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Mindy Marks and Kate Spilde Contreras¹

Lands of Opportunity: Social and Economic Effects of Tribal Gaming on Localities

Executive Summary

This report describes the social and economic effects of tribal government gaming operations on tribal and local governments in California, comparing changes in key indicators of well-being between 1990 and 2000 across tribal governments in California. It also contrasts these changes in California's tribal governments to those outside the state. These findings suggest that, on the whole, gaming operations have had beneficial effects on the tribes, on communities near gaming facilities, and on California more generally. In particular, the establishment of gaming has had beneficial effects on income levels, poverty rates, employment, and educational attainment. Further, these are progressive effects, meaning that poorer areas received larger benefits than more prosperous areas.

The consequences of tribal government gaming in California are directly related to two identifiable features of the enterprises themselves: 1) the fact that they are owned by tribal governments, and 2) the fact that they must be located on existing tribal trust lands. Tribal government ownership places a natural limit on the growth of casino gaming in California and directs gaming revenues towards socioeconomic recovery in tribal communities and regions. Limiting tribal government gaming to existing trust lands also maximizes gaming's social and economic benefits due to the fact that most Indian reservations in California, even the more prosperous ones, are located in the poorest counties and tracts in the state. However, this also suggests that the benefits of gaming will take some time to elevate the conditions of tribal governments and surrounding areas to those enjoyed by other Americans.

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The Growth of Indian Gaming in California

The 107 federally-recognized tribal governments in California occupy a unique position within the state and federal political landscape. While they act as governments —by providing social services, housing, and other programs to their citizens—they are limited in their ability to generate governmental revenues to offer these services. For example, tribal governments cannot levy property taxes on their lands (as counties do), collect income taxes (as states do), or leverage their land or other assets (as traditional business developers do).

Tribal governments generally pursue business activities to finance infrastructure, governmental programs, and public services. In spite of the dire need for tribal government revenues, economic development across Indian Country has been uneven. Among tribal governments, economic development itself had been nearly non-existent until the 1990's, when tribal government gaming emerged as a promising way to develop tribal economies and meet tribal government and citizen needs (Wilkins 2002). A patchwork of federal government economic development policies dating back to the late 19th and early 20th century “failed to produce successful agricultural economies in tribal communities and, instead, are widely recognized as having had a disastrous impact on tribes” (National Gambling Impact Study Commission 1999: 6-6).

In 1988, the U.S. Congress passed the Indian Gaming Regulatory Act (IGRA) to provide a structure for current and future gaming on Indian lands. IGRA contained two stated goals for tribes:

- to strengthen tribal governments and
- to encourage economic development on Indian lands.

IGRA also placed restrictions on tribal government gaming. One such limit is the requirement that tribal governments sign gaming compacts with state governments in order to offer casino-style gaming. After the passage of IGRA, the number of tribal governments operating gaming facilities in California grew rapidly, with at least 25 new facilities opening in the early 1990's.

Between 1996 and 2000, however, only four additional tribes developed casinos in California and two tribes had closed theirs by the decade's end (Figure 1).² The rate of growth was limited in the 1990's largely by political uncer-

tainties about the legal scope of tribal government gaming in California.

This climate of legal uncertainty had a number of effects on California's Indian gaming industry. First, fewer than half of the tribal governments in California pursued gaming. Second, the gaming facilities that were offered by these tribes were modest in size. Third, tribal gaming facilities were more likely to be opened on reservations near larger population centers in the United States.

Tribal government gaming reached a major turning point in 1999, when representatives from 61 tribal governments and California Governor Grey Davis negotiated a tribal-state gaming compact which clarified the legal parameters for gaming in California. The legal certainty offered by the gaming compact, along with a provision that required tribes to exercise their slot machine licenses within one year, resulted in a rapid increase in the number of gaming facilities from 2000-2001 as tribes built new casinos and expanded existing operations to meet the compact's deadline. At present, there are 57 tribes operating 58 casinos in California.³

