



The Economic Contributions of Minnesota Tribal Governments in 2007

A Study Commissioned by the Minnesota Indian Gaming Association



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EXECUTIVE SUMMARY

Minnesota's eleven Native American tribes own and operate 18 casino-resorts scattered throughout the state. These facilities have brought economic growth to rural Minnesota and much needed funding to tribal government programs serving a disadvantaged segment of the state's population. Tribal casino-resorts attracted 24.6 million visitors, including 7 out of 10 visitors from outside the casinos' local area economies in 2007. The positive economic impacts from this trade were widespread across rural Minnesota and benefited nearly every industry in the state. This analysis provides a snapshot of the economic contributions Minnesota Indian tribes made to the state and rural economies in 2007, first in direct spending on employees and suppliers, then through the indirect and induced effect of re-spending by businesses and workers.

Tribal gaming and tribal governments employed 20,550 workers statewide in 2007 and maintained a \$576 million payroll. The tribes also purchased \$539 million in goods and services and invested \$329 million in capital projects. This \$1.44 billion in direct tribal spending stimulated another \$1.31 billion in economic activity statewide, supporting an additional 21,150 jobs and \$774 million in household income. Overall, tribal spending in 2007 was responsible for \$2.75 billion in economic activity statewide, supporting 41,700 jobs and \$1.35 billion in household income. This represents 1.1% of the state's total economic output, 1.5% of total employment, and 1.1% of all wages paid statewide.

In rural Minnesota, tribal gaming and tribal governments employed 16,075 workers and had a \$420 million payroll in 2007. Within the rural economy, tribes spent an additional \$268 million on goods and services and \$138 million on capital projects. The direct stimulus from tribal spending totaled \$826 million, which generated another \$702 million in economic activity from businesses purchasing intermediate products and workers re-spending their wages. The collective impact in rural Minnesota was \$1.53 billion in economic output, 30,525 jobs and \$882 million in family income. Overall, rural Minnesota captured 56% of the total economic output, 73% of total employment, and 65% of the household income generated by tribal spending activities.



INTRODUCTION

For two decades tribal gaming has been an engine of economic growth for rural Minnesota, bringing jobs and family income to areas of the state over-reliant on cyclical and declining industries. Tribal gaming has also been an economic lifeline for Native American communities mired in chronic generational poverty. Yet despite these many benefits very little attention has been paid to the contributions that Native American tribes make to the Minnesota economy. This report provides a snapshot of those contributions in 2007, and demonstrates that economic benefits extend well beyond the casinos and reservations of rural Minnesota.

Congress passed the Indian Gaming Regulatory Act in 1988 with the stated goal of promoting tribal economic development, self-sufficiency, and strong tribal governments. The Act explicitly mandates how net gaming revenues can be used and sets tribal government funding as the first priority. Beyond the general welfare of the tribe and its continued economic development, the Act also allows net revenues to be used for charitable purposes and to help pay for local government services. The Act has proven to be an economic success for Native and non-Native communities alike, creating job opportunities at casinos, on reservations, and among businesses throughout the broader economy.

This analysis examines the economic contributions to the Minnesota economy from tribal gaming and tribal government spending. It calculates the direct economic benefits of workforce spending, the secondary effects from spending on goods and services, plus the impacts of re-spending by workers, all of which support jobs and economic growth statewide. In addition to the central role tribal gaming plays in the Minnesota leisure and hospitality industry, the rural economy also gets a significant boost from the recycling of tribal gaming profits back into tribal government programs. Throughout the state, tribal gaming and tribal government spending supports thousands of jobs, creates millions of dollars in family income, and generates billions of dollars in economic activity.



The economic impacts of tribal gaming and tribal governments are detailed in three sections. The first section summarizes tribal gaming enterprises and their relevance to the Minnesota tourism industry. It also highlights the community involvement of Minnesota tribes through charitable giving, civic leadership and intergovernmental relations.

The second section outlines the direct economic stimulus that tribal gaming and tribal governments provide from spending on labor, goods and services. Both gaming and government operations generate significant employment opportunities in rural Minnesota and over the last 20 years have helped reduce the unemployment rate for Native Americans living on reservations. Section two also summarizes tribal spending on capital investments needed for long term growth and everyday purchases required to run gaming and government operations.

Understanding these purchasing patterns is central to calculating the indirect and induced economic effects outlined in section 3. These secondary effects are calculated using input-output modeling, which traces the impacts of tribal spending back through the economic supply chain and into sectors and industries far removed from the initial stimulus.

The purpose of this report is to illustrate the widespread economic contributions that tribal gaming and tribal governments make to the Minnesota economy. Tribes providing data for this analysis did so with the understanding that the data would be treated as confidential business information and that no individual tribal response would be identified.

Eight of the eleven tribes participated in a wide-ranging survey of their business and government spending activities. Two tribes with the largest gaming enterprises also provided extensive details on goods and service spending, including what was purchased, what it cost, and where the vendor was located. Based on a statistical analysis of the survey data, along with public sources of information, estimates were made for the three non-participating tribes. While this lack of complete information does introduce a margin



of error, given the broad scope of the analysis it is not likely to bias the results in a meaningful way.

