



THE ECONOMIC AND FISCAL IMPACTS OF INDIAN TRIBES IN WASHINGTON

Jonathan B. Taylor | 2012



Seattle's Mithun Architects designed the Suquamish Community House and Museum.

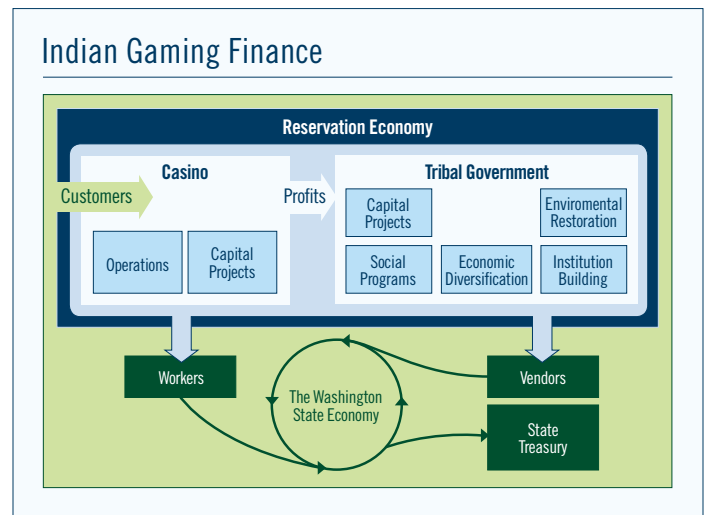
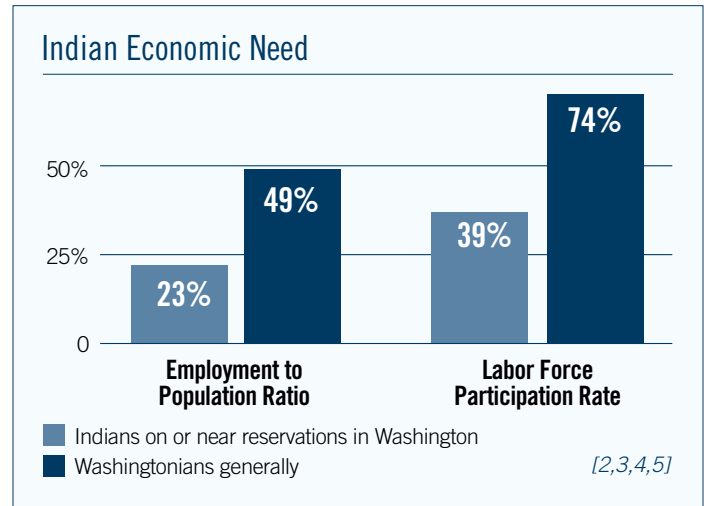
The economies of Washington’s Indian reservations have grown over the last half-decade, and despite some complaints to the contrary, Washington taxpayers have little to fear and much to gain from American Indian economic development. The evidence points to strong net benefits for Indians and non-Indians alike.

The history of American Indian hardship is beyond dispute. Nationwide, American Indians are repeatedly the poorest identified minority [1], and while there has been hopeful and significant improvement since the last census, the latest available data show continuing economic challenge in Indian Country. The Bureau of Indian Affairs reports that among Indians on and near Washington’s reservations, each employed Indian supported more than three others who were not employed. By contrast, the proportion was one to one in Washington generally. This employment-to-population ratio highlights the economic dependency tribal governments intend to conquer.

The labor force participation rate—the proportion of able-bodied civilians of working age that are working—corroborates the underutilization of Indians by the formal economy. Little more than a third of Indians receive a paycheck, versus nearly three-quarters of all Washingtonians. To counter this long-lived problem and as part of a broader move toward effective self-determination, Indian tribes built the casinos that are now prominent on Washington’s reservations.

Success and the distinctiveness of retained Indian sovereignty have attracted the impression that perhaps the Washington treasury bears a burden for Indian economic growth. As the argument goes, leisure dollars

leave the taxable Washington economy for the untaxed Indian economy. The impression is mistaken, and the argument begs for evidence. Yes tribes compete for Washington’s leisure dollars, but federal law requires Indian government ownership of casinos, which makes one-hundred percent of their profits government



revenue. Those government funds underwrite long-needed investments in Indian physical, human, and environmental capital.