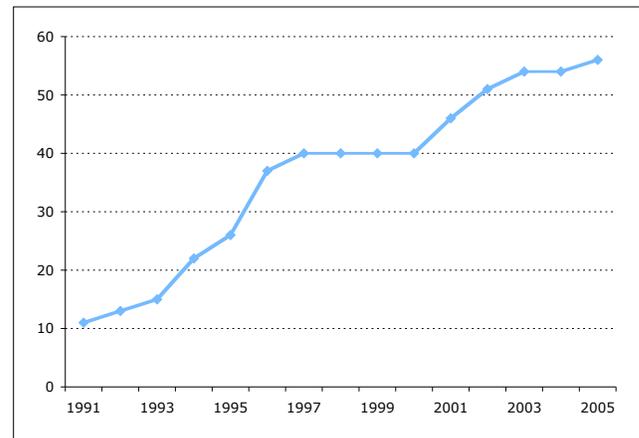


Figure 1: Number of Indian Casinos in California

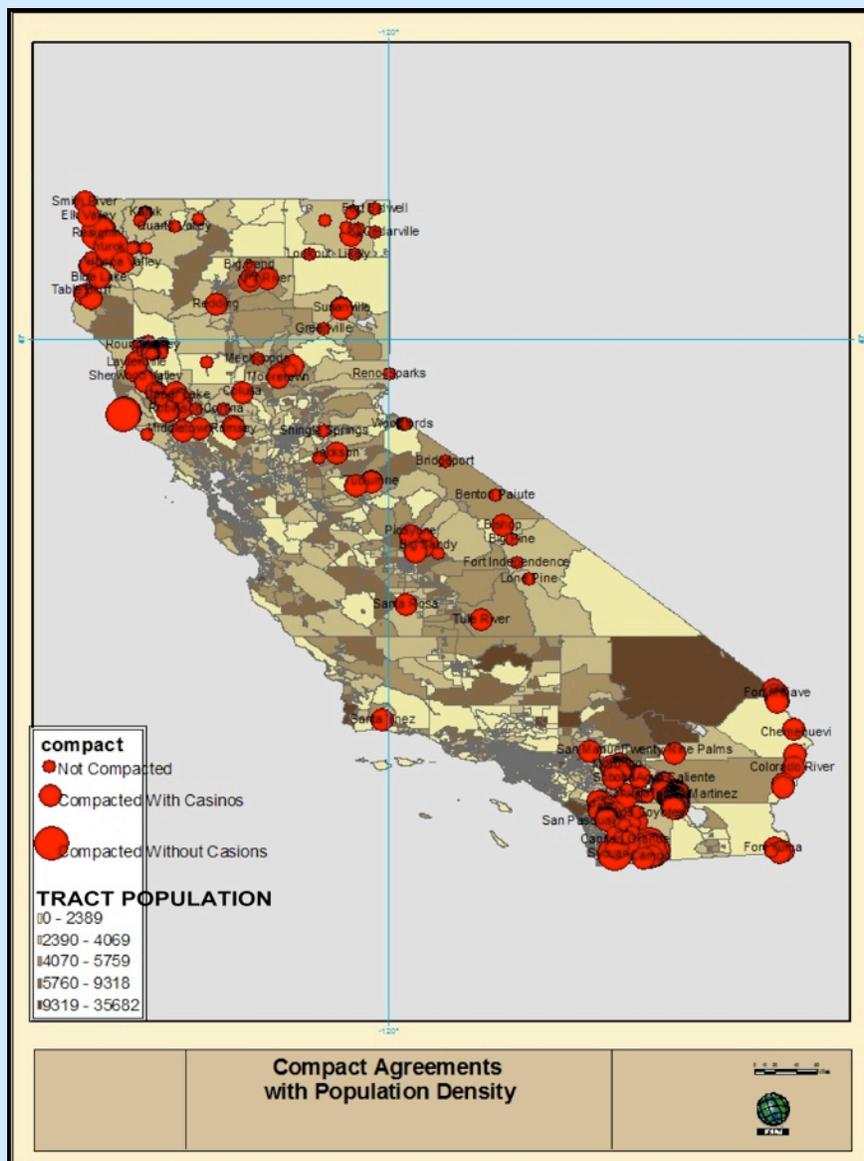
Source: Information on the opening and closing dates of the casinos were obtained from the Native American Casino Directory (various years), State of California, Legislative Analyst's Office (1998), tribal government websites, media coverage of casino openings, and discussion with tribal leaders.