The study findings are reported for the state as a whole and separately for rural Minnesota, which excludes the 7-county Twin Cities metropolitan area. Survey participants also were asked to identify spending levels within their local area economies, most simply described as the casino home county and the contiguous or adjacent counties where the vast majority of tribal employees live and where many tribal vendors are located. These local economies were used to help estimate the secondary impacts described in section 3.¹ Since this study focuses on the contributions to the Minnesota economy, tribal spending on goods and services purchased outside the state are not reported. The timeframe for this analysis is calendar year 2007.

¹ The only Minnesota Indian reservation located within the 7-county metropolitan area is the Shakopee Mdewakanton Sioux Community (SMSC), which owns and operates Mystic Lake Casino Resort and nearby Little Six Casino. It would be wrong, however, for the reader to subtract the rural Minnesota findings from the statewide totals and interpret the difference as the SMSC impact. While their impact is significant, many factors can influence the non-rural findings, including the many economic ties between the metro economy and non-metro tribal economies.



SECTION 1: MINNESOTA TRIBAL GAMING AND TRIBAL GOVERNMENTS

Tourism and Tribal Gaming

Tourism is an important segment of the Minnesota economy and tribal casino-resorts contribute significantly to the state's leisure and hospitality industry. An *Explore Minnesota* study estimated that Minnesota tourism in 2007 generated \$11 billion in sales, supporting 248,000 jobs and \$3.9 billion in wages.¹ The study also found that less than half (44%) of all tourists in the state are themselves Minnesota residents, with the most likely non-resident visitor coming from a neighboring state. Minnesota residents travelling the state as "tourists" are most likely from the Twin Cities metropolitan area and their most common destination is northern Minnesota. The average Minnesota tourist was 45 years old with a median annual household income of \$68,000. The median age for all Minnesotans is 38 years and the median household income is \$57,800.²

Another 2007 *Explore Minnesota* survey reports 12% of all Minnesota tourists included casino gaming as part of their travel activities.³ This is a higher level of visitor participation than hiking (11%), fishing (10%), biking (6%), golfing (5%), hunting (1%) or snowmobiling (1%). On a regional basis, casino gaming was of particular interest to visitors to the North-central and West regions (23%), as well as the Northeast region (17%), as compared with visitors to the Metro (7%) or Southern (8%) regions. Many visitor activities are seasonal in nature, for instance, fishing or golf in the spring and summer, or hunting in the fall and snowmobiling in the winter. Casino gaming, however, shows far less seasonality in the visitor surveys, which may help sustain employment in rural areas, especially northern Minnesota, which are more dependent on these outdoor activities for tourism business.

According to a 2004 Michigan State University survey of Upper Midwest tourists, 12.5% visited a casino on their most recent vacation.⁴ Compared to non-casino visitors, they were slightly older (average age 44), more interested in shopping and dining, more likely to stay at a hotel, and on average vacationed one day longer. A 2007 American Gaming



Association survey of commercial casino visitors nationwide found the typical patron was also slightly older (47 years) than the average American, had a significantly higher household income (16% above the U.S. average), was more likely to have some college education and more likely to have a white collar job.⁵

Minnesota Native American tribes own and operate 17 casinos statewide. The majority of these facilities are located in sparsely populated areas of the state, particularly across northern Minnesota. Tribal casinos have 1.8 million square feet of gaming, including 21,000 slot machines, 330 gaming tables, and Bingo seating for 4,000 players. In addition, most casinos also offer a variety of resort amenities. Collectively there are 3,400 hotel rooms available at tribal casino-resorts. Golf courses and RV parks are common, as are concert venues, fine dining restaurants and conference facilities. Other amenities range from boat marinas and water parks to cultural heritage centers. Many tribes also operate other business enterprises, such as gas stations and convenience stores, all of which are included in the following estimates of tribal gaming workforce and spending activities.

Minnesota is the twelfth largest state geographically and tribal casinos are widely dispersed across the state. To illustrate, the drive between *Grand Portage Lodge and Casino* in the northeast corner of the state and *Prairie's Edge Casino Resort* in the southwest corner is over 400 miles. The drive between *Seven Clans Casino Thief River Falls* in the northwest corner and *Treasure Island Resort and Casino* in the southeast corner is also 400 miles. Most Minnesotans -- 3.2 million of a total 5.0 million state residents -- lives in the Twin Cities metropolitan area. Consequently, visiting the state's tribal casinos can involve significant travel times for a majority of the population. There are two casinos within a 50 mile drive of downtown Minneapolis. Six casinos are between 50 and 150 mile drive from the downtown, and nine casinos are more than 150 miles from the center of the Twin Cities metropolitan area.

Minnesota tribal casinos attracted 24.6 million visitors in 2007. By comparison, Minnesota State parks drew 8.4 million visitors,⁶ while the Mall of America reported 40



million visitors.⁷ Seven million tribal casino visits (29%) were by patrons that live within the local area; again the local area is best described as the casino's home county and the adjacent counties (see appendix A1). Another 13.6 million visitors (55%) were Minnesotans living outside the local area. Finally, 4 million casino visitors (16%) were from outside the state. Most tribal casinos have hotel accommodations and six percent of the non-local Minnesotans that visited a casino in 2007 also stayed overnight at the hotel. For the out-of-state visitors, nine percent included an overnight stay at a casino hotel. The trend for both groups was to stay longer (typically 2 nights) at rural casinos versus the average one night stay for casinos closer to the Twin Cities.