What’s more important, virtually all Indian government spending turns to the non-Indian Washington economy for goods, services, and labor. Indian reservations simply cannot supply the requisite trucks, electricity, computer software, restaurant staff, or architectural services. As Indian demand registers in the Washington economy, it begets further demand for inputs and household goods, all of which carry tax consequences. It is the work of this report to document the tribes’ purchasing and hiring, to calculate how those affect the state economy, and to estimate the resulting change in the state’s treasury collections.

Federally Recognized Tribes in Washington

1	Confederated Tribes of the Chehalis Reservation
2	Confederated Tribes of the Colville Reservation
3	Cowlitz Indian Tribe
4	Lower Elwha Tribal Community of the Lower Elwha Reservation
5	Hoh Indian Tribe of the Hoh Indian Reservation
6	Jamestown S’Klallam Tribe of Washington
7	Kalispel Indian Community of the Kalispel Reservation
8	Lummi Tribe of the Lummi Reservation
9	Makah Indian Tribe of the Makah Indian Reservation
10	Muckleshoot Indian Tribe of the Muckleshoot Reservation
11	Nisqually Indian Tribe of the Nisqually Reservation
12	Nooksack Indian Tribe of Washington
13	Port Gamble Indian Community of the Port Gamble Reservation
14	Puyallup Tribe of the Puyallup Reservation
15	Quileute Tribe of the Quileute Reservation
16	Quinault Tribe of the Quinault Reservation
17	Samish Indian Tribe
18	Sauk-Suiattle Indian Tribe of Washington
19	Shoalwater Bay Tribe of the Shoalwater Bay Indian Reservation
20	Skokomish Indian Tribe of the Skokomish Reservation
21	Snoqualmie Tribe
22	Spokane Tribe of the Spokane Reservation
23	Squaxin Island Tribe of the Squaxin Island Reservation
24	Stillaguamish Tribe of Washington
25	Suquamish Indian Tribe of the Port Madison Reservation
26	Swinomish Indians of the Swinomish Reservation
27	Tulalip Tribes of the Tulalip Reservation
28	Upper Skagit Indian Tribe of Washington
29	Confederated Tribes and Bands of the Yakama Nation

Twenty-five of the twenty-nine federally recognized tribes in Washington participated in a survey issued by the Washington Indian Gaming Association (WIGA) to document economic impacts. The surveyed tribes represent ninety-five percent of the Indian casino capacity in the state. Most tribes reported data from their gaming and related enterprises, non-gaming enterprises, and government operations, making this a very comprehensive but slightly understated picture of Indian economies in 2010.

The responding tribes purchased \$2.4 billion in goods and services. In addition, they paid \$1.3 billion in wages and benefits to workers in their casinos, governments, and non-gaming businesses. On top of that, the reporting tribes spent \$259 million on construction activities ranging from basic infrastructure like roads and sewers to large facilities such as clinics and hotels. Altogether, this represents an impulse of nearly \$4 billion in demand.* This spending greatly exceeds the \$1.7 billion of Indian gaming revenue reported by the Washington State Gambling Commission because economic diversification, tribal taxes, real estate leases, stumpage, other natural resource revenue, and of course, federal and state grants also contribute to tribal treasuries.

Tribes paid the \$1.3 billion in payroll to more than 27,000 Washington residents, the vast majority of whom were non-Indian. Fully eighty-one percent of the gaming employees and more than half of the employees of other



Western Washington’s Mortenson Construction at the Tulalip Tribes’ Cabela’s construction site.