Variation in Compact Status, Gaming Status, and Population Density

The map below shows the location of every tribal government in California, its compact status, and its current gaming status as of 2005. This figure also includes the population density for the state of California as a whole. Areas that are shaded in pale colors on the map correspond to parts of the state with relatively few residents.

The map suggests that tribal governments who do not have a gaming compact are located far from population centers. The growth of Indian Gaming in California in the early 1990's provides an opportunity to identify how the economic and tribal governance opportunities that are associated with gaming have changed life in Indian country. The methodology of this project is to compare changes in key indicators of well being between 1990 and 2000 across tribes that opened a casino during the 1990s and those tribes that were non gaming in the year 2000.

The fact that characteristics of the surrounding communities, mainly population density, determine which tribal governments offer gaming implies that the introduction of gaming constitutes a "natural experiment." In other words, if we find that the introduction of gaming is associated with improved economic or social economic variables we can attribute these changes to gaming and not to inherent characteristics of the tribes that adopt gaming. This framework shapes the remainder of our analysis.



Casino Location and Slot Machine Density

At the start of this decade, 20 out of 58 counties in California had tribal casinos. By the end of 2005, 25 counties hosted casinos, and most of these counties were in less densely-populated areas.⁴ Thus, in 2005, 33 counties, representing 74 percent of California's population, had *no* gaming facility. Two counties (El Dorado and Sacramento) currently do not have gaming, but are home to compacted tribes that could open casinos. Under the terms of the current compacts and given the location of reservations in California, 31 counties in California will likely remain without tribal government gaming permanently.

Looking in more detail at the distribution of slot machine gaming devices in California (Table 1), we see that Riverside County had the most slot machines in 2000, followed by San Diego, San Bernardino and Yolo Counties. By 2005, San Diego County had the most slot machines followed by Riverside, San Bernardino, Fresno, Yolo, and Placer Counties. These six counties are the only counties in California with more than 2,000 slot machines. However, the population of Californian counties varies widely, so the raw number of slots machines presents a biased representation of which counties are most affected by the presence of Indian gaming.

Columns 3 and 5 of Table 3 adjust the number of slot machines by the county's population size. An entirely different ranking of counties by per capita gaming devices emerges. In 2000, Colusa County had the largest per capita gaming density with 28 slots machines per 1,000 people followed by Lake County with 15 slot machines per 1,000 persons and Amador with 12. These same counties top the list in 2005 with Colusa up to 41 slots per 1,000 people, Amador up to 40 machines per 1,000 people, and Glenn and Lake Counties at 27. In comparison, San Diego and Riverside Counties, which have the most slot machines, have only 4.4 and 6 slots per 1,000 people respectively. In 2005, average slot machine density among California counties with gaming was 5.4 slots machines per 1,000 inhabitants. The slot machine density for California as a whole was .61 slot machines per 1,000 inhabitants in 2000 and 1.58 slot machines per 1,000 inhabitants in 2005.