Minnesota Tribes and Community Involvement

The eleven Minnesota Native American tribes had just over 52,000 enrolled members in 2005.⁸ The Native American population is younger than the overall Minnesota population. Minnesotans under the age of 18 represent 24% of the state's population compared with 37% for the Native American cohort.⁹ At the other end of the distribution, 12% of all Minnesotans are over the age of 65 versus just 4% of all Native Americans. About three-quarters of all Native Americans in Minnesota live on or near an Indian reservation. Among this population, 8% are over the age of 65 and 32% are under the age of 16.

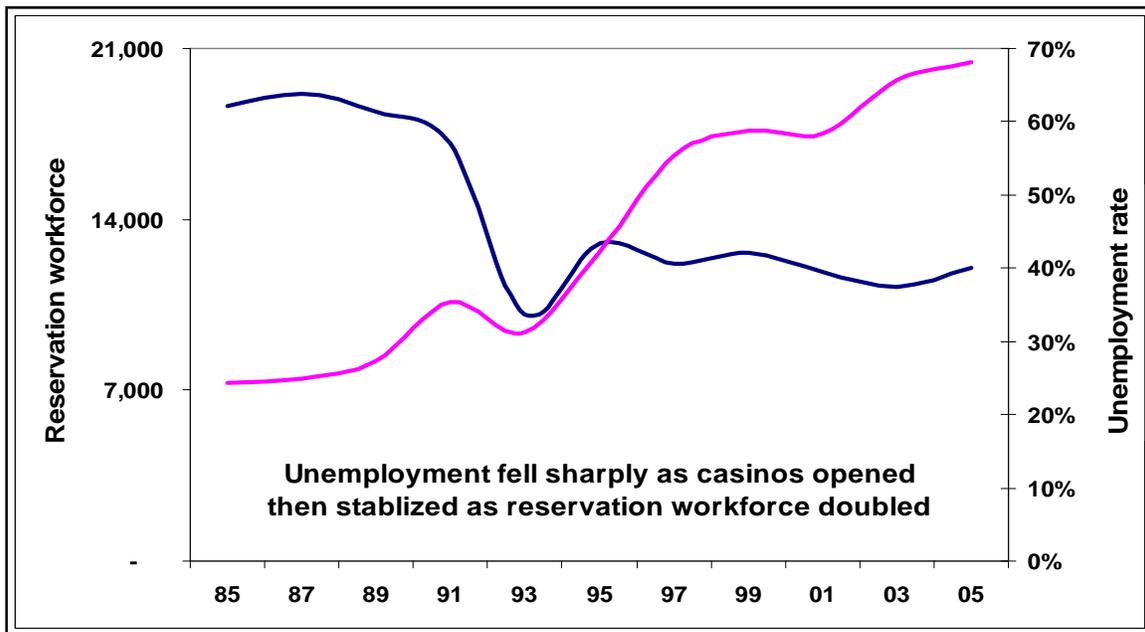
The upcoming 2010 U.S. Census will provide a new opportunity to see how tribal gaming has helped improve the socioeconomic status of Native Americans in Minnesota. A 2005 Harvard University study of Native American communities nationwide showed that between 1990 and 2000 life improved more for tribes with gaming than those without, but these improvements did not raise their standard of living to the same level as the general U.S. population.¹⁰ Despite the financial advantage of gaming, tribes with casinos still had household incomes significantly below the U.S. average, unemployment rates higher than average, and housing conditions worse than the average American. In the decade of the 1990's, however, there were significant advances in the educational



attainment among gaming tribes which put their members on par with the primary and secondary educational achievements of the general U.S. population.

Data from the 2000 U.S. Census shows similar socioeconomic disparities between Native Americans living on Minnesota reservations and the state’s general population.¹¹ The vast majority of these Native Americans had lower per capita incomes than the average Minnesotan. They were far more likely to be living on a poverty level income and more likely to be receiving some form of public assistance. The educational attainment of most reservation Indians was also well below the primary, secondary, and post-secondary educational achievements of the general Minnesota population. This factor can change dramatically over ten years, however, since second graders in 2000 graduate high school in 2010.

Figure 1: Tribal gaming has brought jobs to Minnesota reservations



Source: U.S. Bureau of Indian Affairs

Tribal gaming has help change the persistent unemployment experienced on Minnesota Indian reservations (figure 1). Data from the Bureau of Indian Affairs shows that between 1985 and 2005 the Minnesota reservation workforce population rose three-fold, from



7,000 to 21,000 available workers, while the unemployment rate fell by half.¹² The averages vary widely among the tribes, but despite the general improvement in employment opportunities over time, the unemployment rate among reservation labor force adults is still nearly 40%.

Community Involvement: Charitable giving and civic leadership are core values among Minnesota Indian people. Tribal charitable giving totaled more than \$24 million in 2007, with every tribe in the state making some charitable gift in their community. These gifts supported civic and non-profit organizations from education, social services and public health, to arts and the environment. A substantial portion was also in the form of inter-tribal transfers, both within the state and around the region. In addition, tribal governments and tribal gaming divisions sponsored numerous local community organizations.

