry Report*, 2017 Edition, Newton: Casino City Press. IGRA sets forth that tribes may only use gaming profits to fund tribal government operations or programs, provide for the general welfare of their members, promote tribal economic development, donate to charitable organizations, and help fund operations of local government agencies. Indian Gaming Regulatory Act, 25 U.S.C. § 2710(b)(2)(B).

⁴ Meister (2017).

⁵ Meister (2017).

of the top 10 casino gaming revenue states include tribal gaming – California, Oklahoma, Louisiana, Florida, New York, Michigan, and Washington.⁶

Despite its rapid growth, tribal gaming is still one of the least understood segments of the gaming industry. This is due in part to its legal, regulatory, political, and economic complexities, as well as limited publicly available data.

ASSIGNMENT

While the nationwide economic impact of tribal gaming has been well documented in previous research, including the seminal study, the *Indian Gaming Industry Report*,⁷ which has been published for the past 15 years, there has never been a comprehensive study of the economic impact of tribal gaming in every state in which tribes operate casinos. In order to help bridge the information gap, the American Gaming Association (AGA) commissioned Nathan Associates Inc. (“Nathan Associates”) to conduct this groundbreaking research.

Nathan Associates was selected by the AGA given its extensive experience researching and analyzing tribal gaming and its proprietary analytical methodologies and data, including those underlying the *Indian Gaming Industry Report*. Information on the primary author of this study, Alan Meister, Ph.D., and Nathan Associates are included in Appendices A and B, respectively.

DATA

In this study, the term “tribal gaming” represents Class II and Class III gaming in the aggregate as they are similar in operation to commercial casinos. Class I gaming is excluded from this definition given that it only involves prizes of minimal value and there are no available data on this type of gaming. Definitions of each class of tribal gaming, as well as other key terminology used in this report, are set forth in Appendix C.

Tribal gaming takes place on Indian lands at various types of locations,⁸ including traditional casinos, as well as bingo halls, travel centers, convenience stores, restaurants, lodges, and bars. However, a sizable majority of revenue is generated from casinos, which in addition to gaming, also offer various types of non-gaming amenities on their properties.

This study relies on tribal gaming data that served as the basis for the 2017 Edition of the *Indian Gaming Industry Report*,⁹ including gaming revenue, non-gaming revenue (e.g., revenue from food and beverages, lodging, retail, and entertainment), and direct gaming-

⁶ Meister (2017).

⁷ Meister (2017).

⁸ See Appendix C for the definition of Indian lands.

⁹ Meister (2017).

related payments by tribes to federal, state, and local governments (e.g., regulatory payments and local and state revenue sharing).¹⁰

It is noted that significant portions of gaming and non-gaming revenue data are confidential. To maintain confidentiality, the following measures were taken in this study: raw revenue data are not provided;¹¹ the impacts of gaming and non-gaming operations are combined together; only total impact results are presented (i.e., they are not broken down into direct, indirect, and induced effects); and impacts are only presented at the state level (i.e., not broken down by tribe or gaming facility).

At the request of the AGA, tribal gaming data used in this study are for calendar year 2014 in order to make them compatible with the economic impact data currently available for commercial casinos on the its website.¹²

Additional details regarding the data used in the project are included in Appendix D.

ECONOMIC IMPACT ANALYSIS METHODOLOGY

In order to measure the cumulative economic and fiscal impacts of tribal gaming on U.S. and state economies, a well-known and commonly used technique known as “input-output analysis” was employed.

Generally speaking, an input-output analysis can be used to estimate the total economic impact of an initial change in an economy. This includes the direct effect of the initial change, as well as secondary effects that result from the initial change. This economic phenomenon is sometimes referred to as the “multiplier effect” or “ripple effect.” Details on this methodology and the economic modeling system used to employ the methodology are set forth in Appendix E.

Twenty-nine sets of input-output analyses were conducted to quantify the impacts of tribal gaming, one set for each of the 28 states in which tribal gaming operates and one set for the U.S. at large.

The input-output analyses were conducted using IMPLAN, a widely accepted and frequently used economic modeling system that measures economic and fiscal impacts in terms of output (i.e., value of sales), employment, wages, and taxes. Given the unique

¹⁰ See Appendix C for the definitions of gaming and non-gaming revenue.

¹¹ See Meister (2017) for gaming and non-gaming revenue in states for which data are not confidential (19 of the 28 states). Data in that publication were combined for some states (9 of the 28 states) to protect the confidentiality of the tribal data.

¹² AGA’s Get to Know Gaming website (<https://www.gettoknowgaming.org/by-the-book>).

circumstances surrounding tribal government and business operations,¹³ customized IMPLAN models and region data were utilized to more accurately reflect the economic activity being analyzed.

ECONOMIC AND FISCAL IMPACT OF TRIBAL GAMING

Overall, the operation of tribal casinos directly and indirectly generates a myriad of economic activity, including:

- Expenditures by tribal casinos, the tribes that operate casinos, suppliers to tribal casinos, and other businesses down the supply chain;
- Jobs at tribal casinos, tribal governments, suppliers to tribal casinos, and other businesses down the supply chain;
- Wages paid to casino employees and employees at all impacted businesses and tribal governments;
- Household expenditures by employees of all impacted businesses and governments;
- Taxes on all taxable economic activity;¹⁴ and
- Direct gaming-related payments by tribes to federal, state, and local governments.