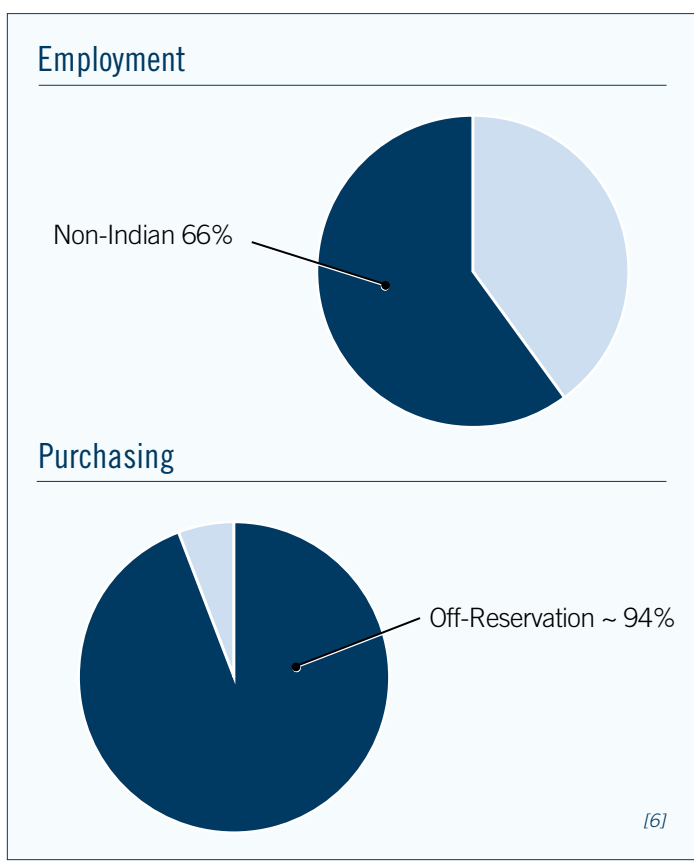
* In addition to the understatement from incomplete participation noted above, this number counts neither individual Indian-owned businesses nor non-Indian businesses benefiting from tribal policies.

enterprises were non-Indians. In government, forty-five percent of employees were non-Indians, putting the average non-Indian participation at two-thirds of all tribal employment. As for the purchasing, evidence indicates that the vast preponderance comes from off the reservations. In 2004, more than ninety-four percent of goods and services purchased by four Washington case-study tribes came from zip codes outside the purchasing tribes' reservations.

Employment

	Indian	Non-Indian	Total
Gaming	2,913	12,474	15,387
Enterprises	2,015	2,145	4,160
Government	4,322	3,507	7,829
Total	9,250	18,126	27,376

As the tribes make purchases and hire workers, demand registers in Washington economy for input purchases and indirect hiring. For example, the demand for carbonated drinks at an Indian casino requires inputs of beverage syrup and carbon dioxide and, of course, the labor of truck drivers to deliver them. These indirect effects induce further effects as the direct employees



of the reservation economy and the input suppliers' employees make household purchases. In total, the combined annually recurring and construction impacts in 2010 are associated with \$3.5 billion worth of value-added in the Washington economy. In other words, \$3.5 billion of the total gross state product can be attributed to the activity on American Indian reservations. That total impact generates an estimated \$268 million in indirect business taxes for the state treasury.

Impact on the Economy (2010 dollars in millions)

	Total Value-Added	Tax Impact
Annually Recurring	\$3,263	\$255
2010 Construction	\$270	\$12
Total	\$3,533	\$268

[7]

Comparing these impacts to the impacts of the reservation economies in 2004 demonstrates dramatic growth. Employment grew by more than half. The proportion of gross state product, more than a quarter. And indirect business taxes grew by fifty-seven percent. The reservations are increasingly dynamic engines in the Washington economy.

Change in Impacts (2010 dollars in millions)

	2004	2010	Change
Jobs	17,573	27,376	+56%
Gross State Product	\$2,566	\$3,263	+27%
Taxes	\$162	\$255	+57%

[6,7,8]

In contrast to tribes' dependence on federal funds and natural resource revenues a few decades ago, today self-determined economic activity provides the bulk of tribal government funding. Statewide, enterprise profits, taxes, leases, and natural resources support more than two-thirds of tribal government budgets. Though this statewide average masks some of the remaining economic dependence on the most remote reservations, the overall picture displays welcome and overdue self-sufficiency.