Community involvement in local business and other civic organizations is also widespread among Minnesota tribes. Tribal governments or their gaming divisions belong to a variety of community and professional associations, including convention and visitor bureaus, lake associations and tourism boards. Some tribes are members of the local Chambers of Commerce, Rotary Club, or Historical Society. Some belong to national organizations such as the American Cancer Society, Easter Seals, National Arthritis Foundation, even the Civil Air Patrol. Tribal gaming and tribal government employees along with tribal members are also involved in their communities and participate in a wide range of public service efforts, such as health screening fairs and fund raising walk-a-thons. Many individuals also help support community efforts like the Adopt-a-Highway program, Red Cross blood drives, and United Way campaigns.

Intergovernmental Relations: Native American tribes have governance powers similar to states, and like popularly elected governments everywhere, their goal is to provide for the well-being of their citizens by delivering quality public services. To a large extent these services are paid for by net gaming revenues, but many tribes also receive financial support from the state and federal government, as well as grants from non-profit



organizations. These latter funding sources are particularly important to tribal health, education and social service programs.

Taxation is a complex and often misunderstood aspect of intergovernmental relations in Indian country. Tribal governments are not subject to federal or state income taxes, although tribal members often are. Regardless of where they work or live, tribal members must pay federal income taxes, both on earned income like wages, and passive income such as per capita distribution payments. Enrolled tribal members that both live and work on tribal lands are exempt from state income taxes. However, if they live on a reservation and work off-reservation, or work on a reservation and live off-reservation, then they are subject to state income taxes. All non-natives, regardless of whether they work or live on a reservation are subject to state and federal income taxes. In 2005, tribal casino workers paid more than \$90 million in state and federal employment taxes.¹³

Tribal governments are also immune from the state sales tax on government purchases, as are enrolled tribal members making purchases on tribal lands. However, non-Indians and Indians who are not enrolled members are subject to sales and excise taxes for purchases made on tribal lands. Since sorting out each individual purchase is problematic, the state and tribes have agreed to share the tax receipts from sales made on tribal lands, including general sales taxes and excise taxes on cigarettes, alcohol, and motor fuels. Under these tax agreements tribal governments paid the state \$15.4 million in 2005.¹⁴

One of the more contentious tax issues centers on local property taxes. Tribal lands held in trust by the federal government are immune from property taxes, but fee lands owned by tribes, tribal members, or others are subject to ad valorem property taxes. Many tribes also have cooperative service agreements with neighboring local governments and pay for services or share the responsibility for services, such as emergency first responders. Among the typical services covered under cooperative agreements or in-lieu payments are fire protection, law enforcement, ambulance services, county social services, water and sewer systems, and roads. In 2005, Minnesota tribes paid \$8.5 million to local governments in property taxes and in-lieu payments.¹⁵



SECTION 2: DIRECT ECONOMIC STIMULUS

Workforce Contributions

Tribal Gaming: Minnesota tribal gaming directly supported 14,450 jobs in 2007, which represents 6% of the Minnesota leisure and hospitality industry (248,000 job) workforce. Tribal gaming had a total payroll of \$411 million in 2007, equivalent to 11% of the entire leisure and hospitality industry's \$3.9 billion payroll. In other words, the 6% of leisure and hospitality workers employed at tribal casino-resorts account for 11% of the industry payroll. Nearly all tribal casino-resort employees (96%) lived within the casino's local area economy and 27% of the tribal gaming workforce (3,900 employees) was Native American. The 2007 tribal gaming workforce in rural Minnesota accounted for 10,675 jobs and a \$273 million payroll.

Eighty percent or 11,600 tribal gaming jobs were full time positions. Full time workers enjoy a wide range of employer sponsored benefit programs, which typically take effect after 90 days of employment and a minimum 32 hour workweek. A study of the tribal gaming workforce in 2005 showed that casino-resort jobs are better jobs than the typical Minnesota leisure and hospitality industry job, and in many respects better jobs than the average Minnesota private sector employer.¹⁶

Perhaps no employee benefit is more important to both the individual and their community than employer-supported healthcare. Tribal gaming employees in 2005 were more likely to be offered healthcare benefits, more likely to be enrolled in a plan, and more likely to have affordable medical and dental insurance coverage than the typical Minnesota leisure and hospitality worker. Tribal casino workers were also more likely to have access to flexible medical spending accounts than the average Minnesota private sector employee. In 2007, medical and dental insurance coverage for tribal gaming employees cost \$67 million, including \$54 million of spending in rural Minnesota.



The 2005 tribal casino workforce study documented a number of other benefit advantages of tribal gaming employment. Tribal casino workers had better access than the average Minnesota private sector employee to company sponsored retirement savings plans and they put aside nearly \$15 million in retirement savings in 2005 alone. They were also more likely to receive paid time off for holidays, vacations, and sick leave, a benefit worth \$24 million. Tribal casino workers were also more likely to have life and disability insurance, and better access to educational assistance and flexible child care spending accounts than the typical Minnesota private sector employee.

