

A large construction site is shown under a clear sky. A yellow crane with 'WARCO' written on its side is positioned in the middle ground, its long lattice boom extending diagonally across the frame. To the right, the steel framework of a multi-story building is visible, with several vertical columns and horizontal beams. The foreground is a vast, flat, brown dirt area, likely a construction site. In the background, there are some palm trees and distant mountains. The overall scene depicts a major infrastructure or commercial building project in progress.

THE ECONOMIC IMPACT OF TRIBAL GOVERNMENT GAMING IN ARIZONA

REPORT

Jonathan B. Taylor | 2012

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I. INTRODUCTION

Whether it was the foods Pima farmers sold to the Army or the rugs Navajo weavers sold to early territorial tourists, the tribes of Arizona have been a part of the fabric of Arizona's economy since before the state's founding. Over the past quarter-century that participation has burgeoned. With the Supreme Court's 1987 decision in *California v. Cabazon* and the subsequent passage of the Indian Gaming Regulatory Act of 1988, tribal gaming joined logging, mining, skiing, and tourism as mainstays of reservation economies. The consequences for Arizona tribes and Arizonans more generally have been substantial and beneficial.

The history, law, public policy, and economics of Indian gaming make it a distinct form of commercial activity, strengthening and distributing its economic impact on Arizona relative to a similarly sized but private gaming sector. Indian gaming is government gaming. As such, all the proceeds are government revenues, spent in accord with democratic will of Indian communities permanently located in Arizona and not distributed around the world as profits to shareholders. Tribal government expenditures on school buildings and teachers, clinics and dental care, emergency services and home construction—virtually all of it translates immediately into off-reservation purchasing and hiring that benefits Arizona households, companies, and the state treasury. Separate and apart from that revenue benefit, Indian gaming currently takes place under federal precedents and legislation and an Arizona-tribal intergovernmental agreement that results in the tribes sharing nearly one hundred million dollars a year with state, local, and municipal governments. A growing body of evidence further indicates that Indian gaming is helping develop remote, rural areas of the state that a profit-maximizing private gaming sector would probably not develop.

This report explains how the structure of Indian gaming in Arizona conditions its economic impact (Section II). It documents Indian gaming's economic effects on the state economy and treasury (Section III). And it explains that the economic effects of Indian gaming are net positive for the Arizona economy (Section IV).



II. THE STRUCTURE OF INDIAN GAMING

The US Supreme Court’s recognition of inherent tribal self-governing powers in the 1987 *California v. Cabazon* decision set the stage for the Indian Gaming Regulatory Act of 1988 (IGRA). In that decision, the court found that the power to set the terms of gambling on reservations stemmed from longstanding tribal civil and regulatory powers of self-government. Thus, in contrast to the popular misconception that casinos are a grant from a munificent federal government to an impoverished (or entitled) ethnic minority, *Cabazon* recognized the inherent and still-relevant powers of Indian self-government. IGRA was a response to *Cabazon* and constrained the tribal rights that the court recognized in their decision.

In the ten years since the Arizona tribes signed new gaming compacts with the state, they have shared \$820 million dollars with their fellow Arizonans. In addition, Indian Gaming annually supports thousands of jobs, millions in direct payroll, and even more in indirect benefits across the state.

The sidebars to this report highlight many of the ways these contributions have improved education across the state, provided trauma care and emergency services, helped conserve and protect wildlife, promoted tourism in every county, funded programs for treatment and prevention of problem gambling, and funded the state’s regulation of tribal gaming. Some of these stories document the formal contributions tribes make under the compacts and some of these investments in Arizona communities take place outside the compact structure.

Under that law, American Indian governments—not individuals—may offer Las Vegas-style casino gambling in states that regulate but do not prohibit such gambling. IGRA only permits tribes to offer such gambling on their reservation lands once they have entered into a government-to-government agreement with the states in which their casinos would be located. A Class III gaming compact, as it is known, may govern the scope of games the tribe offers and may apportion regulatory responsibility between the tribe and state. But because Congress intended to prevent states from extracting revenue concessions in exchange for agreement, IGRA explicitly prohibits state taxation of games. States cannot insist on a quid pro quo of revenue sharing for compact approval.

Over time the Secretary of the Interior, the federal official designated to approve state-tribe compacts, has established precedents that such revenue sharing is allowed, if and only if the state contributes something of substantial economic value to the tribes in exchange. One approved compact in New York, for example, allowed the Seneca Nation to purchase a state-owned convention center for \$1, applied New York’s eminent domain power on the nation’s behalf, and established a zone of casino exclusivity—all in exchange for top-line revenue share [1]. Arizona’s compacts with twenty-one Indian governments in the State establish revenue sharing, and they received secretarial approval for the same reason. The compacts and the law upon which they are based (esp. Proposition 202) advance Arizona’s interest in limiting gambling and in sharing tribal revenue. The latter would be prohibited without the former under IGRA. Accordingly, the Arizona compacts limit tribal casino capacity, grant tribes exclusivity in Vegas-style (Class III) gaming, and set the terms for very substantial revenue sharing.

In particular, the compacts allocate to each of Arizona's signatory tribes a fixed number of electronic gaming devices (slot machines). That number is correlated with their size (see top of Table 1). Tribes that do not use their full allocation are allowed lease or sell unused device allocations to other tribes (see bottom of Table 1). Altogether the compacts currently allow 18,158 electronic gaming devices statewide. As of 2012, only 14,535 were deployed. The tribes also face facility caps of total slot machines per casino, and card tables are restricted with tribe-specific limits that correlate with tribal size.

Table 1
Compacted Device Allocations and Maximum Transfers
gaming devices 2008-2013

	Tribal Allocation	Max Allowable Transfer	Max Tribal Potential	Actual	Actual % of Total
Tribes with Casinos					
Ak-Chin Indian Community	566	523	1,089	1,089	100%
Cocopah Indian Tribe	566	170	736	506	69%
Colorado River Indian Tribes	566	370	936	475	51%
Fort McDowell Yavapai Nation	566	523	1,089	859	79%
Fort Mojave Indian Tribe	566	370	936	243	26%
Gila River Indian Community	1,666	1020	2,686	2,686	100%
Pascua Yaqui Tribe	1,071	670	1,741	1,343	77%
Quechan Indian Nation	566	370	936	514	55%
Salt River Pima-Maricopa Indian Community	833	830	1,663	1,662	100%
San Carlos Apache Tribe	1,071	230	1,301	699	54%
Tohono O'odham Nation	1,666	1020	2,686	2,055	77%
Tonto Apache Tribe	566	170	736	413	56%
White Mountain Apache Tribe	1,071	40	1,111	800	72%
Yavapai-Apache Nation	566	370	936	656	70%
Yavapai-Prescott Indian Tribe	566	370	936	536	57%
	12,472	7,046		14,536	
Non-gaming Tribes					
Havasupai Tribe	566				
Hualapai Tribe	566				
Kaibab Band of Paiute Indians	566				
Navajo Nation	2,856				
San Juan Southern Paiute Tribe	566				
Zuni Tribe	566				
	5,686				
ARIZONA TOTAL ALLOCATION	18,158			14,536 / 18,158 =	80%

[2]

Because Indian gaming must take place on Indian land, the distribution of Indian casinos around Arizona reflects, to a large degree, accidents of treaty-making history and reservation geography rather than the result of market actors freely deploying capital as they see fit (see Figure 1). The tribes' historic reservations range from the remote reaches of the state to the edges of Scottsdale, Chandler, and Tucson. Casino potential varies accordingly. The tribes' ability to lease or sell "device rights" to each other means that Indian casino capacity can respond to market forces as the numerous, large circles near Phoenix and Tucson indicate; larger markets can support more devices. But the compacts' constraints on devices per facility and per tribe still limit Arizona Indian gaming.