As shown in Table 1, the 490 tribal gaming facilities in the U.S. at the end of calendar year 2014 generated the following aggregate economic and fiscal impacts on the U.S. economy that year:

- \$96.6 billion in output (i.e., value of sales);
- 635,000 jobs (measured as FTEs);
- \$33.2 billion in wages to employees; and
- \$16.0 billion in taxes and direct payments to federal, state, and local governments.

These impacts were felt in all 28 states in which tribal gaming exists. The top five impacted states in terms of output, jobs, and wages were California, Oklahoma, Florida, Washington, and Arizona. In terms of tax revenue/direct payments, while the top four states were the same, Connecticut displaced Arizona as the fifth largest. The impacts varied considerably across states due to the wide variation in the number and performance of gaming facilities, the latter of which depends on a host of factors, including the types of gaming offered, the types of non-gaming amenities available, market conditions (e.g., demographics, the state of

¹³ Tribal governments are sovereign nations; tribal businesses are operated on tribal lands; tribes are often located in remote areas; and profits from tribal gaming are spent on tribal government operations, programs and services, and economic development.

¹⁴ Includes taxes on secondary economic activity: corporate profit taxes, income taxes, sales and excise taxes, property taxes, and personal non-tax payments, such as motor vehicle licensing fees, fishing/hunting license fees, other fees, and fines.

the economy, maturity level of markets, and competition), management of gaming facilities, and the legal, regulatory, and political environments. The states with the most tribal gaming facilities were Oklahoma, California, Minnesota, Washington, and Wisconsin.

Table 1

Economic & Fiscal Impact of Indian Gaming, 2014 [1]					
States	Economic Impact			Fiscal Impact	Gaming Facilities
	Output [2]	Jobs [3]	Wages [4]	Tax Revenue & Direct Payments [5]	
United States [6]	\$96,638,101,206	635,320	\$33,221,028,966	\$16,033,191,515	490
Alabama	1,247,338,811	11,114	396,368,437	180,587,911	3
Alaska	4,000,667	31	1,141,082	442,310	2
Arizona	4,495,471,434	37,132	1,898,261,121	769,023,882	23
California	17,389,638,613	111,931	7,867,958,054	3,010,339,509	72
Colorado	140,778,828	1,286	47,217,690	25,687,656	2
Connecticut	3,719,244,921	25,197	1,218,786,922	828,603,827	2
Florida	5,665,725,032	43,786	2,329,896,292	1,086,706,764	8
Idaho	294,123,148	2,842	93,770,046	45,346,718	9
Iowa	270,536,351	1,745	70,668,110	50,326,111	3
Kansas	573,387,984	3,794	153,133,573	75,086,681	5
Louisiana	1,108,890,989	7,673	310,461,998	156,329,929	4
Michigan	3,380,323,735	22,034	1,209,966,858	696,872,674	24
Minnesota	3,550,526,981	28,706	1,336,805,612	781,020,019	40
Mississippi	494,876,854	4,277	164,121,126	94,146,613	3
Montana	50,206,968	450	14,917,618	7,402,585	15
Nebraska	14,264,929	111	3,646,487	2,357,377	4
Nevada	98,699,035	988	53,561,324	29,339,393	5
New Mexico	1,772,553,332	15,045	593,311,131	280,812,622	26
New York	2,311,518,243	10,127	634,228,828	310,054,778	10
North Carolina	1,329,595,270	11,730	529,896,668	205,170,466	2
North Dakota	493,348,424	4,451	150,229,533	73,149,032	11
Oklahoma	8,721,358,599	65,992	3,687,703,967	2,177,732,469	126
Oregon	1,203,055,023	10,601	433,643,360	181,535,108	9
South Dakota	266,704,691	2,762	87,349,726	54,292,453	14
Texas	216,087,072	1,655	74,896,238	41,779,405	1
Washington	4,994,011,498	33,613	1,826,542,706	1,187,585,304	32
Wisconsin	2,834,192,706	25,495	1,086,281,998	476,960,395	31
Wyoming	127,232,747	1,213	41,582,602	23,346,738	4

Notes:

[1] Includes Direct, Indirect, and Induced effects of gaming and non-gaming revenues. Figures are in 2014 dollars.

[2] Equals value of sales.

[3] Measured as full-time equivalents (FTEs).