Table 1: County-level Gaming Density in 2000 and 2005

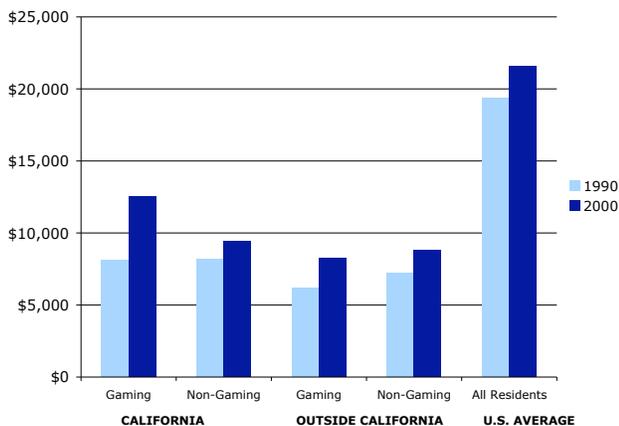
County	Number of Slots (Casinos), 2000	Slots per 1000 persons, 2000	Number of Slots (Casinos), 2005	Slots per 1000 persons, 2005
Amador	435 (1)	12.4	1,500 (1)	39.9
Butte	906 (2)	4.5	1,900 (2)	8.9
Colusa	523 (1)	27.8	846 (1)	40.5
Del Norte	399 (2)	14.5	542 (2)	18.8
Fresno	1,074 (2)	1.3	4,129 (3)	4.7
Glenn	0	-	773 (1)	27.4
Humboldt	281 (2)	2.2	1,467 (4)	11.2
Imperial	0	-	325 (1)	2
Inyo	273 (1)	15.2	332 (1)	17.9
Kings	472 (1)	3.6	1,700 (1)	11.7
Lake	900 (3)	15.4	1,686 (3)	26.7
Lassen	150 (1)	4.4	208 (1)	5.9
Mendocino	959 (4)	11.1	1,332 (4)	14.8
Modoc	54 (1)	5.7	150 (1)	15.5
Placer	0	-	2,700 (1)	8.8
Riverside	6,052 (6)	3.9	11,269 (6)	6
San Bernardino	1,814 (3)	1.1	4,320 (3)	2.2
San Diego	2,708 (3)	1	13,289 (9)	4.4
Santa Barbara	760 (1)	1.9	2,000 (1)	4.8
Shasta	530 (2)	3.2	1,081 (1)	6.1
Sonoma	0	-	1,600 (1)	3.3
Tulare	408 (1)	1.1	1,500 (1)	3.7
Tuolumne	224 (1)	4.1	1,190 (2)	20.3
Yolo	1,762 (1)	10.4	2,402 (1)	12.8
Total	20,684 (39)	0.61	58,721 (55)	1.58

Sources: California State Auditor (2004), Native American Casino (various years), State of California, Department of Finance (2006), and U.S. Census Bureau (2000).

Tribal Gaming in Context

Tribal government gaming in California developed in a different manner when compared to tribal casinos in other parts of the country. For instance, comparisons of U.S. Census data from 1990 and 2000 (Figure 2) reveal that by 2000 there was a larger economic inequality between gaming and non-gaming reservations within California than for reservations outside California. The introduction of limited Indian gaming on California reservations during the 1990s helps explain why some tribal governments in California developed more quickly than others. For example, those tribal governments in areas with higher population density were more likely to pursue gaming before the passage of the tribal-state gaming compact in 1999.

Figure 2: Income Per Capita on Indian Reservations



Source: 1990 and 2000 U.S. Census data.

The finding that Indian gaming in California developed unevenly in the 1990's and resulted in increased economic inequalities between gaming and non-gaming tribes reveals the need for a particular aspect of the 2000 tribal-state gaming compact, the Revenue Sharing Trust Fund (RSTF). The RSTF attempted to address potential inequalities, even before they were statistically substantiated by our analysis. A portion of gaming revenues generated by Indian casinos in California is distributed to non-gaming tribes. Since its inception, tribal governments have put more than \$148 million into the RSTF to be shared with non-gaming tribes. Since our Census analysis ends in 2000, we are unable to document statistically how the RSTF helps reduce the inequality that existed among reservations

in California in 2000. However, survey research among non-gaming tribes in 2005 reveals that payments to the RSTF have been invested in ways that will help address these inequalities and that these funds have allowed non-gaming tribes to add critical governmental services at the same rate as gaming tribes (Johnson, Filla, and McLaughlin 2006).

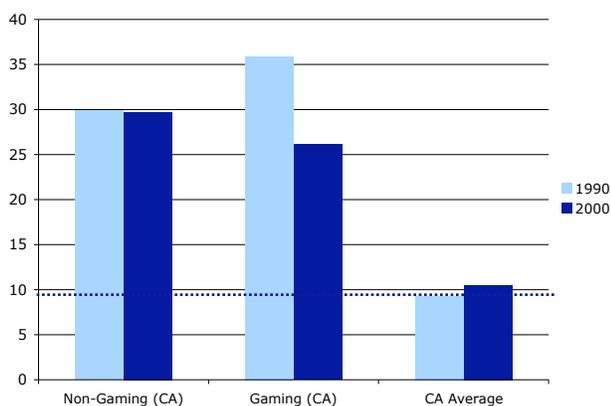
The introduction of tribal government gaming on California reservations during the early 1990s may explain the faster economic growth among California tribal governments with gaming compared to those in other states. In Figure 2, we show the levels of real average income per capita for those reservations that have gaming facilities as of January 2000. In 1990, the average income per capita in California gaming and non-gaming reservations was very similar: \$8,080 for a gaming reservation and \$8,183 in a non-gaming reservation. In the rest of the United States, gaming reservations were poorer than their non-gaming counterparts: \$6,148 on a gaming reservation and \$7,220 on a non-gaming reservation. Also, in general, reservations in California, regardless of their gaming status, had higher per-capita incomes than reservations in the rest of the United States.