Arizona is better educated with Indian Gaming

Since 2002, the gaming tribes of Arizona have contributed over \$356.4 million to the state's Instructional Improvement Fund. All of this money goes directly to school districts on a per student basis, providing for reduced class sizes, teacher compensation, drop-out prevention and early reading programs. These funds are distributed to all state, public, and charter schools, so every community and every student benefits. In addition, several tribes have contributed directly to Arizona education. Together the Instructional Improvements Fund and the tribes' direct contributions bolster what Arizona taxpayers already do.

In 2005, the Antelope Union High School District in Wellton used gaming revenues to improve teaching strategies for impoverished and minority students, and to support teacher salaries and training and for dropout prevention programming. The Fort McDowell Yavapai Nation helped underwrite a 2006 initiative by the Fountain Hills Unified School District to provide teacher training and mentoring. The Pascua Yaqui Tribe gave Tucson funding to implement specific programs to improve academic outcomes for Native children.

The Blue Ridge Unified School District in Lakeside used Arizona Benefit Funds support to reduce class sizes, to improve teachers' writing skills, and for staff training. Some tribes use gaming income to support financial aid for college students, helping them keep pace with tuition increases.

The Gila River Indian Community, for example, donated one million dollars to the Central Arizona College Promise for the Future program. In 2004, the Tohono O'odham Nation opened its own two-year college with a \$21 million grant from gaming earnings. The college has been accredited since 2005. The tribe also helps fund a charter school serving predominantly tribal youth.

Figure 1
Locations of Arizona's Indian Government-Owned Gaming Facilities
 2011

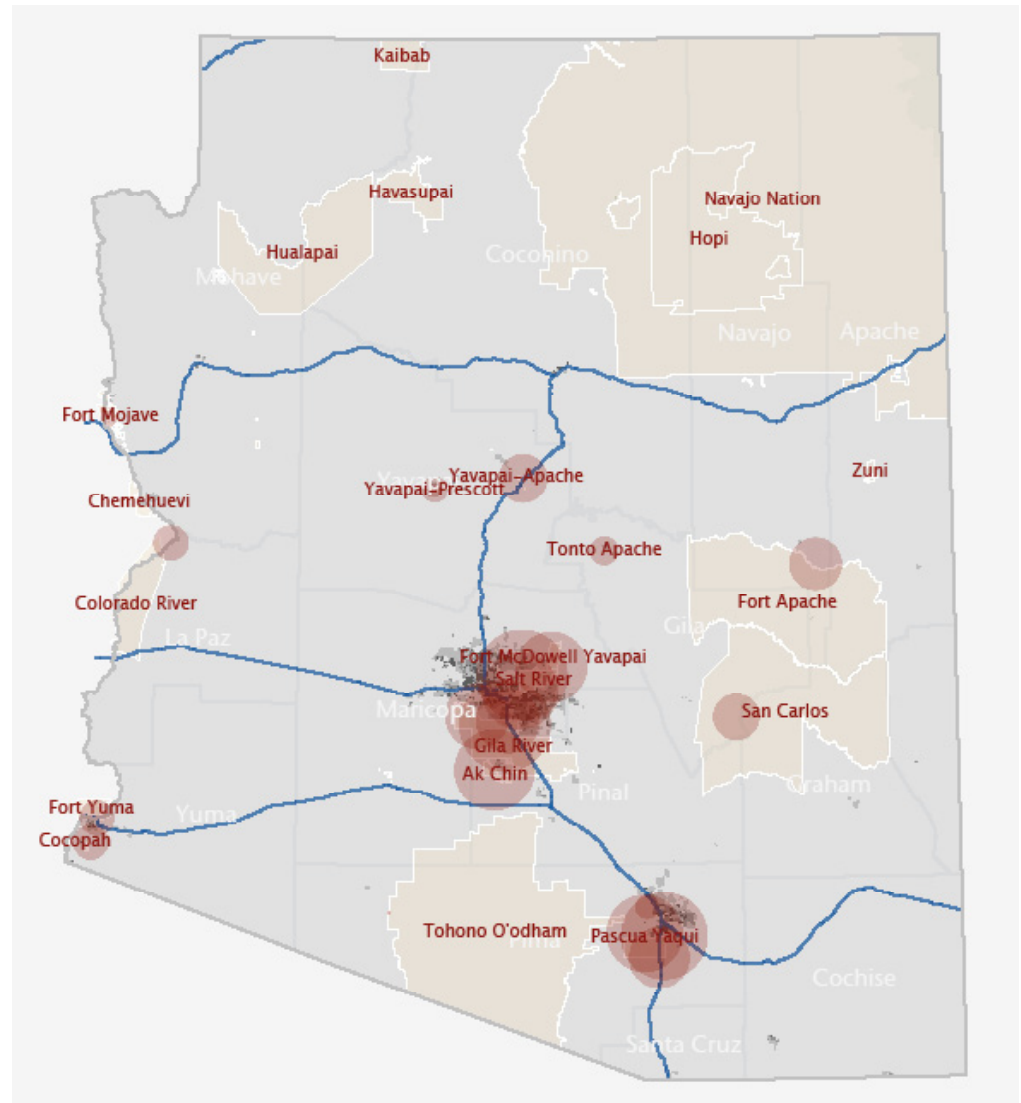


Arizona is *healthier* with Indian Gaming

Since 2002, the gaming tribes of Arizona have contributed over \$178.2 million to the state's Trauma and Emergency Services Fund. These funds help offset the readiness and costs of Level 1 trauma centers and the increasing volume in emergency departments. Over 60 local hospitals across the state receive this funding. In several cases, tribally donated funds made it possible to keep open trauma programs that otherwise would have closed for a lack of funding [a].

The chief of the University of Arizona Medical Center's Level 1 Trauma hospital in Tucson credits its funding from tribal gaming as making it possible for that hospital to respond fully to the Tucson shootings in January 2011 [a].

In addition to their support through the Trauma and Emergency Services Fund, tribes have directly supported a wide range of specific health care projects. In 2008, the Gila River Indian Community donated onemillion dollars to help fund the expansion of the Chandler Regional Medical Center, providing critically needed hospital beds and improved access to services for all East Valley residents



[3]

Arizona tribes as a group have only deployed 80% of the devices that they are allowed under the compact (see the bottom right of Table 1). This is because the per-tribe constraints bind the tribes in the largest markets; the tribes that have deployed all of their allowed devices *and* all of their maximum allowed transferred devices—Ak-Chin, Gila River, and Salt River—are tribes close to the heart of Phoenix. Their actual deployments are one hundred percent of their tribal maxima. Those that have deployed the least—the non-gaming tribes listed in the table and, for example, Fort Mohave (26%), Colorado River (51%)—are in the remote rural areas of the state. In sum, under the compacts, Arizona limits gambling below what market forces would dictate, but tribes can respond somewhat to market conditions by moving devices to the most promising locations.