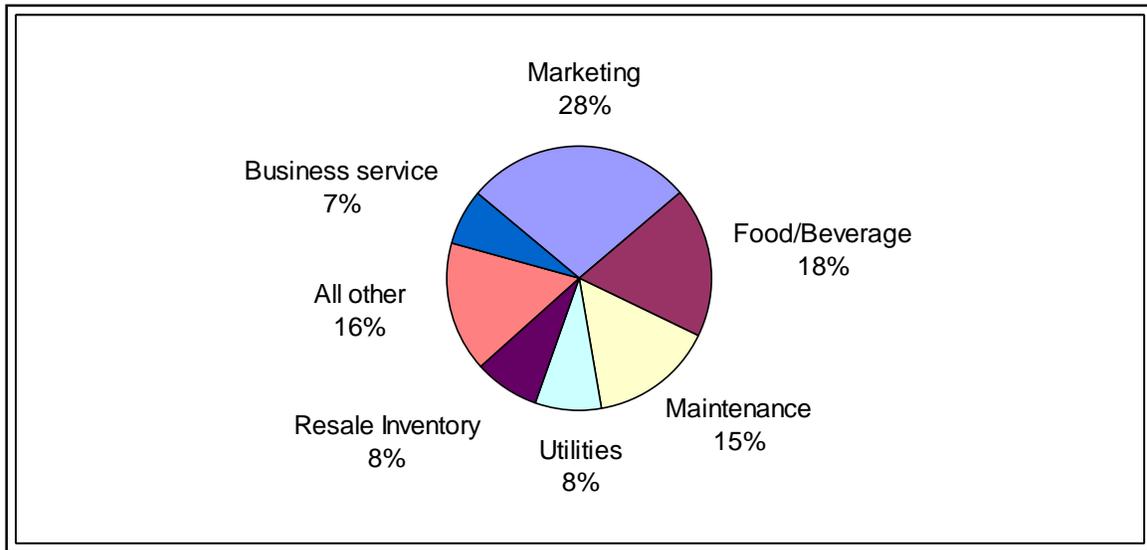
Tribal Governments: Minnesota tribal governments supported 6,100 jobs with a \$165 million payroll in 2007. Two-thirds of tribal government workers or 4,000 jobs were full time positions. The rural Minnesota tribal government workforce accounted for 5,400 jobs and a \$147 million payroll. Among tribal government workers, 48% live on a reservation and 97% live within the local area economy. Tribal government workers enjoy the same employee benefits as tribal gaming workers. This means they too have many employer sponsored benefits that exceed those of the average private sector employee. Tribal government employee medical and dental insurance coverage cost \$23 million in 2007. Tribal government employee healthcare spending in rural Minnesota totaled \$20 million.

Spending on Goods and Services

Tribal gaming purchases: Casino-resort vendor spending totaled \$298 million statewide in 2007. Tribal casinos collectively had more than 10,000 vendor relationships, involving a wide range of good and services from food products and utilities to advertising and other business services. Vendor spending in the rural Minnesota economy totaled \$143 million. A second set of purchases were for construction, furnishings, equipment and other capital goods. Capital investments on tribal gaming enterprises totaled \$257 million (based on three year average annual spending between 2005 and 2007). Capital spending in the rural Minnesota economy totaled \$109 million.