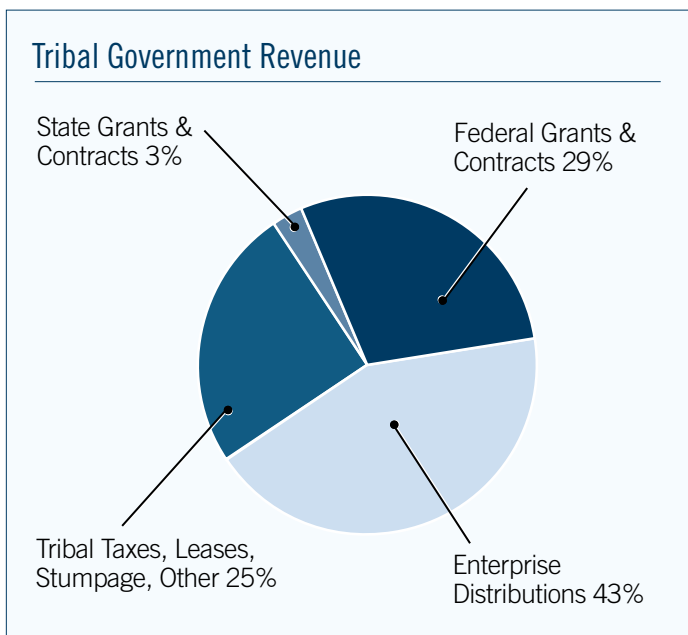
A number of features of Indian economies render their economic impacts net positives for Washington. First, in contrast to other forms of gambling, the owners of Indian casinos do not disperse the profits to shareholders spread far and wide across globalized



Edgewood, WA-based Caliber Concrete at the Tulalip Tribes' Cabela's site.

capital markets. Instead, in-state governments—the tribes’—spend the proceeds of Indian gaming in Washington to build physical and human capital in the places that need it most. Indian reservations cannot and will not move their operations overseas or out-of-state.

Second, spending on an Indian reservation tends to intensify impacts because it puts underutilized resources to work. When a family acquires another wage earner because, say, a single mother starts working at the casino, the net economic impacts for the state are overwhelmingly positive. While it is very difficult to count how many times this happens, there is no doubt that the net gains are large when it does. The same goes for underutilized land, buildings, and other reservation resources.



Third, as noted above, the claim that customers moving their discretionary spending to reservations reduces Washington tax collections goes begging for evidence. A statistical analysis of 268 tax districts in Washington spanning fourteen years shows that neither the introduction of a casino within five miles nor within fifteen miles creates a discernible change in taxable sales or taxable property [9]. That finding aligns with national evidence showing that casino introductions are associated with benign economic consequences [10,11,12].

Some claim that Washington should have more gambling to raise revenue for the state. The foregoing indicates that the state is not losing revenue to Indian gaming. However, as is the case in most states, law and regulation restrict entry and capacity in gambling markets. Is Washington policy restricting economic growth and associated tax collections? What could the state treasury expect from loosening gambling restrictions?

Washington gambling expenditures per person grew rapidly from 1996 to 2004, averaging twelve percent compound annual growth. Growth plateaued at about two percent thereafter, suggesting that Washington has received all the gambling capacity it would under free entry. In addition, a Washington State University poll conducted for the Gambling Commission indicates that past-year visitation of Las Vegas is down thirty-nine percent among Washingtonians over the same period [13]. In other words, some of the recent expenditure growth actually reflects gambling customer recapture from Nevada and not in-state expansion. Furthermore,