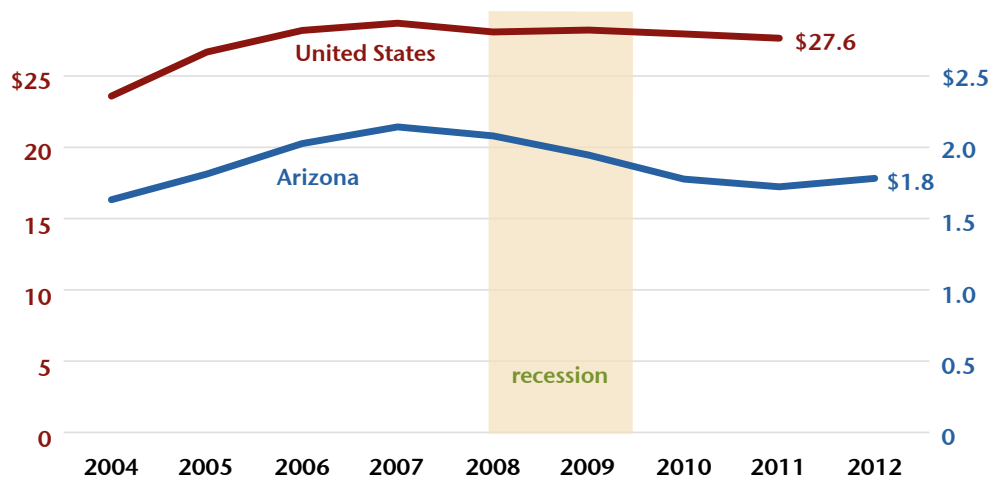
The lease or sales payments for device transfers move gaming profits from the developed metropolitan areas of the state to rural tribal governments in locales that would not otherwise benefit as much from Indian gaming. This is one of several in-state, government-to-government transfers created by the compacts, and it benefits remote rural regions of Arizona as the tribal governments employ work-

ers and buy goods and services. While measuring the size of this effect is beyond the scope of this report, it is no doubt a net positive for the tribes that sell or lease and the regions where they are located. This is not to say that the only benefit to rural Arizona of the compacts is device lease revenue. Indeed, the more substantial benefit of rural Indian gaming is direct: the purchasing and hiring that result from the construction and operation of facilities such as the Yavapai-Prescott's Bucky's Casino in Prescott, Arizona.

As Table 2 on the next page indicates, the compacts have enabled a very substantial amount of capital investment by tribes. Statewide, tribes have almost two million square feet of gambling space, 2,500 hotel rooms, and seventy-six restaurants associated with their facilities. In addition to the gaming machines discussed above, the facilities have about 3,500 additional seats for customers at poker and other tables. These gambling hotel and restaurant facilities employed 15,187 Arizonans statewide in 2011.

With that capital investment has come a substantial amount of growth. For several years after the compacts were signed, Indian gaming revenue grew at a rate that paralleled the national pace for Indian gaming revenues (Figure 2). Arizona revenues saw a relative decline as the Arizona economy was particularly hard hit by the recession, nonetheless, there are emerging signs that in FY2012 saw a recovery of Indian gaming revenues.

Figure 2
National and Arizona Indian Gaming Revenues by Fiscal Year
billions of 2012 dollars



Note: the national data is for tribes whose fiscal years ended in the calendar year indicated, whereas the Arizona data is for the state's July-June fiscal calendar. [4,5]

Much of this investment concentrates in Pima and Maricopa Counties, but casinos around the state have destination effects—that is, they help move tourist dollars to their home counties. Even in Maricopa County where one would expect virtually all customers to originate from within the county, one tribe reports fully one-fifth of customer revenue comes from outside the county. The effect is even more pronounced in outlying areas such as on the Mogollon Rim where the White Mountain Apache's Hon-Dah Casino and Hotel help the tribe's Sunrise Ski Resort attract and retain tourism dollars in the economies of Pinetop, Lakeside, and Show Low.

When the Tonto Apache Tribe's Mazatzal Casino came on line in September 1993 a major lumber mill had just shut down, and the tribe replaced the mill as the largest employer in Payson [6]. Customer data from a different casino outside Pima



The tribe also donated one million dollars for the capital costs of constructing the Mercy Gilbert Medical Center, which included a sponsored healing garden, and it donated \$275,000 to the Juvenile Diabetes Research Foundation for outreach programs.

Other projects have included the addition of new trauma sites and surgical staff at several of the state's eight trauma centers, including the UAMC Level 1 Trauma Center in Tucson, which serves 1.5 million people.

At the tribal level, the Tohono O'odham Nation appropriated gaming income to reduce its diabetes rate, the highest in the country, in part by encouraging people to return to their traditional diet. The tribe also underwrites an award-winning skilled nursing facility and hospice program, combining traditional and standard care.

In 2008, the Pascua Yaqui Tribe broke ground on a Wellness Center with fitness rooms, a gymnasium, and an eight-lane pool funded in part by gaming profits. The next year, the Salt River Pima-Maricopa Indian Community opened a \$43 million medical pavilion with rooms for surgery, diagnostics, imaging, medical examination, and retail.



Table 2
Features of Indian Government-Owned Facilities in Arizona
2011

	Gaming Machines	Table Games	Poker Tables	Total Positions	Bingo Seats	Square Feet	Hotel Rooms	Restau- rants	Empl.
Ak-Chin Indian Community									
<i>Harrah's Phoenix Ak-Chin Casino Resort</i>	1,089	12	16	1,285	470	40,000	300	6	850
Cocopah Indian Tribe									
<i>Cocopah Casino</i>	506	8	0	562	350	24,000	101	2	400
Colorado River Indian Tribes									
<i>BlueWater Resort & Casino</i>	475	8	5	566	350	30,000	200	8	480
Fort McDowell Yavapai Nation									
<i>Fort McDowell Casino</i>	859	15	24	1,132	1,700	150,000	246	6	850
Fort Mojave Indian Tribe									
<i>Spirit Mountain Casino</i>	243	0	0	243	0	9,500	0	1	34
Gila River Indian Community									
<i>Lone Butte Casino</i>	850	19	5	1,018	750	120,000	0	1	350
<i>Vee Quiva Casino</i>	834	12	16	1,030	500	99,000	0	1	603
<i>Wild Horse Pass Hotel & Casino</i>	1,002	41	25	1,464	0	100,000	242	0	1,500
<i>subtotal</i>	2,686	72	46	3,512	1,250	319,000	242	2	2,453
Pascua Yaqui Tribe									
<i>Casino Del Sol</i>	955	22	16	1,221	694	240,000	0	7	900
<i>Casino of the Sun</i>	388	0	0	388	0	50,000	0	5	400
<i>subtotal</i>	1,343	22	16	1,609	694	290,000	0	12	1,300
Quechan Indian Nation									
<i>Paradise Casino Arizona</i>	514	6	0	556	300	11,613	0	1	420
Salt River Pima-Maricopa Indian Community									
<i>Casino Arizona - 101 & McKellips</i>	861	46	7	1,232	0	100,000	0	4	1,443
<i>Casino Arizona at Talking Stick Resort</i>	801	47	47	1,459	0	240,000	497	5	3,000
<i>Lehi Community Building</i>	0	0	0	0	100	0	0	0	7
<i>Salt River Community Building</i>	0	0	0	0	100	0	0	0	0
<i>Salt River Senior Center</i>	0	0	0	0	130	0	0	0	0
<i>subtotal</i>	1,662	93	54	2,691	330	340,000	497	9	4,450
San Carlos Apache Tribe									
<i>Apache Gold Casino</i>	699	6	0	741	1,000	60,000	146	2	450
Tohono O'odham Nation									
<i>Desert Diamond Casino</i>	76	0	0	76	0	5,000	0	1	31
<i>Desert Diamond Casino & Hotel - Nogales Hwy.</i>	1,089	24	18	1,383	500	165,000	148	9	1,300
<i>Desert Diamond Casino I-19</i>	890	10	2	974	0	185,000	0	3	591
<i>subtotal</i>	2,055	34	20	2,433	500	355,000	148	13	1,922
Tonto Apache Tribe									
<i>Mazatzal Casino</i>	413	4	3	462	280	38,000	40	2	365
White Mountain Apache Tribe									
<i>Hon-Dah Resort Casino</i>	800	4	3	849	0	18,600	386	2	425
Yavapai-Apache Nation									
<i>Cliff Castle Casino Hotel</i>	656	10	8	782	0	140,000	82	7	500
Yavapai-Prescott Indian Tribe									
<i>Bucky's Casino and Prescott Resort</i>	301	10	7	420	0	24,000	161	2	
<i>Yavapai Casino</i>	235	0	0	235	0	6,000	0	1	
<i>subtotal</i>	536	10	7	655	0	30,000	161	3	288
TOTAL	14,536	304	202	18,078	7,224	1,855,713	2,549	76	15,187

"Total Positions" = Gaming Machines + 7 x Table Games + 7 x Poker Tables (Casino City, 2011)



and Maricopa counties indicates that in 2011 more than half the revenue came from customers outside its home county. So, while that facility was much smaller than the compact allows, more than half the jobs and purchasing of the casino could be considered the result of “exports”—sales to customers outside the county. Thus the legacy of reservation history today yields employment, purchasing, and economic activity in rural Arizona that would not otherwise be there.