Figure 2: Tribal gaming operating budget categories

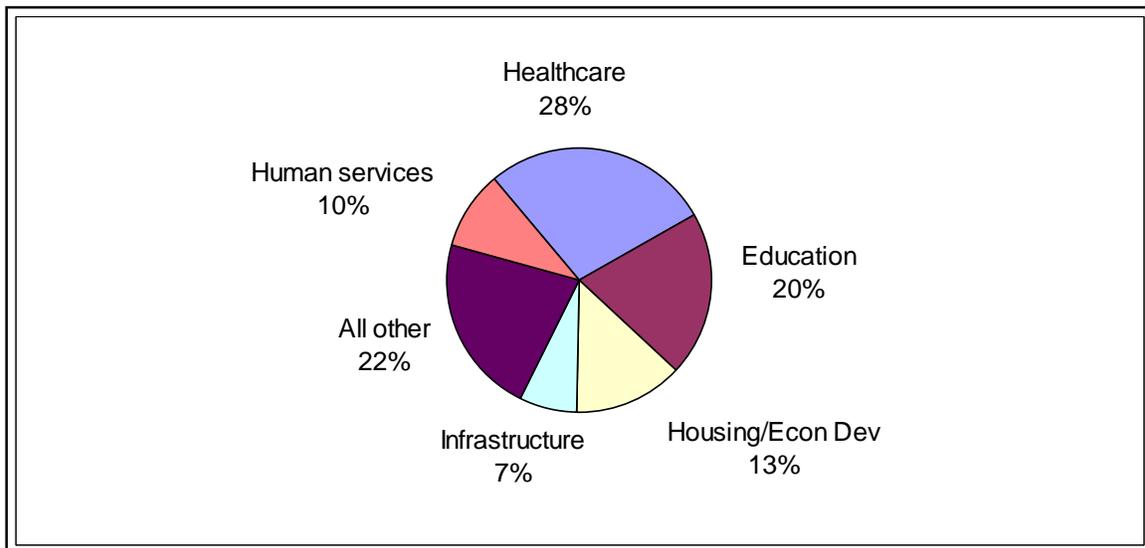


Although no two gaming enterprises are alike, the operating budget for a typical casino-resort can be divided into seven categories of goods and services (figure 2). Marketing is the largest expense (28%), principally media advertising and other promotional activities. Food and beverage purchases for restaurants and other beverage service are the second largest expense (18%). The third biggest cost factor for the average casino-resort is facility maintenance spending (15%), including building repairs and grounds keeping. Electricity, water, and heating fuels accounted for 8% of operating costs. Resale items, such as motor fuels, tobacco products and retail merchandise are another 8% of total vendor purchases. Seven percent of expenditures are related to business services, such as accounting, financial, and legal services. A collection of other expenses, including everything from general administration to entertainer costs make up the remaining 16%.

Tribal government purchases: Tribal governments also made significant vendor spending and capital investment contributions to the Minnesota economy in 2007. Vendor spending on goods and services totaled \$241 million statewide, including \$125 million within the rural Minnesota economy. Although no two tribal governments are alike, the operating budget for a typical tribal government can be segmented into six spending categories (figure 3). The largest expense (28%) is health care services for tribal members, including medical, dental, and vision care.



Figure 3: Tribal government operating budget categories



The second biggest government operating expense is education (20%), ranging from daycare and early childhood development programs to elementary, secondary, and post-secondary education spending, plus after school programs and adult job training. Housing and economic development represents 13% of the typical tribal government budget, for programs such as housing assistance and small business loans. Human service expenditures, from family preservation, food assistance, and substance abuse programs to cultural and language programs, account for 10%. Another 7% goes to infrastructure operating costs, such as water, sewers, roads and other utility expenses. The remaining 22% covers a variety of services, such as public safety, natural resource management and general government administration.

Construction and other capital investments by tribal governments totaled \$72 million statewide in 2007 (based on a three year spending average). Capital spending in rural Minnesota totaled \$29 million. Tribal governments have invested in a variety of capital projects, from building and improving roads, water, and waste treatment systems, to tribal facilities, like administrative office buildings, telecommunications centers, justice centers for courts and law enforcement, recreation and fitness centers, retirement centers for tribal elders, museums and libraries.



Healthcare: Healthcare spending is particularly important to rural areas of the state. Medical and dental care is not only essential to the individuals that are covered by employer sponsored plans, but a strong insured patient base helps create a viable healthcare system for those who lack such coverage. A strong healthcare network also increases the availability of emergency medical services, benefiting both local residents and the transient visitor. Minnesota tribes contribute to the viability of the rural health network by their significant direct spending on healthcare coverage for employees and tribal members. Medical and dental insurance coverage for tribal gaming employees and their families cost \$67 million statewide in 2007. Coverage for rural Minnesota employees alone totaled \$54 million. Healthcare benefits for tribal government workers cost \$23 million statewide, including \$20 million in rural Minnesota. Tribal governments spent an additional \$57 million on medical and dental services for tribal members not covered by a family member working for the gaming division or the tribal government, and virtually all of this healthcare spending was in rural Minnesota. Collectively, healthcare spending by Minnesota tribes totaled \$147 million in 2007. The rural Minnesota share was \$130 million.

Sum of Minnesota Tribal Spending

The total spending stimulus generated by tribal gaming and tribal government activities was \$1.44 billion in 2007 (table 1). Rural Minnesota captured 57% of this economic activity or \$826 million in spending. The largest share of statewide spending was \$576 million for tribal gaming and tribal government payrolls. The combined tribal workforce of 20,550 jobs included 15,600 full time positions. In rural Minnesota the tribal payroll totaled \$420 million, supporting 16,075 gaming and government jobs.



Table 1: Direct stimulus from tribal gaming and tribal governments

	Minnesota	Rural Minnesota
Total Stimulus	\$1.44 Billion	\$826 Million
Workforce payroll	\$576 million	\$420 million
Vendor Spending	\$539 million	\$268 million
Capital Spending	\$329 million	\$138 million

Vendor spending on tribal operations were \$539 million statewide, including \$268 million in rural Minnesota. Spending on construction and other capital investments totaled \$329 million statewide and \$138 million in rural Minnesota. This first round of spending on employee payrolls, vendor goods and services, and capital investments generated additional rounds of economic active impacting nearly every sector of the state economy in 2007.



SECTION 3: TOTAL ECONOMIC CONTRIBUTIONS

The economic contributions from tribal gaming and tribal government spending go beyond the initial stimulus that occurs at the casino or on the reservation. The impacts from employee payrolls, plus vendor and capital purchases ripple throughout the state and local economies.

The most common approach for measuring the secondary impacts from a spending stimulus, known as indirect and induced effects, is by developing an input-out model using the computer software program IMPLAN.¹⁷ IMPLAN estimates how spending in one sector of the economy translates into economic activity in all other sectors by combining public and proprietary data into a set of mathematical and accounting formulas. The software allows the user to examine the economic impacts among 529 individual sectors at a geographic level as small as the county-area, or to consider the total stimulus effects across all industries for a state or region.