By 2000, when limited gaming was taking place in California, we observe that the fastest average income growth took place on gaming reservations versus non-gaming. On California gaming reservations, there was a 55% growth in average income between 1990 and 2000 as opposed to a 15% on non-gaming reservations. For reservations outside California, the growth was 34% on gaming reservations versus 21% in non-gaming. This level of growth is impressive, however the data also reveals that while California's gaming reservations enjoy the largest average income per capita (\$12,526 in 2000), this figure represents only 53% of the national U.S. average.

Poverty: Although there are some differences between tribal governments in California and the tribal governments in other states regarding their economic progress between 1990 and 2000, the common feature is that, judging by national standards, all tribal governments—including those in California—continue to experience significant socioeconomic deficits compared to non-Indians in the United States.

These gaps are perhaps most evident in the case of poverty. We use data from the U.S. Census to compare the percentage of families living in poverty among members of non-gaming and gaming tribes in California, to poverty rates for the rest of California and the U.S. This is shown in Figure 3. Comparing the percentage of families in poverty on Indian lands with those in the rest of California or the U.S. reveals significant gaps in quality of life. At the national and state level, the percentage of families in poverty is between 9 and 10 percent, but for the California tribes with gaming in 2000, it was 26 percent and for those non-gaming tribes, the poverty rate was 30 percent. Tribes with gaming in California experienced a reduction in the percentage of their families living in poverty from 36 percent in 1990 to 26 percent in 2000. Despite this reduction, however, poverty rates were more than twice as high as the national and state averages.

Figure 3: Families in Poverty in 1990 and 2000 (in %)



Source: 1990 and 2000 U.S. Census data.

Note: Dotted line represents 2000 U.S. average of 9.2 percent.

Off-reservation Effects

In addition to exploring the impact of tribal government gaming on tribal lands and populations, we also examined if the establishment of gaming had economic and social effects beyond the reservations during the 1990's. To do this, we used tract-level data from the 1990 and 2000 Censuses to analyze changes that occurred in economic and social indicators, and to explore associations between these changes and the establishment of reservation-based gaming in close proximity of a particular tract.⁵

The most obvious method by which to gauge the economic impact of gaming is to compare the growth of real incomes over the 1990-2000 period in tracts that were exposed to gaming versus those that were not. We characterize a Census tract as being exposed to the effects of gaming if it is 10 miles or less from the nearest gaming reservation. Since there were few gaming reservations in California in 1990, the comparison of areas with and without gaming in 2000 is essentially a comparison of areas that were exposed to gaming over the 1990-2000 period and those that continued to be unexposed to gaming over the same period.

Table 2 indicates that tracts in close proximity to gaming reservations were significantly poorer in 1990 (before the onset of any substantial reservation-based gaming) than those farther than 10 miles from the nearest gaming reservation. For instance, median family income in the former was \$32,515 (in constant 2000 prices), as against \$46,255 in the non-gaming tracts. However, over the following 10 years, median family income grew significantly more in the gaming than in the non-gaming tracts (\$16,063 in tracts with gaming versus \$11,877 in those without gaming).

Within this simple framework, the difference in the 1990-2000 growth of median real family income across gaming and non-gaming tracts represents the net 'spillover' effect of gaming. This figure suggest that the spillover is \$4,186 (\$16,063 – \$11,877) or 22.2% (55.1% – 32.9%). To place this number in perspective, consider the fact that there were 756 tracts in California where tribal government gaming was added between 1990 and 2000, and that an average of 1,086 families lived in each of these tracts in 1990. If the income gain of \$4,186 is extrapolated to all of these 821,016 families, an aggregate figure of \$3.4 billion is obtained as the additional income associated with the establishment of gaming in California.⁶

These impacts result from the fact that most Indian reservations in California, even the more prosperous ones, are located in the poorest counties and tracts in the state. Our analysis indicates that tribal government gaming has had strong economic and social benefits that reach beyond the reservations in California. As we have shown, tracts in close proximity to gaming reservations experienced significantly greater income growth than tracts that were not in close proximity.