Government ownership of Arizona’s Indian casinos—a requirement of IGRA—further intensifies the economic impact. In contrast to privately owned companies whose owners may collect their profits wherever in the world they reside, tribal governments spend casino profits in state and will do so indefinitely. The tribes cannot outsource the work of the casinos or of their roads programs; neither will they move their headquarters out of state. What’s more, tribal government ownership concentrates the proceeds and economic development in some of Arizona’s poorest communities—to the great benefit of Arizona.

As tribal government spending addresses chronic reservation deficits in education, health, housing, safety, employment, and crime, the Arizona economy becomes more productive. When, for example, a single mother receives casino-supported daycare that enables her to be a breadwinner for the first time, the Arizona economy unequivocally grows. When casino profits close the longstanding gaps in Indian Health Service funding or raise the quality and quantity of reservation high school graduates, American Indian human capital grows—to the lasting benefit of the Arizona economy. In innumerable ways, this key feature of Indian gaming in Arizona helps do what a century of federal policy experimentation and private philanthropy could not: sustain economic growth on the reservations. The sidebars in this report testify to the work tribes perform turning their reservation economies around, work that contrasts starkly with the scope and pace of change on reservations before IGRA.

The compacts further ensure that tribal spending does not come at a cost to the state. Indeed to the contrary, not only does the compact reimburse the state for its regulatory oversight of casino operations, it specifies a progressive-scale revenue contribution to the Arizona Treasury (Table 3, p. 12) that helps underwrite a number of Arizona public policy priorities, too (Figure 3, p. 13). The progressive scale ensures that tribal investments in programs to address social and economic deficits are not unduly impeded by small casino size. By the same token, where a tribe has access to a large customer base and the casino revenues reflect that, the tribes share a higher proportion with the state.



Arizona is *stronger* with Indian Gaming

Since 2002, the gaming tribes of Arizona have contributed to a variety of activities designed to strengthen critical state, local, tribal, and community functions.

These include in aggregate:

- Over \$14.5 million to help problem gamblers through education, prevention, and treatment.
- Nearly \$74.9 million to fully fund the Arizona Department of Gaming, which regulates Indian gaming with tribal governments.
- Nearly \$93.6 million contributed directly to local communities (in addition to the Arizona Benefits Fund) and used for services that benefit the public, including new fire trucks and police cars, commerce and economic development, and a variety of charities.

The Salt River Pima-Maricopa Indian Community contributed to a new Salvation Army Community Center in Phoenix that provides family support, education, fitness, and arts.

The Yavapai-Apache Nation has funded the local Big Brothers Big Sisters program and also recently donated \$185,475 to support public safety, parks and recreation, and senior programs in towns in its surrounding vicinity.

In 2006/07, the Pascua Yaqui tribe donated \$338,000 to the City of Tucson to purchase land for affordable housing and recreation, and donated \$150,000 to the town of Guadalupe for cultural and tourism efforts.

With stronger tribal economies, the gaming tribes are able to support their own schools, hospitals, and social service programs, to build critical infrastructure (roads, water and sewer systems, fiber optic networks), and to preserve and protect their culture, language, and heritage.

And the gaming tribes expend some of their earnings on device leases that help non-gaming tribes. The Havasupai Tribe, based at the very bottom of the Grand Canyon, uses its intertribal revenue to rehabilitate substandard housing. The Kaibab Band of Paiute Indians have more than tripled their budget with gaming transfer funds, which helps support a range of essential tribal programs.

In fiscal year 2012, these contributions amounted to \$97.3 million. By the terms of the compacts, tribes contributed \$12.4 million of that directly to cities, counties, and towns for government services that benefit the general public including public safety, gaming impact mitigation, and economic development. The remaining amount, \$84.9 million in fiscal 2012, went to the Arizona Benefits Fund, which the Arizona Department of Gaming distributed to its own budget (\$8 million), problem gambling (\$1.7 million), school district instructional improvement (\$42.1 million), trauma & emergency services (\$21.1 million), wildlife conservation and tourism (\$6.0 million each). Denominated in 2012 dollars, total tribal contributions rose from \$49 million in 2004 to peak at \$117 million 2008, and after the recession, those numbers fell to a total of \$92 million (Figure 3). Contributions recovered slightly in FY2012 to \$97.3 million. To date, total contributions since the Proposition 202 compact have exceeded \$819 million (Table 4). The former Director of the Arizona Department of Gaming, Steve Hart, estimated the flows to the state over the future life of the compacts would exceed a billion dollars [8]. With recovery from the recession and modest growth thereafter, that number is well within reach.

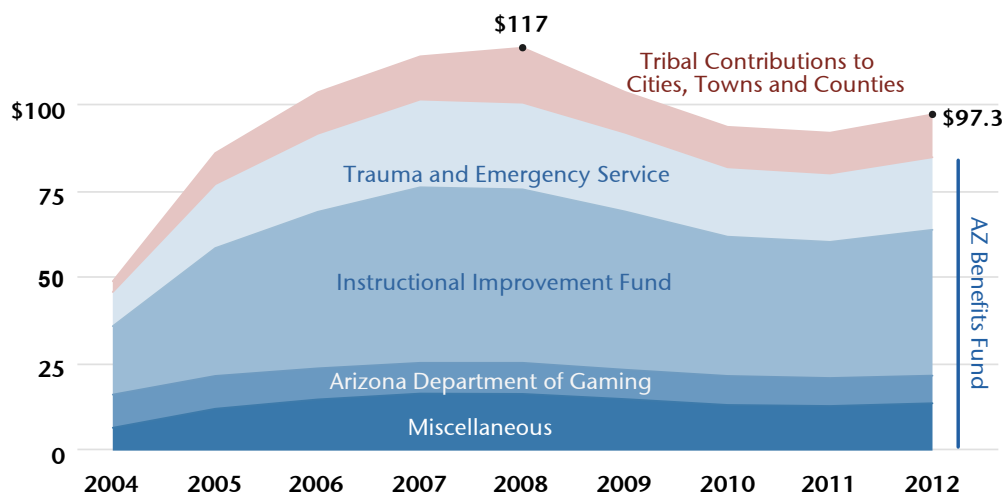
Table 3
Sliding Scale of Tribal Contributions to Arizona

Class III Net Win	Tribal Contribution
First \$25 million	1%
Next \$50 million	3%
Next \$25 million	6%
Anything in excess of \$100 million	8%

[4]



Figure 3
Transfers from Indian Governments to Arizona State and Local Government
 millions of 2012 dollars



[4]

If the state loosens its policies of limited gambling, the tribes will no longer be subject to limits or required to make the contributions enumerated above. If Arizona liberalizes its gambling policy, the compacts' constraints on total slot machines per tribe and per facility will no longer bind. The constraints on table games will fall too. Moreover, the sliding-scale contribution obligations detailed in Table 3 will be replaced by a flat, across the board contribution of 0.75% of Class III net win (Compact §3.h). Given that in FY 2011 the total tribal contribution amount was 5.5% of statewide Indian gaming revenues, the flat contribution will be only a seventh the revenue to Arizona of the status quo. That amount is just \$3.7 million more than the tribes' contributions to the Department of Gaming's regulatory oversight and to problem gambling programs.