This analysis focuses on the statewide economy and the rural Minnesota economy, and summarizes the economic impacts across all industries. These findings include the total value of economic output resulting from the initial tribal spending stimulus, the total number of jobs supported by this activity, and the amount of household income this activity generated in 2007.

Measuring Indirect and Induced Economic Effects

The total economic impact from tribal spending can be viewed in three stages. The first stage involves tribal gaming and tribal government payrolls, which compensate employees for the work they perform serving casino-resort patrons or providing tribal member services. These employees supply the labor inputs that satisfy a “final demand”. They make the beds, deal the cards, teach the children, care for the elders, and manage the goods and services that help support all employees perform their daily tasks.



A second stage of economic activity, referred to as indirect effects, do not occur at the point of final demand, but are manufactured or produced elsewhere. These activities involve the goods and services purchased by the tribes to support their on going operations (vendor spending) and long term growth (capital investments), along with all the intermediate transactions among other businesses needed to satisfy final demand. Here the chain of economic activity is much longer than seen with the direct employment spending of the first stage. A simple example would be supplying dinner rolls to the casino restaurant from a local bakery. This might involve the baker, the vendors that supply her with flour, butter, etc., the truck driver that delivers the rolls to the casino, even the mechanic that maintains the delivery truck would be included in this string of indirect economic activity. Indirect effects move up and down the production chain and radiate out into many businesses across the economy.

The third stage of economic impacts is the induced effects. These impacts reflect the economic activity that results from household spending by employees of the tribes and their suppliers. The income earned by workers turns into household spending, which creates its own cycle of additional economic activity. For example, the waitress from the casino restaurant gets her hair cut, the stylist takes that money and goes to see a movie, the theater owner uses ticket sales to hire a plumber, who then buys parts at the local hardware store. This virtuous cycle, which began with a casino employee's wages, might end when the hardware store buys parts from outside the local economy, a process known as leakage.

Leakage occurs when the initial dollar of stimulus finally leaves the model economy after cycling through numerous financial transactions. If the economy under study is large, such as the state of Minnesota, this initial dollar of stimulus can cycle for quite some time, creating more spending and re-spending, a phenomena referred to as the multiplier effect. When the study area is small, such as a single rural county with a modest economic base or few opportunities for local re-spending, the multiplier effects will be much smaller. In either case, the initial stimulus dollar will eventually leak out of the study economy, creating jobs, income, and economic output in another "foreign"



economy. For example, leakage from the rural Minnesota economy may show up in the Twin Cities, as rural businesses and consumers import goods or services not available elsewhere in the state.

Economic impact studies can be used to address two separate policy questions. This study reports the gross economic impacts, which show how tribal gaming and tribal government spending support trade and industry in the broader Minnesota economy. What is the economic reach of tribal spending beyond the casinos and reservations?

A separate analysis of net economic impacts would address the economic losses that would result from a sudden absence of tribal spending. What if the casinos all shut down? Gross economic impacts are the easier and more accurate estimates to make given the detailed spending data supplied by the tribes. Net economic impact estimates require a set of additional assumptions about economic activity in the absence of current tribal spending. For instance, how many laid-off workers would find comparable jobs without leaving the local economy? To what extent would local suppliers be able to compensate for the lost tribal business? Would fewer tourists visit the local economy in the absence of casino-resorts? Would former casino patrons spend their entertainment dollars at alternative local venues or would they seek out gaming opportunities across the state border? How these and other assumptions are answered will drive the range of results from a net economic assessment.

While net economic impacts are some fraction of the gross contributions, in rural communities with fewer economic opportunities the losses could be quite large. Since tribal governments derive most of their operating budgets from gaming revenues there would also likely be significant negative impacts on tribal government budgets, and potentially a reversal in the need for state and federal social service spending to help support the effected tribal households.

The gross economic impacts reported below demonstrate how important tribal gaming and tribal government spending are to the state and rural economies. They capture the



wide array of economic linkages that exist between tribal spending and industries throughout the state. However, they also understate the total contributions, since several additional stimulus factors are deliberate absence from the analysis.

For instance, some tribes make per capita revenue distribution payments to enrolled tribal members from net gaming revenues, and while these may add substantially to household spending in some communities, per capita payments are not included in this impact analysis. Charitable giving and other community efforts (described in section 2) would also add economic value, but these benefits are omitted from the analysis as well. Finally, spending at local businesses by tourist drawn to the area by the casino-resort would also likely add to the overall economic activity, but lacking adequate consumer survey data on tourist spending in tribal casino areas, these potential benefits too were omitted from the analysis.

As a result, the gross economic contributions in this report should be viewed as a lower bound estimate of the total economic benefits derived from tribal gaming and tribal government activities in Minnesota.