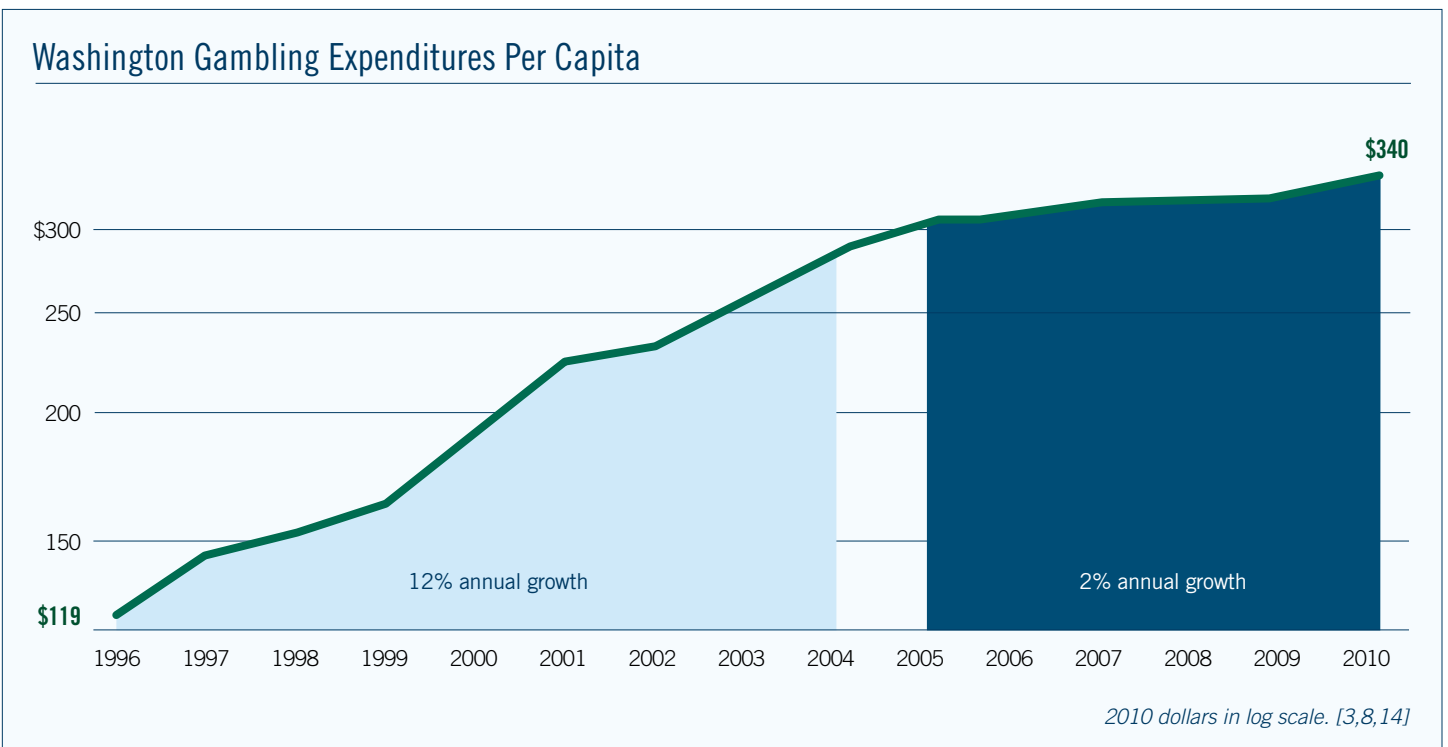
Poulsbo-based Kimco Plumbing at the Port Gamble S'Klallam Tribe's The Point Casino construction site.

the Commission reports ten percent of the electronic gaming device capacity that tribes could legally deploy has not been, notwithstanding the tribes' ability to move devices to better markets. The proponents of expansion thus face a heavy burden of proof to credibly claim the Washington treasury will benefit from expansion. There may be many public policy rationales for more gambling, but revenue is not one.

Indian gaming need not be a source of friction. Just as the national economy grows with interstate trade and the world economy grows with international trade, so the Washington economy grows with American Indian economic development. Washington

businesses sell goods and services to Indian tribes. Washingtonians work for Indian tribes, their businesses, and their suppliers. The net effects are positive. More importantly, both Indians and non-Indians benefit when Indian economic development puts to good use the underutilized human and physical resources of the state's reservations.

The Washington Indian Gaming Association funded this study under a contract with the Taylor Policy Group, Inc. The views expressed in this document are those of the author and do not necessarily reflect those of the institutions with which he is affiliated. Unless otherwise indicated, the Washington Indian Gaming Association or its member tribes provided the data and graphics herein.



About the Author

Jonathan Taylor is an economist with expertise in natural resources, gaming, and American Indian development. He provides counsel to tribes and bands in the United States and Canada consisting of public policy analysis, strategic advice, and economic research. He has authored or supported expert testimony in litigation and other public proceedings for a number of Native American groups.

Mr. Taylor has assessed economic impacts of tribal enterprises (including of casinos), assessed tribal tax regimes, assisted in tribal institutional reform, provided public policy analysis and negotiation support for resource development, valued non-market attributes of natural resources, and educated tribal executives.

Recent publications include:

“Determinants of Development Success in the Native Nations of the United States.” (Cambridge and Tucson: Harvard Project on American Indian Economic Development and Native Nations Institute for Leadership, Management, and Policy, 2008).