Table 4
Cumulative Contributions from Indian Governments to AZ State and Local Government
 nominal dollars, FY 2004 through October 1, 2012

beneficiary	millions
AZ Benefits Fund	
Problem Gambling	\$ 14.5
Arizona Department of Gaming	74.9
Instructional Improvement Fund	356.4
Trauma & Emergency Services Fund	178.2
AZ Wildlife Conservation Fund	50.9
State Tourism Fund	50.9
Tribal Direct Contributions	
Cities, Towns, & Counties*	93.6
TOTAL:	\$819.5

*Does not yet include any funds contributed in FY 2013. [7]

Arizona is enriched with Indian Gaming

As noted in Table 2, 15,187 Arizona employees work in tribal gaming enterprises. Scores of businesses support them, too. In a separate study, Harrah's Ak-Chin Casino Resort was found to have generated more than \$205.3 million in economic activity, making it Pinal County's largest economic engine, with nearly 1,100 jobs and an annual payroll of about \$36.7 million.

The Salt River Pima-Maricopa Indian Community recently spurred almost half a billion dollars in construction projects at a time when Arizona could use the stimulus. Together the Talking Stick Resort and Casino and the Salt River Fields Spring Training Camp employed over 2,200 construction workers, making it the largest construction project in the Southwest during the 2010-11 building season. Spinoff development is projected at 10,000 to 15,000 direct jobs and 8,000 to 13,000 indirect jobs created to support growth in this area alone.

In 2007, the Tohono O'odham casino supported about 3,000 jobs and injected more than \$25 million into the economy. The Tonto Apache Tribe casino in Payson completed a \$40 million expansion in 2007 and now employs 300.

With a vigorous "buy local" policy covering everything from food to automobiles, the Hon-Dah Resort Casino operated by the White Mountain Apache Tribe supports more than 400 employees and numerous area vendors on the Mogollon Rim.

The San Carlos Apache Tribe employs more than 2,000 Arizonans and generates over \$47 million in payroll annually. In addition, some ninety-eight percent of its contractual purchases are made locally in Gila County.

Arizona is more generous with Indian Gaming

The Gila River Indian Community, along with a number of other organizations nearby, recently provided funding for the 3rd annual Fighter Country Partnership (FCP) Golf Tournament. The funds generated from this event in turn allows the Fighter Country Foundation to provide support to the “Men, Women, Families and Mission of Luke AFB”, including monthly dinners for the families of deployed airmen, summer camps for autistic children, women’s health programs, and more [c].

The Casino Del Sol in Tucson, owned and operated by the Pascua Yaqui Tribe, was the prime sponsor of the 2012 Hunger Walk held in Tucson. The public event is a scenic three-and-a-half-mile walk, including a tour of the Community Food Bank, followed by post-walk festivities with prizes, clowns, entertainment and music.

The Mayo Clinic has extended its telestroke program to residents of the largest Navajo Nation city who need emergency medical care due to stroke. As a result of a recent agreement between Tuba City Regional Health Care and the Scottsdale-based Mayo Clinic, officials say the telehealth services will start in Tuba City as early as November. Tuba City is

Some observers consider this feature of the compacts a “poison-pill” as if it were a nefarious fiscal gun to the head of anyone intent on challenging the Indian position. To do so is to miss two important underlying realities. First, states and tribes each have sovereign powers to set the terms of gambling within their own jurisdictions. Second, they cannot tax each other any more than Kansas can tax New Mexico.

Alongside these realities, Arizona policymakers aim to limit gambling in the state. They did so before *Cabazon* and have since. The compacts advance that state goal with Indian caps. For their part, Indian policymakers aim for reservation economic self-reliance and have done so since the reservations were created. The compacts advance that goal by allowing intertribal device leasing and by setting the stage for Class III capital investment, among other things.

In keeping with the general principle of intergovernmental tax immunity, tribal revenue sharing would ordinarily be prohibited by IGRA. But because the compacts keep tribal gaming constrained when Arizona gaming is constrained and loosen the constraints if and when Arizona liberalizes gaming, the Secretary of the Interior saw that the Arizona compacting process had not unduly compromised Indian sovereignty—as Congress intended—and approved the compacts.

The compacts provide benefits to many. As the citizens generally want, Arizona does not have Nevada-style, sky’s-the-limit casino construction. Arizonan gamblers see ample opportunity to play well-regulated games in competing facilities. Arizonan taxpayers saw \$820 million dollars added to state and local treasuries over eight years, with a billion more potentially to come. Tribes produce benefits for their own reservation economies, local county economies, and the state economy. Thus, contrary to all-too-commonly circulated misperceptions that compacts are an unfair ethnic entitlement, they are the sensible result of intergovernmental negotiation that advances numerous state and tribal goals.





III. THE BENEFITS OF INDIAN GAMING FOR ARIZONA

Spending at an Indian casino translates very quickly into purchases and hires from the broader Arizona economy because tribes do not have diverse economies capable of supplying the necessary electricity, carpeting, restaurant supplies, advertising, or poker chips. They have to turn to the state and national economies for goods, services, and labor. If the tribes of Washington State are any guide, a statewide survey of tribes there shows that reservation economies supply less than a percent or two of the goods and services and only about a third of the labor necessary to run their casinos, hotels, governments and other businesses [9]. Consistent with that data, one Maricopa County tribe reports that in 2011 more than three-quarters of its commercial workforce was non-Indian and that it purchased more than ninety-nine percent of its goods and services from off the reservation.

As noted above in Table 2, Arizona casinos employed 15,187 Arizona workers in their casinos and allied hotels, restaurants, and entertainment venues in 2011. This level of employment is almost double the amount of employment the tribes' casino operations had a dozen years ago. In 2000, total employment in Arizona Indian casinos and tribal gaming regulatory bodies was about 9,300 [10].

Today, Indian gaming employment ranks among some large and influential sectors in the Arizona economy. The Bureau of Labor Statistics, which tallies employment by job type, would rank Arizona Indian gaming (if they tracked it as its own category) between statewide mining and logging employment and statewide employment engaged in the management of companies and enterprise (Table 5).

Table 5
Arizona Indian Gaming Employment and Labor Sector

BLS Sector 2011	Employees
Educational Services	54,900
Mgmt. of Cos. & Enterprises	25,200
AZ Indian Gaming	15,187
Mining and Logging	11,800

[11]

located in north central Arizona, within the Painted Desert. Some ninety-two percent of the city's 8,611 residents belong to the Navajo and Hopi tribes. The new partnership means that Navajo and Hopi patients now have immediate state-of-the-art stroke care. The Mayo Clinic today serves as the hub in a network of 11 other medical centers, all but one located in Arizona. Tuba City Regional Health Care will become the 12th hospital to be part of the telestroke service.