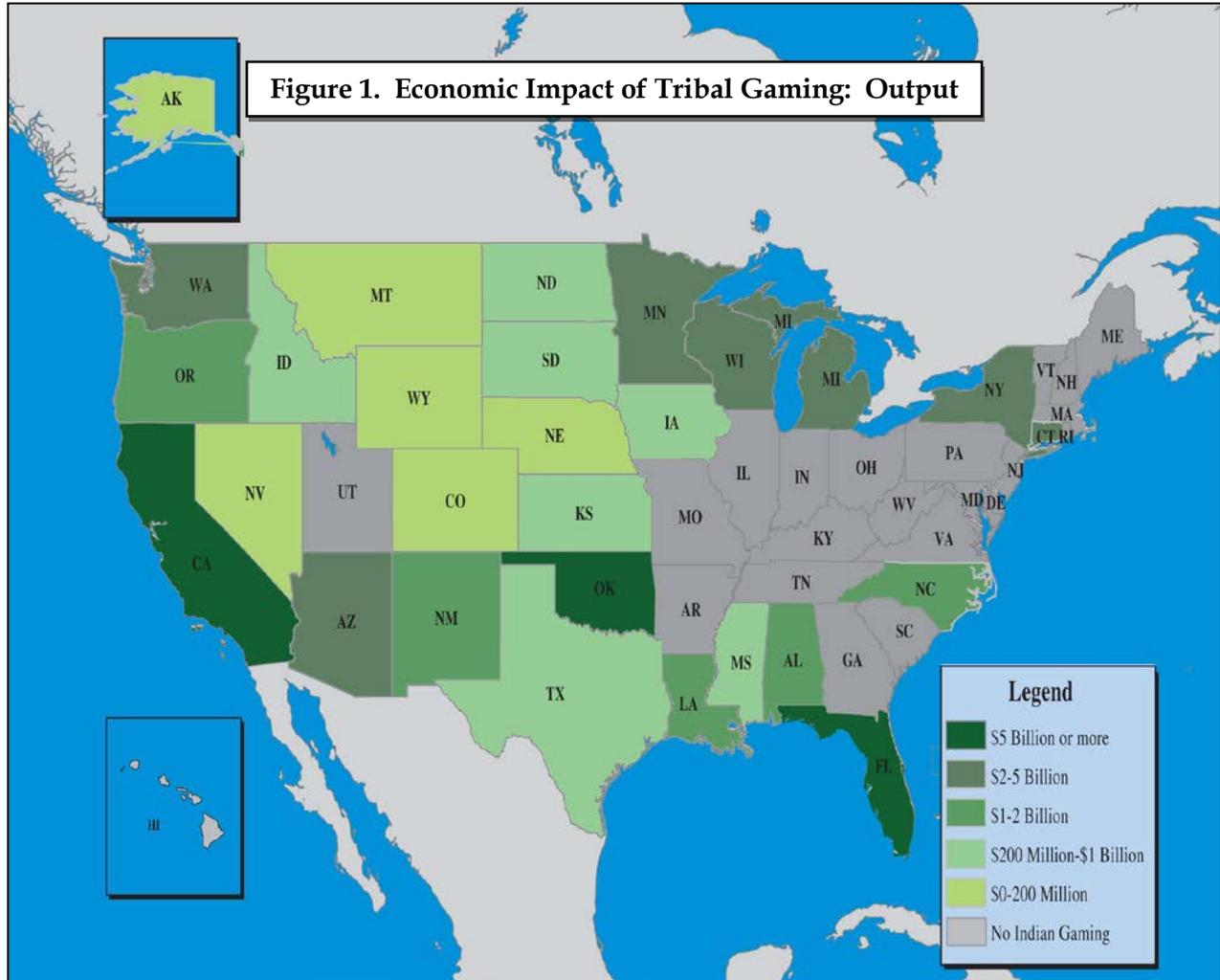
[4] Measured as salaries, wages, bonuses, tips, and benefits.

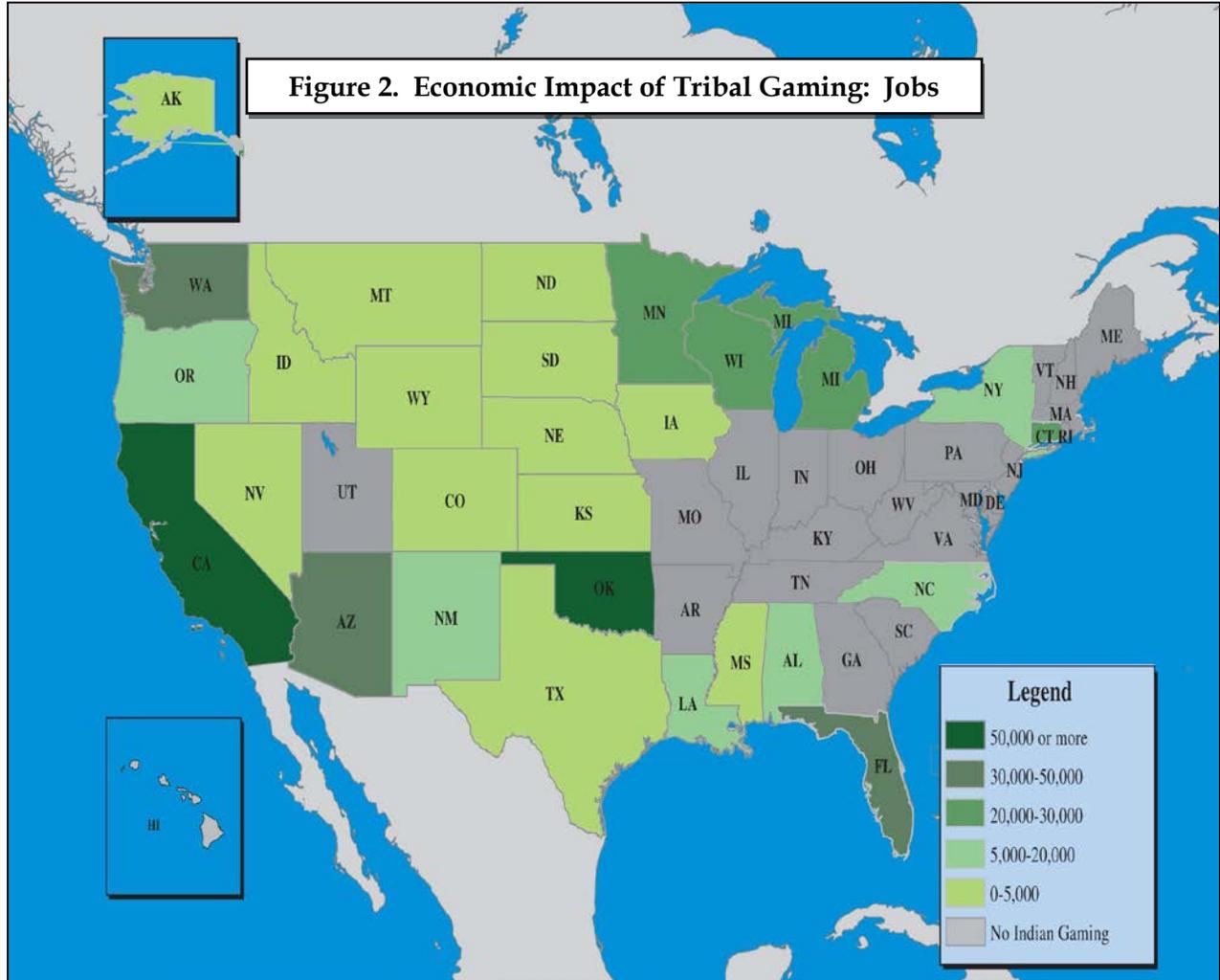
[5] Direct Payments consist of agreed upon gaming-related payments by tribes to federal, state, and local governments.