“Managing the Boundary between Business and Politics: Strategies for Improving the Chances for Success in Tribally Owned Enterprises,” (with Kenneth W. Grant II). In Jorgensen, M. R., ed., *Rebuilding Native Nations: Strategies for Governance and Development* pp. 175-196, (Tucson: University of Arizona Press, 2007).

The State of the Native Nations: Conditions under U.S. Policies of Self-Determination, (with the Harvard Project on American Indian Economic Development, Joseph P. Kalt, Eric C. Henson, Catherine E. A. Curtis, Stephen Cornell, Kenneth W. Grant, Miriam R. Jorgensen, Andrew J. Lee, Harry W. Nelson). (London: Oxford University Press, 2007).

Mr. Taylor is President of the Taylor Policy Group, an economics and public policy consultancy, a Research Affiliate at the Harvard Project on American Indian Economic Development at the Kennedy School of Government, and a Senior Policy Associate at the Native Nations Institute, Udall Center for Studies in Public Policy, University of Arizona, Tucson. He holds a Master’s in Public Policy from Harvard University (1992) and a Bachelor of Arts in Politics from Princeton University (1986).

References

1. Harvard Project on American Indian Economic Development (2008) *The state of the Native nations: conditions under U.S. policies of self-determination.* New York: Oxford University Press.
2. Bureau of Indian Affairs (2005) *2005 American Indian Population and Labor Force Report.* Washington, DC: United States Department of the Interior, Bureau of Indian Affairs, Office of Indian Services.
3. US Census (2010) Table 12. *Resident Population—States: 1960 to 2009.* Washington, DC: US Census Bureau, Population Division.
4. Bureau of Labor Statistics (2012) *Local Area Unemployment Statistics, Washington 2001 to 2011.* Washington, DC: US Department of Labor.
5. *Washington Kids Count (2012) Profile for Washington State.* In: Annie E. Casey Foundation, editor: Annie E. Casey Foundation.
6. Taylor JB (2006) *Indian self-government in Washington, Vol. II: The character and effects of the Indian economy in Washington State.* Cambridge, MA & Olympia, WA: Taylor Policy Group, Inc. & Washington Indian Gaming Association.
7. Minnesota IMPLAN Group (2009) *IMPLAN (IMpacts for PLANning).* Stillwater, MN: Minnesota IMPLAN Group, Inc.
8. Bureau of Labor Statistics (2011) *Consumer Price Index, All Urban Consumers (CPI-U), US City Average.* Washington, DC: US Department of Labor.
9. Taylor JB (2005) *Indian self-government in Washington, Vol. I, Tribal self-government and gaming policy: The outcomes for Indians and Washington State.* Cambridge, MA & Olympia, WA: Taylor Policy Group, Inc. and Washington Indian Gaming Association.
10. Taylor JB, Krepps MB, Wang P (2000) *The national evidence on the socioeconomic impacts of American Indian gaming on non-Indian communities.* Cambridge, MA: Harvard Project on American Indian Economic Development.
11. Rose A (1998) *The regional economic impacts of casino gambling: Assessment of the literature and establishment of a research agenda.* State College, PA: Adam Rose and Associates.
12. Gerstein D, Volberg R, Harwood H, Christiansen E (1999) *Gambling Impact and Behavior Study: Report to the National Gambling Impact Study Commission.* Chicago, IL: National Opinion Research Center at the University of Chicago.
13. Stern P, Mann C, Furgeson T (2012) *Public opinion survey: Washington State Gambling Commission.* Olympia, WA: Social & Economic Sciences Research Center, Puget Sound Division, Washington State University.
14. *Washington State Gambling Commission (2011) Fiscal Year Net Receipts Comparison.* Olympia, WA: Washington State Gambling Commission.



Squaxin Island Tribe's Salish Cliffs Golf Pro Shop.



Tribes purchase more than \$2.4 billion annually in goods and services.

Squamish Community House and Museum.



Washington Indian Gaming Association
1110 Capitol Way, S., Suite 404
Olympia, WA 98501

Taylor Policy Group, Inc.
1990 Main Street, Suite 750
Sarasota, FL 34236