In telestroke care, the use of a telestroke computers located in a rural hospital allows a stroke patient to be seen in real time by a neurology specialist at Mayo Clinic. The Mayo stroke neurologist consults via computer screen with emergency room physicians at the rural sites to then evaluate the patient. Patients showing signs of stroke can be examined by the neurologist via computer, smart phone technology, portable tablets, or laptops. A major benefit of the collaboration is that patients with stroke symptoms can often be administered clot dissolving medications quickly enough to minimize permanent injury to the brain [d]. Many of the medical centers in this network also receive annual funding from the Indian gaming supported trauma and emergency services fund, which has disbursed over \$157 million for indigent care since 2002.



Arizona is *more vibrant* with Indian Gaming

Since 2002, the tribes have funded:

- Over \$50.9 million to the state’s tourism fund, operated by the Arizona Office of Tourism, to promote Arizona. Funds have underwritten advertising campaigns, digital marketing, trade and media efforts, and other initiatives aimed at increasing visitation. Some tourism promotions specifically showcase the state’s twenty-two tribes.
- The director of Arizona’s Office of Tourism credits tribal gaming funds for keeping Arizona competitive with states (and countries) that have far larger tourism promotion budgets—and for helping the state continue its marketing efforts in spite of large budget cuts [a].
- Another \$50.9 million went to the Wildlife Conservation Fund , administered by Arizona Fish and Game. Gaming revenues have funded (1) studies of bison movement, (2) studies on the use and impact of the Grand Canyon, (3) fish stocking in several ponds and lakes; (4) studies of bear populations; (5) trend monitoring of bobcat, coyote, and fox populations; (6) reintroduction of wild turkey in the state; (7) restoration of critical grasslands; and (8) policy development to address invasive species.

The Arizona tribes have also contributed directly to projects that enhance the quality of life for the state’s residents, such as:

- A three-year Gila River Indian Community grant of \$500,000 to the Children’s Museum of Phoenix.
- A Fort McDowell Yavapai Nation grant of \$110,000 to the City of Mesa to support its Arts Center and other projects.
- A \$170,000 three-year grant from the Gila River Indian Community to support construction of a public market pavilion and related projects.

The US Bureau of Economic Analysis, which studies employment by industry sector, would put total Indian gaming employment between the employment of electronics and appliance stores and the employment of forestry, fishing, and related activities (Table 6).

Neither federal agency tracks “Indian gaming” as a sector itself, and the sector’s jobs would appear elsewhere in their tables. In addition, some of the 15,187 employees of Indian casinos themselves are engaged in the “management of companies and enterprise” and other job categories tracked by the bureaus. Thus, the categories are not strictly comparable and presentation of Arizona Indian gaming data Table 5 and Table 6 is meant principally to give the lay reader context—to put Indian casino employment against analogues in the state economy.

Table 6
Arizona Indian Gaming Employment and Industry Sector

BEA Industry 2010	Employees
Accommodation	45,269
Farm Employment	26,355
Clothing & Accessories Stores	25,857
Mining	16,919
Forestry, Fishing & Rel. Activities	15,312
AZ Indian Gaming	15,187
Electronic & Appliance Stores	14,617
Air Transportation	14,291
Utilities	12,467
Food Manufacturing	9,634

[12]

Another way to put the numbers in context is to compare to the top employers in the state. The *Arizona Republic* publishes a list of top employers in the state against which Indian gaming can be measured. If Indian casinos were a single employer—which they are surely not—they would rank third in the state, below Wal-Mart and Banner Health but ahead of such prominent employers as Wells Fargo, McDonald’s, Intel, and U.S. Airways (Table 7). It is important to note here that the presence and success of Indian gaming in the state does not depend upon tax abatements, zoning easements, regulatory concessions or other enticements, whereas many significant top employers in the state had to be recruited and have to be retained with such giveaways.

Table 7
Arizona Indian Gaming Employment and
Top 15 Arizona Employers

Rank	Top Employers 2011	Employees
1	Wal-Mart Stores Inc.	30,000
2	Banner Health	28,353
	AZ Indian Gaming	15,187
3	Wells Fargo & Co.	14,000
4	Bank of America Corp.	13,000
5	McDonald's Corp	12,770
6	Apollo Group, Inc.	12,000
6	Kroger Co.	12,000
8	Raytheon Co.	11,500
9	JP Morgan Chase & Co.	10,500
10	Honeywell International, Inc.	9,716
11	Intel Corp.	9,700
12	Target Corp.	9,300
13	U.S. Airways	8,926
14	Dignity Health	8,291
15	Home Depot Inc.	8,000

[13]

A journalist recently showed the importance of Indian gaming in revenue terms. His analysis showed that the casinos' revenues of \$1.7 billion in FY 2011 were greater than the Arizona's combined cattle and dairy revenues of \$1.3 billion, greater than the cotton industry's receipts of \$206 million, and greater than Arizona's citrus crop at \$34 million. Indian gaming, he showed, was smaller than copper production at \$5.3 billion and tourism at \$17.7 billion in revenue [14]. Again those numbers do not yield pure comparisons; none of the non-Indian data are from Arizona's fiscal year 2011, for example. Despite their limitations, they demonstrate together that Indian gaming ranks high among the prominent industries of the state.

The Indian casinos' \$1.7 billion in revenues induce spending in the state and local economy. When a casino buys steaks to serve in its restaurant, it engages truck drivers, meatpackers, and cattlemen. Those suppliers, in turn, require diesel, refrigeration, and grain, among other things. Likewise, the households of Indian gaming's 15,187 employees purchase groceries, gasoline, and washing machines, as do the households of the suppliers' employees. Along the way Arizona collects its taxes. None of this is very controversial or difficult to understand. The question is: How much economic activity are we talking about? How many dollars in Arizona economic activity can reasonably be attributed to Indian gaming?

Economists have long used input-output (I-O) models to track demand and supply relationships in the economy. At their core, they apply data on production relationships

Arizona is more fun with Indian Gaming

Indian gaming revenues are being used throughout Arizona to support other opportunities for fun. In November of this year, the Ak-Chin Family Entertainment Complex will open next to the Ak-Chin Casino Resort in Maricopa – just a few miles south of Phoenix. This 162,000 square foot complex will be the largest entertainment center in Arizona, and will feature a 12-screen movie theater, 24-lane bowling alley, arcade, laser tag, restaurants and an outdoor amphitheater. In addition to providing 200 new jobs in the community, the center is expected to be “a great improvement” to Maricopa's night life [b].

The complex will add to the tribe's other successful enterprises, including the casino, the Santa Cruz Commerce Center, Ak-Chin Southern Dunes Golf Club, Ak-Chin Farms, and the Ak-Chin Him Dak Eco-Museum. Him-Dak means “way of life,” and the heritage museum displays artifacts and objects that document the way the Ak-Chin tribe's historical ancestors lived.

Another opportunity for fun, made possible in part by Indian gaming revenues, is the annual, week-long White Mountain Apache Tribal Fair & Rodeo in Whiteriver, 180 miles east of Phoenix. The 87th annual event just concluded in early September, and featured a wide range of sporting activities, including volleyball, basketball, and softball tournaments, horseshoe tournaments, 5K and 10K runs, three different rodeos, a jackpot roping, bull bash, and a crown dance competition. Other events included one of the largest parades Arizona, a carnival, a fireworks show, a car show, Miss White Mountain Apache Queen and Princess pageants, rodeo royalty, horsemanship, night performances, a tribute band concert, nightly dances, outdoor stage entertainment, exhibit hall, baby contests, and traditional Sunrise Dances.

The Salt River Tribe is developing a 35-acre, \$170 million entertainment complex just east of Scottsdale. The complex, Odysea in the Desert, will feature North America's largest butterfly pavilion, an aquarium, a Ripley's Believe-It-or-Not museum and other attractions. The project, slated to open next spring, will add to an emerging entertainment corridor on the Salt River Reservation that already includes the Talking Stick Resort and Casino, two adjacent golf courses, and the Salt River Fields spring training baseball complex.