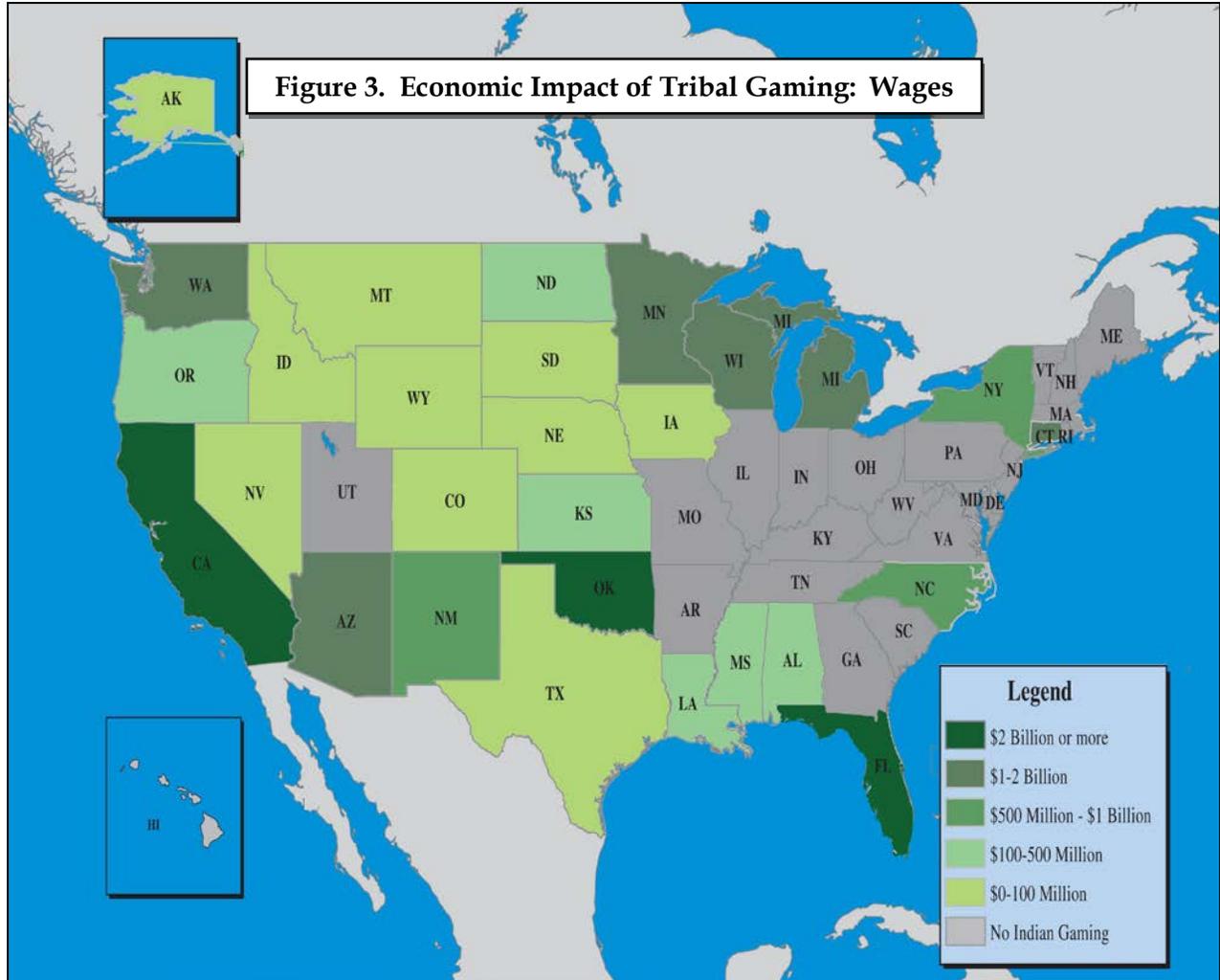
[6] Results for the United States (except Gaming Facilities) do not equal the sum of states given United States impacts are nationwide and each state's impacts are only statewide.