Table 2. Median Family Income By Proximity to Gaming Reservation (in real dollars, 2000)

	Within 10 miles of gaming reservation	Not within 10 miles of gaming reservation
1990	\$32,515	\$46,255
2000	\$ 48,578	\$58,132
1990-2000 change (\$)	+ \$16,063	+ \$11,877
1990-2000 change (%)	+ 55%	+ 33%

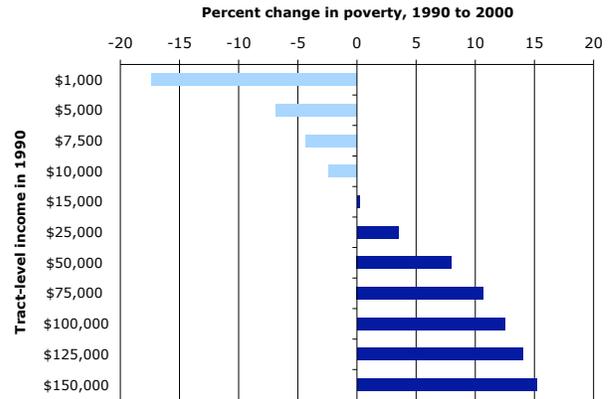
Source: 1990 and 2000 U.S. Census data.

These results are powerful, since they indicate that gaming has had strongly progressive spillover effects, with the poorest (in 1990) communities capturing the largest increases in median family income over the following decade due, at least in part, to the establishment of tribal government gaming. We develop this empirical result further, estimating a regression model of changes in the number of poor persons in a Census tract between 1990 and 2000.⁷ The statistical model, not shown here, incorporated economic information such as median family income in the tract, as well as the introduction of gaming within 10 miles of the tract during the decade.

Raw Census data suggest that there was a sharp increase in the number of persons below the poverty line in both the gaming and the non-gaming tracts during this time period. However, the results of the regression analysis—with model predictions shown in Figure 4—suggest a more complex story. These estimates indicate that the establishment of gaming reduced significantly the number of poor persons between 1990 and 2000, but only in the poorest tracts in the state. For instance, in tracts having a median family income of only \$5,000 (in 2000 dollars) in 1990, gaming was associated with a 7 percent decline in the number of poor persons between 1990 and 2000.

Thus, not only was gaming associated with a large increase in median family income in the poorest tracts of the state, it was also associated with a significant decline in the number of poor persons residing in these poorest tracts. The positive income effects associated with gaming are therefore progressive, meaning that poorer areas and poorer residents have received larger economic benefits (in the form of increased family income) than more prosperous areas and residents.

Figure 4: Estimated Change in Number of Poor Persons in a Census Tract, Based on 1990 Tract-Level Income



Source: California Center for Native Nations (2006).

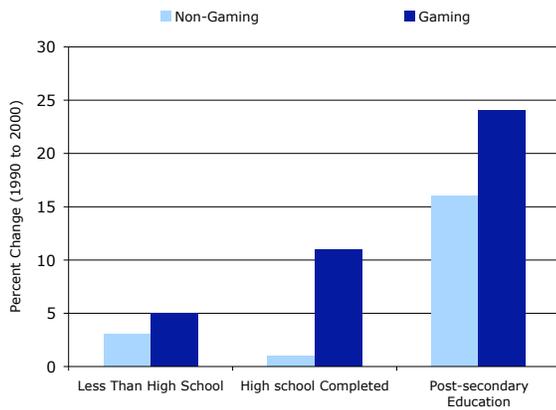
Effects on Educational Expansion

While income and poverty are customary measures to gauge development, they offer only a partial view of progress. In order to complement these measures of prosperity, we examined the relationship between tribal government gaming development and the expansion of educational attainment. Regression analysis allows us to compare increases in educational attainment among Californians living near tribes with gaming facilities and residents of the state living more than 10 miles away from Indian casinos, or what we call “non-gaming tracts.” The population we are studying here is persons aged 25 years and older (1990-2000) in four educational levels.