Arizona is better preserved historically with Indian Gaming

The Heard Museum’ twelve exhibit galleries showcase a sampling from its collection of 40,000 objects. The exhibits examine the Native heritage and culture, and especially the changing nature of Native art from ancestral artifacts to today—including more than 400 Hopi katsina dolls. A nationally recognized exhibition focuses on the nineteenth century boarding school experiences of Native American children forcibly removed from their homes in order to erase their culture and “civilize” them. With partial funding from area tribes, the Heard was ranked as the best museum in Phoenix in 2012. This November, the Heard will open the Native American Veterans National Memorial at its Phoenix location.

Mesa, AZ and Indian community representatives recently broke ground for a visitor center at the Mesa Grande ruins, which will open a modern window on a civilization that mysteriously vanished decades before Columbus set sail. Mesa Grande was one of the most important Hohokam sites in what is today Arizona, and certainly today is one of the most important archaeological sites still existing. At its zenith, Mesa Grande was a large political and religious center with a village surrounding it, and probably also managed the great canals that were coming off the Salt River near here. Grants from Indian communities and state historic-preservation funds provided the wherewithal for acquiring the site. The planned interpretive center is being kept small to preserve the site’s tranquil atmosphere and to protect some of the ruins’ more fragile areas from erosion. The park is expected to open in January 2013 [e].

to estimate, for example, the number of truck drivers needed to supply an industry with its goods. The Minnesota IMPLAN Group develops and maintains one such model, one the Forest Service constructed for its own planning and forecasting. IMPLAN uses federally gathered data on these relationships, on trade flows, on taxation, and on household purchasing to construct models of regional economies.

IMPLAN estimates the *direct* effects of a “policy change,” such as hypothetically introducing or removing the Arizona Indian casino sector from the Arizona economy. These direct effects represent the immediate demands of the facility on the suppliers within the region of analysis—in the above example, the direct effects would represent the Arizona cattlemen, meatpackers, and truck drivers as distinct from suppliers elsewhere in the US economy. IMPLAN also estimates the *indirect* effects that arise from the demand met by input suppliers—e.g., the suppliers of diesel, refrigerators, and grain. And it estimates the *indirect* effects, the demand associated with household purchasing, both the households of employees of the casinos and of the employees of the input providers.

IMPLAN accepts input in a variety of forms. Here employees (rather than revenues) will represent the Indian gaming sector in the IMPLAN sector, “Other amusement, gambling, and recreation industries.” This approach turns out to introduce considerable conservatism to the modeling. Note in Table 8 that IMPLAN reports \$786 million in output (industry revenues) associated with 15,187 employees, but we know that Indian gaming had 15,187 employees *and* \$1.7 billion in revenue (output) in 2011. IMPLAN would also accept modeling the effects using \$1.7 billion in revenue, but then it would estimate a number of employees much greater than 15,187. What’s going on?

The culprit is the IMPLAN sector. “Other amusement, gambling, and recreation industries” encompasses a variety business types—amusement parks, arcades, golf courses, country clubs, skiing facilities, and marinas—that have very different input and consumption profiles from casinos. On average, casinos would be expected to have a much higher ratio of revenues to employees than these other businesses. IMPLAN models the impact of 15,187 jobs as if they were average jobs in this amalgamated sector, rather than as casino jobs. A discrepancy also arises from the fact that IMPLAN models profits as normally would be earned by private firms in this sector rather than the government expenditures that tribes make with casino profits. With more detailed data, it would be possible to more closely match the IMPLAN numbers with the actual economic characteristics of Indian casinos and governments, but it will have to suffice here to be very conservative.

Table 9
Direct Employment & County Economic Impacts of Tribal Gaming
2011 dollars in thousands

	Gila	La Paz	Maricopa	Mohave	Navajo
Employment					
Direct	815	480	7,753	34	425
Total Value Added					
Labor Income	\$17,748	\$13,470	\$406,560	\$842	\$10,502
Other Property Income	\$6,490	\$3,610	\$122,370	\$322	\$3,359
Indirect Business Taxes	\$1,918	\$1,104	\$34,388	\$96	\$1,017
Total	\$26,156	\$18,183	\$563,318	\$1,260	\$14,878

[15]

Table 8 shows the statewide modeling results. From a base of 15,187 employees, IMPLAN estimates Arizona Indian casinos are associated with nearly one billion dollars (\$989 million) of total value added in 2011 and 22,052 jobs statewide. The sum of all value added in an economy is the gross product; so, by this estimation, Indian gaming contributes almost a billion dollars to the gross state product. More specifically, value added comprises labor income (wages, salaries, and benefits for employees and self-employed persons), property income (interest, rents, royalties, dividends, and profits), and indirect business taxes (sales and excise taxes).

Table 8
Estimated Arizona Economic Impacts of Tribal Gaming Operations
 2011 dollars in millions

	Direct	Indirect	Induced	Total
Employment	15,187	2,398	4,467	22,052
Output	\$ 786			
Labor Income	\$ 406	115	184	\$ 705
Other Property Income	\$ 43	57	120	\$ 220
Indirect Business Taxes	\$ 20	11	32	\$ 63
Total Value Added	\$ 469	\$ 183	\$ 336	\$ 989

[15]

IMPLAN reports total labor compensation, and included within that row of Table 8 are an estimated four million dollars of state personal income taxes in the direct impact and seven million dollars' worth in the total impact. The \$63 million in indirect business taxes accrue in addition to the \$97.3 million that tribes contributed directly to state, local, city, and county governments under the compacts in fiscal 2012. Because of the noted conservatism in this modeling, the actual numbers exceed the estimates in Table 8. Thus, combining personal income taxes, indirect business taxes, and compact contributions with the conservatism of the

Pima	Pinal	Yavapai	Yuma
3,222	850	788	820
\$112,785	\$22,878	\$24,562	\$20,426
\$35,121	\$5,875	\$7,416	\$5,655
\$10,581	\$1,788	\$2,216	\$1,915
\$158,487	\$30,541	\$34,194	\$27,996



impact modeling it is fair to conclude that Indian gaming is responsible for more than \$167.3 million in state and local government revenue.

The 15,187 people working for Indian casino operations are not uniformly distributed around the state. Table 9 shows that the vast majority (7,753) works in Maricopa County followed by Pima (3,222) and Yavapai (788). As the table shows, total value added correlates with employees by county. Maricopa County Indian casinos are associated with more than \$563 million in total value added followed by Pima (\$158 million) and Yavapai (\$34 million). But note that the total value added falls off more steeply than the number of employees. To put it another way, the total county value added per Indian casino employee drops from seventy-three thousand dollars in Maricopa to forty-nine in Pima and forty-three in Yavapai. This is a feature of the size and diversity of the Phoenix metro economy. Compared to the other counties of the state, proportionately more producer input and household consumption demand can be met by in-county suppliers than elsewhere.

As with employees and revenues above, it helps to put the statewide impact estimates in context. A billion dollars of conservatively estimated gross state product coming from Indian gaming may seem large, however it should be noted that Arizona's gross domestic product was \$256 billion in 2011 [16]. The state's large and diversified economy dwarfs Indian gaming. On the other hand, in the outlying counties, Indian casinos rank among the largest employers (e.g., Mazatzal casino as explained above), and they are important vehicles for attracting out-of-county visitation. And of course, Indian casinos bring long-sought revenues and jobs to reservation economies.

Arizona is *inviting* with Indian Gaming

In downtown Chicago's chilly streets this winter, potential tourists will see a saguaro cactus, the Grand Canyon, and Sedona's red rocks on buildings and billboards. With words like "monumental," "unexpected" and "timeless," these larger-than-life ads will invite people to escape to Arizona.