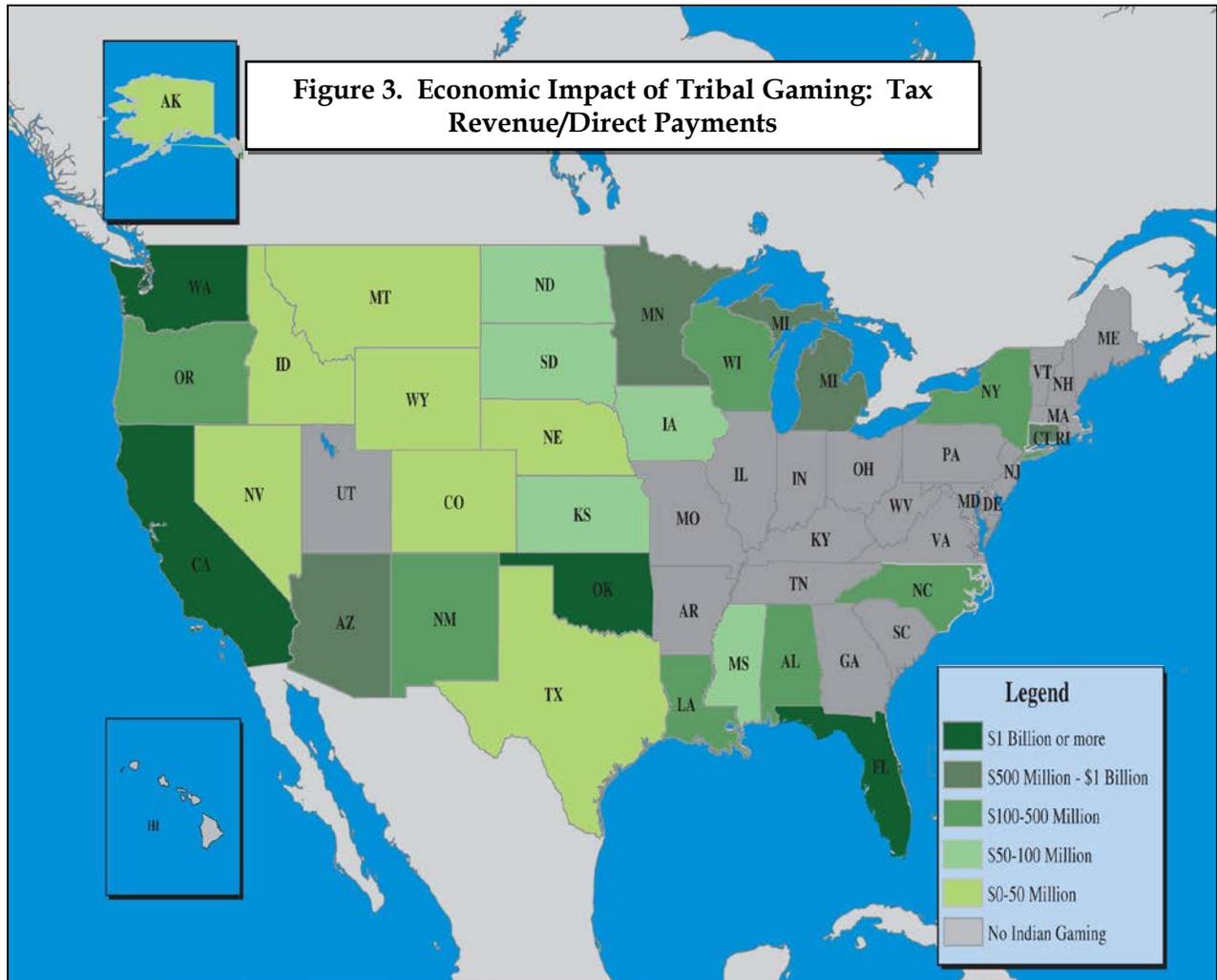
Source: Nathan Associates analysis; Alan Meister, *Casino City's Indian Gaming Industry Report*, 2017 Edition, Newton: Casino City Press.

Figures 1, 2, 3, and 4 geographically depict state economic impacts in terms of output, jobs, wages, and tax revenue/direct payments, respectively.









Appendix A: About the Author

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Dr. Meister is a Principal Economist at Nathan Associates. He specializes in the application of economic analysis to business planning and operations, public policy, regulatory, and litigation matters. He has extensive experience analyzing economic issues related to the gaming industry, including Indian gaming, commercial casinos, racinos, card rooms, and online gaming. His consulting work has included industry and market analyses, economic and fiscal impact studies, feasibility analysis, public policy analysis, evaluations of regulations, analyses of tribal land-in-trust gaming applications, economic assessments of tribal-state gaming compacts and revenue sharing, surveys, damage analysis, and economic research, analysis, and expert testimony in litigation and regulatory matters. His clients have included gaming facility operators, industry suppliers, investors, governments, and gaming associations. Of particular note, he was previously commissioned by the National Indian Gaming Commission to independently analyze the economic effects of proposed regulatory changes. Dr. Meister has also conducted years of independent, scholarly research on the gaming industry and authored a number of publications, most notably his annual study, the *Indian Gaming Industry Report*, which has been cited by the United States Supreme Court. He has presented his work at various academic, professional, and industry conferences and testified before the California State Senate on gaming issues. Furthermore, his consulting and scholarly works have been used in matters before the U.S. Department of the Interior, United States Supreme Court, and World Trade Organization. Dr. Meister leads the Gaming and Indian Gaming consulting practices at Nathan Associates.