We find that Indian gaming is associated with a pattern of stronger growth in higher levels of education among Californians (Figure 5, next page). The population of individuals who have completed high school increased significantly faster in gaming than in non-gaming tracts (11 percent change versus only 1 percent). Likewise, the population with post-secondary (typically college) schooling also increased significantly faster in gaming than in non-gaming tracts (24 versus 16 percent) during this time period. While showing growth, the difference between gaming and non-gaming tracts with regard to the growth of the population with less-than-high-school education was much smaller (5 versus 3 percent). Thus, areas in close proximity to gaming reservations saw a much larger increase in the population of

better-educated persons than areas not in close proximity to a gaming reservation.

Figure 5: Increases in Educational Attainment (1990-2000), Based on Proximity to Gaming Reservation



Source: 1990 and 2000 U.S. Census data.

Federal Funding

The presence of tribal governments in California attracts benefits to the state in the form of Indian-related federal grants. For example, Congress has established numerous programs that support housing, community development, social services, education and health care for American Indians in California. These programs fund service for tribal communities and represent avoided costs to state and local government agencies. In addition to the direct benefits of these federal funds, the programs they support also have economic effects such as creating jobs and stimulating other development.

In 2003, the most recent year for which data is available, more than \$86 million dollars in federal funding targeting the American Indian population flowed into California. The amount of funding received varies from year to year as new federal programs appear, old ones disappear, and needs within Indian country change. Between the years 1993 and 2003, the State of California received almost \$900 million dollars in federal grants to serve American Indians (Table 3).

There is evidence that the presence of gaming has increased tribal ability to secure federal grants and bring income to California (California Center for Native Nations

2006). Many of the federal programs targeting American Indian citizens provide grant funding on a competitive basis. Identifying and applying for these competitive grants requires a particular level of tribal governmental capacity since there are numerous application, performance, and outcome requirements associated with federal grant-making. As tribal governments develop the economic and human capital necessary to develop a viable gaming enterprise, these resources can be expanded to strengthen tribal government activities generally, including the identification of and application for appropriate federal grant funds. As tribes continue to develop and professionalize their administrative functions, it is expected that more benefits will flow to the state of California because of their presence and increased participation.

Table 3: Federal Grants to American Indians in California

Year	Federal Grants Received	Grants Excluding Indian Health Services
1993	\$110,842,000	\$40,983,000
1994	\$32,204,000	\$32,204,000
1995	\$41,243,000	\$41,243,000
1996	\$49,199,000	\$48,336,000
1997	\$160,853,000	\$73,070,000
1998	\$129,612,000	\$36,653,000
1999	\$100,246,000	\$61,809,000
2000	\$38,893,000	\$34,738,000
2001	\$56,289,000	\$48,281,000
2002	\$74,283,000	\$56,377,000
2003	\$86,325,000	\$77,791,000
Total	\$879,989,000	\$551,485,000

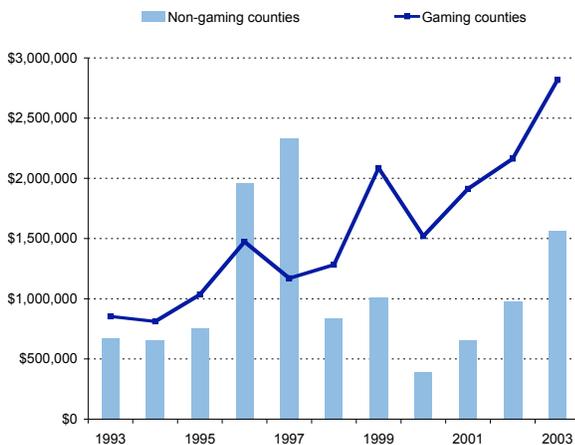
Source: Authors' compilation of Consolidated Federal Funds Report (US Census Bureau 1994-2003).

One of the stated goals of the Indian Gaming Act is to help strengthen tribal government operations. Constructing and operating a casino is a serious undertaking that involves significant administrative capabilities. As a result of their

forays into gaming, some tribes now have a much more sophisticated administrative structure with includes the hiring of professionals such as lawyers and business managers (Cornell and Taylor 2001, Gardner, Kalt, and Spilde 2004). It is reasonable to suspect that this increased administrative capability positioned gaming tribes to apply for and be granted federal monies.