Beginning this fall and running through March, the ads also will appear in nationwide publications, as well as in other print, outdoor and online media. The campaign includes a special emphasis on the target markets of Minneapolis and Denver

It's part of a national campaign made possible by a \$7 million appropriation from the state's general fund. The state's Office of Tourism had been funded largely by a share of hotel, restaurant and amusement taxes collected around the state, as well as an annual share of Indian gaming proceeds (just over \$7 million in 2010). In 2010, state lawmakers addressing the budget deficit removed the largest share of the office's budget [f].

The new appropriation for promotional activities is expected to pay off significantly, since such advertising invariably generates additional visitors to the state, and travel dollars generally "trickle down" through all levels of the economy.

The 37.6 million overnight visitors to Arizona in 2011 spent \$18.3 billion, generating approximately \$2.7 billion in local, state and federal tax revenues, according to the Office of Tourism.

U.S. Olympic gold-medal swimmer Missy Franklin has been tapped to serve as the grand marshal of the 42nd annual Fort McDowell Fiesta Bowl Parade on Dec. 29 in Phoenix. Franklin will lead the parade and will be a special guest at the 42nd annual Tostitos Fiesta Bowl. Franklin won five medals, including four gold medals, at the 2012 Summer Olympics in London. She also set the world record in the 200-meter backstroke [g].

The parade, presented annually by Fort McDowell Yavapai Nation, features a dazzling array of floats, helium balloons, marching bands and spirited specialty and equestrian units. Area residents and visitors alike annually line the two-mile parade route in central Phoenix to witness this spectacular celebration, making the parade a holiday custom loved by locals as well as fans traveling to the Tostitos Fiesta Bowl.

The parade is Arizona's largest single-day spectator event, annually attracting thousands of people. The growth in size and the quality of the parade have been phenomenal - in large part due to the Parade's fantastic sponsors, especially the Fort McDowell Yavapai Nation.



IV. THE NET IMPACT OF INDIAN GAMING

Economic impact estimates like those shown above are often subjected to the criticism that much of the activity might have taken place anyway. If John and Jane Doe go to an Indian casino, they presumably reduce their consumption of movies, restaurants meals, and rafting trips. Vice versa, the closure of Indian casinos would not eliminate all of the impacts estimated above because customers would divert their discretionary leisure spending toward other activities—activities that also employ workers and procure input goods and services.

If the goal is to characterize the Indian gaming’s contribution to the Arizona economy, substitution effects are appropriately netted from the economic impacts. Unfortunately, gathering the necessary consumer expenditure information to calculate substitution effects exceeds the scope of this research, and would likely be difficult to identify with precision anyway. However, whether the net contribution is positive, negative, or close to zero can be determined with confidence using economic research and evidence from other contexts.

One of the biggest drivers of net impacts is inter-region trade. When an Arizona resident enjoys a weekend in Laughlin or Las Vegas, she *imports* gambling leisure, that is to say, she spends earnings made in her home state on leisure services provided outside it. Conversely, when a casino in Arizona entertains a customer from California, that casino is *exporting* gambling leisure services to residents there. Arizona would be a net beneficiary of Indian gaming to the extent that Indian gaming helps it export leisure services or helps it substitute away from imports.

Prior to the advent of Indian gaming, regular bus service delivered Arizonans to Nevada casinos. Interstate commerce in gaming continues today, especially to the mega-attractions in Las Vegas, yet it was very clear at the outset that Indian gaming reduced the frequency and volume Arizonans’ trips to Laughlin, Nevada, in some cases eliminating it entirely [6]

Recent systematic evidence from the California-Nevada border shows that a ten percent increase in Indian slot machines in Northern California correlates with one and two percent declines in South Lake Tahoe and Reno wagering, respectively. No such relationship was detectable for Las Vegas demand, consistent with that destination’s superlative size and attractions [17]. Similar effects would reasonably be expected between Arizona and Laughlin gambling. Such import substitution—retaining discretionary spending that would have otherwise gone out of state—is a net benefit to the Arizona economy.



Arizona Indian casinos also export. They entertain Coloradans, New Mexicans, Mexicans, Californians, Utahans, and snowbirds from around the United States and Canada. It is difficult to obtain systematic evidence about the size of this market segment. It is known that Indian casinos market to Mexico, to conventioners, to spring training visitors, and a host of others, helping to sell Arizona as a general tourism destination at the same time they feature Indian casino offerings. It is also the case that out-of-state customers use player loyalty cards at Arizona casinos, in one rural case accounting for five percent of all revenue in a tribe's player loyalty system.



Given that import substitution and exports are confirmed, but as-yet unmeasured facts, the question of net benefits requires a determination of whether the substituted-for industries would be expected to have impacts greater than Indian gaming's by a margin large enough to overcome any net benefit expected from interstate commerce. In other words, the question of whether Indian gaming is a net positive for Arizona hinges on whether in-state substitution is a net negative. If Arizona would have been better off with the substituted movie, restaurant, and river rafting expenditures than with Indian casinos, then it might be possible that import substitution and exports might not be worthwhile.



A growing body of evidence indicates that even in contexts where import substitution and exports are negligible or irrelevant, the introduction of gambling has no net negative effect and possibly even a positive one. A meta-analysis of more than one hundred studies conducted on behalf of the National Gambling Impact Study Commission (NGISC) concluded:

Economic theory and the preponderance of evidence indicate that the aggregate direct and indirect impacts of the construction, operation, and taxation of casinos are significantly positive. Broader economic costs relating to such factors as the use of government services and changes in property values are not insignificant, *but they do not come close to canceling out the more conventional output, income, and employment gains.* [18]

A seventeen-year, 100-community analysis of thirty-two indicators of economic and social conditions also conducted under the auspices of the NGISC found casino openings correlated with declines in unemployment, declines government transfers, no discernible changes in income (despite the declines in transfers), and no change in bankruptcy, crime, or infant mortality [19]. A thirteen-year, 268-community analysis of Washington State found no discernible effect of Indian casino openings on taxable sales or taxable property [20]. Taken together this evidence indicates that Indian casinos' export and import substitution benefits do not need to be netted of a putative in-state substitution cost. There isn't one. Indian gaming is a net positive for the Arizona economy.

Moreover, nothing in this section about import substitution, exports, or the benign consequences of casino openings arises from the policy framework that gives rise to Arizona's casinos. The features enumerated in Section II that work to magnify the consequences of Indian gaming—the benefits of governments spending profits instate to address the economic and social ills of some of the state's poorest citizens, the distribution of profits to remote rural regions via device leasing, the creation of rural employment in casinos that sell to customers out-of-county—these accrue in addition to the net impacts that arise from exporting and from substituting for imports.

V. CONCLUSION

The agreements struck between Arizona and the Indian governments within its borders helped to create one of the top-ranked industries in the state—one which produces what is certain to be more than a billion dollars' worth of gross state product and beneficial jobs, taxes, and revenues. The Indian gaming exclusivity enshrined in the compact maintains Arizona's longstanding policy of limiting gaming. It also allows revenues to flow directly to the Arizona treasury and local governments—more than \$819 million since inception and \$97.3 million in FY 2012. Without exclusivity, federal law would prohibit this revenue sharing, and the tribes would contribute to Arizona little more than the cost of the state's regulatory and problem gambling programs. More importantly, Indian gaming brings economic development to Arizona reservations, helping tribes meet longstanding deficits in social and economic conditions. In doing so, it also engenders net new economic activity for the households and businesses that supply labor, goods, and services to Indian casinos and governments, helping especially the economies of remote and rural counties.



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