In his public policy work, Dr. Meister has conducted economic analysis to identify and measure the effects of: construction, expansion, and operation of various types of businesses and industries; regulations; legislation; taxation; the passage of ballot initiatives; government programs and services; publicly funded projects; sporting and entertainment events; commercial and mixed-use developments in low-income areas; and medical research. His work has included economic and fiscal impact analyses, assessments of the contribution of businesses and industries to the economy, cost-benefit analyses, and surveys.

Dr. Meister holds a Ph.D., M.A., and B.A. in Economics from the University of California, Irvine.

Appendix B: About Nathan Associates Inc.

Nathan Associates is one of the oldest and most respected economic consulting firms in the United States. Our experts have a reputation for objective, comprehensive, and insightful research and analysis. Our work is grounded in economic theory, guided by experience, supported by data and market research, and customized to the circumstances of each matter. Despite the complexity of our work, we convey our methods and findings in straightforward terms so that they can be easily understood. For all these reasons, our experts are routinely called on to analyze complex issues and disputed matters. Our work has been used in a variety of contexts, including: litigation; regulatory proceedings; public policy matters; public and government relations; business planning and operations; and economic development. Nathan Associates' core practice areas include Gaming and Economic Impact Analysis.

GAMING

Nathan Associates' consultants have extensive experience analyzing issues related to the gaming industry, including commercial casinos, Indian gaming, card rooms, lotteries, pari-mutuel wagering, charitable gaming, and iGaming. We have conducted economic and financial consulting to help gaming operators, suppliers, investors, governments, and gaming associations assess opportunities and navigate challenges.

Nathan Associates has specific expertise with tribal gaming. We provide a broad range of economic consulting services related to Indian gaming:

- Market assessments;
- Economic and fiscal impact studies;
- Public policy analysis;
- Feasibility studies;
- Tribal impact analyses and needs assessments;
- Survey design, implementation, and data analysis; and
- Expert research and analysis in litigation and regulatory matters.

Our experts have researched and analyzed many facets of Indian gaming:

- All 28 states in which Indian gaming exists;
- Existing and proposed gaming facilities;
- Introduction, development, and operation of gaming facilities;
- National, state, regional, and local markets;
- Class II and III gaming;
- Non-gaming amenities at gaming facilities, such as restaurants, hotels, spas, retail, meeting space, and entertainment venues; and

- Impacts on tribal governments, tribal members, competitors, other businesses, non-tribal governments, gaming markets, and the economy.

In addition to consulting, we regularly conduct independent scholarly research and analysis on Indian gaming, publishing articles and studies and presenting at academic and industry conferences. Most notable is the annual *Indian Gaming Industry Report*, a nationally recognized study that provides nationwide and state-by-state data and analyses that are widely cited, including by the U.S. Supreme Court. Our consulting and scholarly work has been used in matters before the U.S. Supreme Court, the National Indian Gaming Commission, U.S. Department of the Interior, and the World Trade Organization.

ECONOMIC IMPACT ANALYSIS

Nathan Associates has extensive experience conducting economic impact analysis. Our consultants draw on in-depth experience and training to develop economic impact analyses to identify and measure the effects of projects, businesses, industries, institutions, events, and public policies on national, state, regional, and local economies. We analyze the impact of one-time capital investments or construction projects, as well as annual, ongoing business operations. Our economic impact analyses have been conducted for a wide variety of industries and issues, especially related to the gaming industry.

We customize our economic impact models to meet the needs of each project and to take into account the unique characteristics of the relevant geographic area and economic activity being studied. Our economic impact studies are rooted in economic theory and modeled using state-of-the-art software. In conducting our studies, we start by modeling the relevant economy and the initial economic activity of interest. We then use economic impact analysis to capture the secondary effects that result from the initial economic activity (i.e., the indirect and induced effects).

Appendix C: Definitions

CLASSES OF TRIBAL GAMING

Formally, tribal gaming is defined as any type of gaming operated under IGRA. This includes three classes of gaming:¹⁵

- Class I gaming includes social games for prizes of minimal value and traditional forms of tribal gaming as a part of or in connection with tribal ceremonies or celebrations. Class I gaming is regulated solely by tribes.
- Class II gaming includes bingo, other games similar to bingo (e.g., pull-tabs, lotto, punch boards, tip jars, and instant bingo) if conducted at the same location as bingo, and certain non-house banked card games (e.g., poker) that are allowed within the state in which a Class II gaming facility is located. The use of technological aids in conducting bingo and other games similar to bingo is permitted. Subject to certain conditions set forth in IGRA and some oversight by the National Indian Gaming Commission (NIGC), Class II gaming is regulated by tribes.
- Class III gaming includes all other types of gaming not considered to be Class I or Class II, including slot machines, other video and electronic games of chance, craps, roulette, pari-mutuel wagering, and house-banked card games (e.g., blackjack and baccarat). Class III gaming is regulated by tribes and the NIGC, and governed by tribal-state compacts.