Evidence of these greater administrative capabilities can be found by analyzing the fiscal funds data (U.S. Census Bureau 1994-2003). The hypothesis is that tribes that operate casinos have a government structure that better enables them to be aware of, apply for, and be granted, federal grants. Thus counties that have tribes that operate casinos should be in a better position to receive federal funds than counties without an Indian casino. Figure 6 provides some evidence of such a relationship. The solid bars represent the average amount of Indian grants received by the eight counties with tribal governments that were non-gaming over the period under study.

Figure 6: Average Federal Grants By Gaming Status



Source: Authors' compilation of Consolidated Federal Funds Report (US Census Bureau 1994-2003).

As with total Indian grants received, there is no discernible temporal pattern in receipt of grants in non-gaming counties. The solid line represents the average amount of Indian grants received by the 12 counties for which at least one casino was in operation in 1993. These counties have greater administrative capabilities and thus

be better positioned to receive federal grants. As is made clear by the figure, while the gaming and non-gaming counties had similar sized grants in 1993 over time the gaming counties have increased their receipt of federal Indian funding.

Conclusions

This study has shown that tribal gaming in California has improved social and economic outcomes on tribal lands and in surrounding areas. Benefits include significant increases in incomes and educational attainment, and reductions in poverty, especially in the poorest regions of the state. In addition to the effects noted in this report, the establishment of tribal gaming has also increased employment and reduced dependence on public assistance in tribal lands and nearby areas (California Center for Native Nations 2006).

The effects of tribal government gaming in California are directly related to two identifiable features of the enterprises themselves: A) the fact that they are owned by tribal governments; B) the fact that they must be located on existing tribal trust lands. On the one hand, because this form of gaming is owned and managed by tribal governments operating under the strictures of IGRA, gaming revenues in California support community and government activities within the region where the facility is located. On the other, because this form of gaming presupposes a location on existing tribal trust lands and these lands for historical and political reasons were located in poorer regions of the state, the economic activity that results tends to concentrate employment and other benefits in counties that need economic development the most. Both of these features—tribal government ownership and location on existing tribal trust lands—also contribute to the fact that tribal government gaming benefits in California generally accrue to local communities both on and near tribal trust lands. As a result, tribal governments with gaming are concentrating employment opportunity in areas that are economically worse off than areas without gaming reservations.

While the benefits of tribal government gaming in California have been substantial for tribal members and their neighbors, it will take more time for the economic and social benefits of tribal government gaming to be fully real-

ized. As this Census analysis shows, large gaps remain between the conditions on Indian reservations in California and those enjoyed by other Americans. The decade from 2000-2010 is a critical developmental period for tribal government gaming in California and the 2010 Census will yield important data about the effectiveness of the primary tribal-state gaming compact in effect, the 1999 Compact between tribes and Governor Davis, and its two major provisions, the Revenue Sharing Trust Fund and the Special Distribution Fund.

Notes

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² The two tribes were Big Pine Band of Owens Valley Paiute Shoshone Indians and Resighini Rancheria.

³ Agua Caliente operates two casinos on their land. In addition there are two tribes (Fort Mojave and the Colorado River Tribe) that have a population base in California that offer gaming in Arizona.

⁴ Assuming the Shingle Springs Casino, which is currently finishing construction, successfully opens in El Dorado County.

⁵ We focus on Census tracts for two reasons. First, the tract is a much larger geographical area than a reservation. While a typical reservation in California has a population of a few hundred persons, the median population of a tract in the state is 4,500 persons. At the same time, a tract is significantly smaller than a county, which is too large an area over which to reasonably gauge the spillover effects of gaming. Second, detailed data from the Census is compiled at the tract level, making tract-level analysis relatively straightforward.

⁶ Of course, this number should be treated as indicative of possible broad trends – not a definitive and precise calculation of the economic impact of gaming.

⁷ Documenting the number of poor persons is not the same as calculating the poverty rate.

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Others, based on our ongoing
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**Lands of Opportunity: Social and Economic Effects
of Tribal Gaming on Localities**

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