INDIAN LANDS

Indian lands refer to: (a) all lands within the limits of any Indian reservation; and (b) any lands title to which is either held in trust by the United States for the benefit of any Indian tribe or individual or held by any Indian tribe or individual subject to restriction by the United States against alienation and over which an Indian tribe exercises governmental power.¹⁶

GAMING AND NON-GAMING REVENUE

Gaming revenue is also commonly referred to as net win or gross gaming revenue. It is computed as amounts wagered minus prizes and payouts, and excludes freeplay.

Non-gaming revenue is derived from non-gaming operations within tribal gaming facilities, including restaurants, bars/lounges, nightclubs, hotels, spas, convention/meeting space, retail stores, entertainment facilities, parking, and ATMs. Non-gaming revenue excludes promotional allowances (i.e., comps).

¹⁵ Indian Gaming Regulatory Act, 25 U.S.C. § 2703, 2710.

¹⁶ Indian Gaming Regulatory Act, 25 U.S.C. § 2703(4).

Appendix D: Data

In order to conduct the analyses in this project, Nathan Associates gathered, reviewed, and analyzed aggregate state-level data from the *Indian Gaming Industry Report*,¹⁷ including:

- Gaming facility financial and employment data;
- Payments made by tribes to federal, state, and local governments; and
- Tribal financial data.

¹⁷ Meister (2017).

Appendix E: Methodology

In order to measure the cumulative economic and fiscal impacts of tribal gaming on U.S. and state economies, a well-known and commonly used technique known as input-output analysis was employed. The methodology was developed by economist Wassily Leontief, earning him a Nobel Prize in Economics in 1973.

INPUT-OUTPUT ANALYSIS

An input-output analysis can be used to estimate the total economic impact of an initial change in an economy, including secondary effects that result from the initial change. Input-output analyses model these effects by accounting for the economic interdependence between industries, households, and government institutions in the economy.

The initial change in economic activity is typically referred to as the direct effect. The direct effect is the “input” into the input-output analysis. In this research project, the direct effect is measured as total patron expenditures while visiting tribal gaming facilities. This includes both gaming and non-gaming expenditures at the facilities. Due to lack of available data, expenditures outside tribal gaming facilities was conservatively excluded from all analyses in this project.

Secondary effects come about as patron expenditures are subsequently spent and re-spent by businesses and employees throughout the economy. The secondary effects continue until leakages (e.g., imports from outside the study area, profit, and savings) stop the cycle.

There are two types of secondary effects: indirect and induced. The indirect effect relates to the iteration of businesses purchasing from other businesses within the study area as a result of the direct effect. When specifically examining the impacts of tribal gaming, the indirect effect is the purchase of goods and services by gaming facility suppliers, other businesses down the supply chain, tribes (i.e., their use of gaming profits), and non-tribal governments (i.e., their use of direct gaming-related payments from tribes). The induced effect relates to household spending resulting from wages earned as a result of the direct and indirect effects. When analyzing the impacts of tribal gaming, the induced effect is household purchases by employees of tribal gaming facilities, tribal and non-tribal governments, gaming facility suppliers, and other businesses down the supply chain.

Given that other segments of the economy are supported, at least in part, by the initial change in economic activity, the total economic impact equals the sum of the direct, indirect, and induced effects.

A graphical depiction of the flow of economic and fiscal impacts for tribal gaming facilities is set forth in Appendix F.

STUDY AREA

In conducting an input-output analysis, a study area must be defined. The study area is the geographic region in which economic impact is to be measured. A wide range of geographic regions can be analyzed with input-output analyses. A study area can be defined as small as a zip code, as large as the entire country, and everywhere in between.

For this research project, 29 study areas were used to analyze the country as a whole and every state with tribal gaming:

- | | |
|-------------------|---------------------|
| 1) United States; | 16) Montana; |
| 2) Alabama; | 17) Nebraska; |
| 3) Alaska; | 18) Nevada; |
| 4) Arizona; | 19) New Mexico; |
| 5) California; | 20) New York; |
| 6) Colorado; | 21) North Carolina; |
| 7) Connecticut; | 22) North Dakota; |
| 8) Florida; | 23) Oklahoma; |
| 9) Idaho; | 24) Oregon; |
| 10) Iowa; | 25) South Dakota; |
| 11) Kansas; | 26) Texas; |
| 12) Louisiana; | 27) Washington; |
| 13) Michigan; | 28) Wisconsin; and |
| 14) Minnesota; | 29) Wyoming. |
| 15) Mississippi; | |

MEASURES OF ECONOMIC IMPACT

Employing a widely accepted and frequently used economic modeling system (described in the next subsection below), an input-output analysis commonly measures economic impact in four ways: output; employment; wages; and taxes. Output equals the value of production or sales. Employment is the total number of jobs, computed as full-time equivalents (FTEs). Wages consist of the current value of income earned by households, including self-employed individuals. Income includes all wages, tips, and benefits such as health insurance and retirement payments. Taxes equal the amounts received by federal, state, and local governments from businesses, employees, and households.

There exists a common misperception that tribal gaming does not generate any taxes. However, this is incorrect. While there are a few specific situations where taxes are not paid

due to the sovereign government status of Native American tribes,¹⁸ taxes are paid in all other circumstances, including all taxable secondary economic activity (i.e., the indirect and induced effects) generated as a result of tribal government and business operations. Taxes on secondary economic activity include: corporate profit taxes, income taxes, sales and excise taxes, property taxes, and personal non-tax payments, such as motor vehicle licensing fees, fishing/hunting license fees, other fees, and fines.

As previously referenced, many tribes also directly make gaming-related payments to state and local governments. While these payments are akin to gaming taxes and fees paid by commercial casinos to state and local governments, they are fundamentally different because IGRA expressly prohibits states from imposing any tax, fee, charge, or other assessment upon a tribe as a condition to operate gaming facilities.¹⁹ There are three general types of gaming-related payments made directly by tribes:

- Reimbursements of regulatory costs: IGRA allows for direct payments to defray the costs of regulating Class III gaming activities.²⁰ Where such payments are made to states, they are generally defined in tribal-state gaming compacts. The National Indian Gaming Commission (NIGC), which is the U.S. federal agency tasked with regulating tribal gaming, is also funded by payments from tribes.
- Local revenue sharing: As noted in the main text of this report, one of the acceptable tribal uses of gaming profits per IGRA is to help fund operations of local government agencies. And while not necessarily required by IGRA, a number of tribes across the country make such payments per a memorandum of understanding (MOU) or municipal service agreement (MSA). In some cases, payments are made in direct exchange for public services.
- State revenue sharing: The U.S. Department of the Interior, which is responsible for reviewing and approving gaming compacts between tribes and states, has allowed a third type of direct payment by tribes – voluntary payments to states in exchange for being granted valuable economic benefits.²¹ However, any such payments to a state must be deemed appropriate by the Department in light of the benefits being conferred on the tribe. More specifically, the Department has stated that this revenue sharing must not exceed the value of the benefits received by the tribe.

¹⁸ First, as sovereign governments, tribes do not pay corporate income taxes on tribal revenue. Second, tribes and tribal members do not pay property taxes on reservation/trust land. Third, tribal members who both live and work on an Indian lands do not pay state income taxes (they must still pay federal income taxes). Fourth, no state or local sales/excise taxes are levied on purchases by the tribe or tribal members on tribal trust land or reservations.

¹⁹ Indian Gaming Regulatory Act, 25 U.S.C. § 2710(d)(4).

²⁰ Indian Gaming Regulatory Act, 25 U.S.C. § 2710(d)(3)(C)(iii).

²¹ Aurene M. Martin, "Statement of Aurene M. Martin, Acting Assistant Secretary – Indian Affairs, Department of the Interior," before the Committee on Indian Affairs, United States Senate on the Indian Gaming Regulatory Act, July 9, 2003.

While acceptable types of benefits to tribes generally have not been enumerated by the Department, one example has been exclusivity. To the extent that these payments to states exist, they are typically agreed to in tribal-state gaming compacts.

ECONOMIC MODELING SYSTEM

The input-output analyses in this research project were conducted using the IMPLAN economic modeling system.²² IMPLAN was originally developed by the USDA Forest Service in cooperation with the Federal Emergency Management Agency and the USDI Bureau of Land Management.²³ The IMPLAN system has been in use since 1979 and continues to be widely used by universities, government agencies, corporations, and private consultants to conduct economic impact analyses involving many issues and industries. IMPLAN's data and accounts closely follow the accounting conventions used in the "Input-Output Study of the U.S. Economy" by the U.S. Bureau of Economic Analysis and the format recommended by the United Nations. IMPLAN is based upon data from the U.S. Bureau of Economic Analysis and U.S. Bureau of Labor Statistics.

The IMPLAN region data used in this research project were for 2015, the most current year available. However, IMPLAN results are reported in 2014 dollars in order to make them compatible with the economic impact data currently presented for commercial casinos on the AGA's website.²⁴

Our IMPLAN models use Type SAM multipliers with households internalized, which are generally accepted and considered to be the best practices formulation.²⁵ However, these multipliers yield conservative results as they do not allow tax revenue received by federal, state, and local governments to generate multiplier effects (i.e., indirect and induced effects).²⁶

The IMPLAN models use the Econometric Regional Purchase Coefficients trade flow estimation methodology, which is required when customizing the study area data, as done in this project to more accurately reflect tribal gaming.²⁷

²² Minnesota IMPLAN Group, Inc. (MIG), IMPLAN system 3.0 (software and region data).

²³ Minnesota IMPLAN Group, Inc., *IMPLAN Professional Version 2.0 User's Guide, Analysis Guide, Data Guide*, 1999.

²⁴ AGA's Get to Know Gaming website (<https://www.gettoknowgaming.org/by-the-book>).

²⁵ Type SAM multipliers allow the estimation of indirect and induced impacts. IMPLAN Group LLC, "Explaining the Type SAM Multiplier," October 15, 2013.

²⁶ Using Type SAM multipliers with federal government and/or state and local government internalized would yield greater economic and fiscal impact results.

²⁷ IMPLAN Group LLC, "IMPLAN Trade Flow Estimation" (http://support.implan.com/index.php?option=com_content&view=article&id=305:305&catid=230:230), accessed March 2017.

CUSTOMIZED INPUT-OUTPUT MODELS

Given the unique circumstances surrounding tribal government and business operations (i.e., tribal governments are sovereign nations; tribal businesses are operated on tribal lands; tribes are often located in remote areas; and profits from tribal gaming are spent on tribal government operations, programs and services, and economic development), customized IMPLAN models and region data were utilized to more accurately reflect: wage per employee and output per employee for each of the study areas.

Appendix F: Flow of Economic and Fiscal Impacts