Economic Output

Total economic output measures the value of all goods and services produced in response to tribal spending and reflects the overall impact tribal gaming and tribal governments had on the Minnesota economy in 2007 (table 2). These impacts include the initial tribal spending of \$1.44 billion on employee payrolls, vendor purchases and capital investments. The secondary impacts from the suppliers purchasing intermediate goods and services to satisfy the tribal purchase demand created another \$715 million in economic output, while the effects from workers re-spending their wages generated an additional \$590 million in activity. Together, business re-spending and worker re-spending totaled \$1.31 billion. Combined with the initial \$1.44 billion in tribal stimulus, the total impact of the tribes in 2007 was \$2.75 billion in commerce statewide. This represents about 1.1% of the total \$255 billion Minnesota gross state product for 2007.¹⁸



Table 2: Economic output generated by Minnesota tribal activities

	Minnesota	Rural Minnesota
Total Output	\$2.75 billion	\$1.53 billion
Direct: Tribal spending	\$1.44 billion	\$826 million
Indirect: Supplier re-spending	\$715 million	\$385 million
Induced: Worker re-spending	\$590 million	\$317 million

The initial tribal stimulus from employee payrolls, vendors spending and capital investments in the rural Minnesota economy was \$826 million. This generated an additional \$702 million in economic activity, including \$385 million in intermediate purchases by businesses and \$317 million in worker re-spending.

Two factors contributed to the large benefits in rural Minnesota. First, a commitment by Minnesota tribes to source their vendor and capital purchase's locally. And second, the fact that the vast majority of casino-resort workers and tribal government workers are rural Minnesota residents, who themselves find it more convenient to shop locally. As a result, more than half the total economic activity associated with tribal gaming and tribal governments occurred in rural Minnesota communities, ultimately contributing \$1.53 billion in economic activity to the rural economy in 2007.

Employment

Total employment includes the full and part time jobs of the tribal workforce, plus the full-time equivalent jobs generated by vendor purchases, capital investments, and worker re-spending. Tribal gaming and tribal governments had a combined workforce totaling 20,550 jobs in 2007 (table 3). Vendor purchases and capital construction spending, along with re-spending by intermediate supplier, supported an additional 12,400 jobs. Finally, the induced effects from the re-spending of employee wages lead to another 8,750 jobs statewide. Overall, the economic activities of tribal gaming and tribal governments



generated 41,700 jobs in the Minnesota economy. The entire Minnesota economy supported 2.7 million jobs in 2007.¹⁹

Table 3: Employment generated by Minnesota tribal activities

	Minnesota	Rural Minnesota
Total Employment	41,700	30,525
Direct: Tribal workforce	20,550	16,075
Indirect: Supplier workforce	12,400	7,950
Induced: Worker re-spending	8,750	6,500

Direct employment by tribal gaming and tribal governments supported 16,075 jobs in rural Minnesota. Another 7,950 jobs came from the initial tribal vendor purchases and capital spending activities, along with all the supplier re-spending activities. Re-spending of tribal and supplier employee wages generated 6,500 jobs. The total employment contribution of tribal gaming and tribal governments to the rural Minnesota economy in 2007 was 30,525 jobs. Again, the large share of tribal employees that live and work in rural Minnesota helped generate significant employment opportunities in economic sectors that rely on household spending.

Household Income

Household income represents the wages of employees working for the tribe, its suppliers or in parts of the broader economy impacted by tribal spending. Tribal gaming and tribal governments had a combined payroll of \$576 million in 2007 (table 4). The income earned by workers at businesses that provided goods and services, along with workers at their intermediate business partners, totaled \$465 million. Another \$309 million was earned by the employees of business that benefited from the re-spending of tribal and supply-related employment. The total wages earned statewide as a result of tribal gaming and tribal government activities was \$1.35 billion. Total 2007 wages in the Minnesota economy were \$119 billion.²⁰



Table 4: Household income generated by Minnesota tribal activities

	Minnesota	Rural Minnesota
Total Wage Income	\$1.35 billion	\$882 billion
Direct: Tribal workers	\$576 million	\$420 million
Indirect: Supplier workers	\$465 million	\$268 million
Induced: Worker re-spending	\$309 million	\$194 million

Rural Minnesota households benefit significantly from tribal gaming and tribal government activities as well. Tribal employees earned \$420 million in 2007. Another \$268 million was paid to workers at rural businesses that supplied goods and services, while re-spending by all workers generated an additional \$194 million in rural household income. Overall, rural Minnesota workers earned \$882 million as a result of tribal gaming and tribal government spending activities.

Sum of Economic Contributions

Minnesota tribal gaming and tribal governments made significant economic contributions to the state economy in 2007 (table 5). The collective economic output generated by Minnesota tribes totaled \$2.75 billion and impacted virtually every sector of the Minnesota economy. Tribal spending activities also supported 41,700 jobs and provided \$1.35 billion in household income statewide. The total economic output from tribal spending activities in rural Minnesota was \$1.53 billion in 2007. This level of activity supported 30,525 jobs and generated \$882 million in household income for rural Minnesota families.

Table 5: Total economic contributions from Minnesota tribal activities

	Minnesota	Rural Minnesota
Economic Output	\$2.75 billion	\$1.53 billion
Employment	41,700	30,525
Household Income	\$1.35 billion	\$882 million



Just over half (56%) of the economic output associated with tribal gaming and tribal government activities occurred in rural Minnesota. Nearly three-quarters of all jobs (73%) resulting from tribal spending were in rural Minnesota. Finally, two-thirds (65%) of all household wages derived from tribal spending were earned by rural Minnesota families.

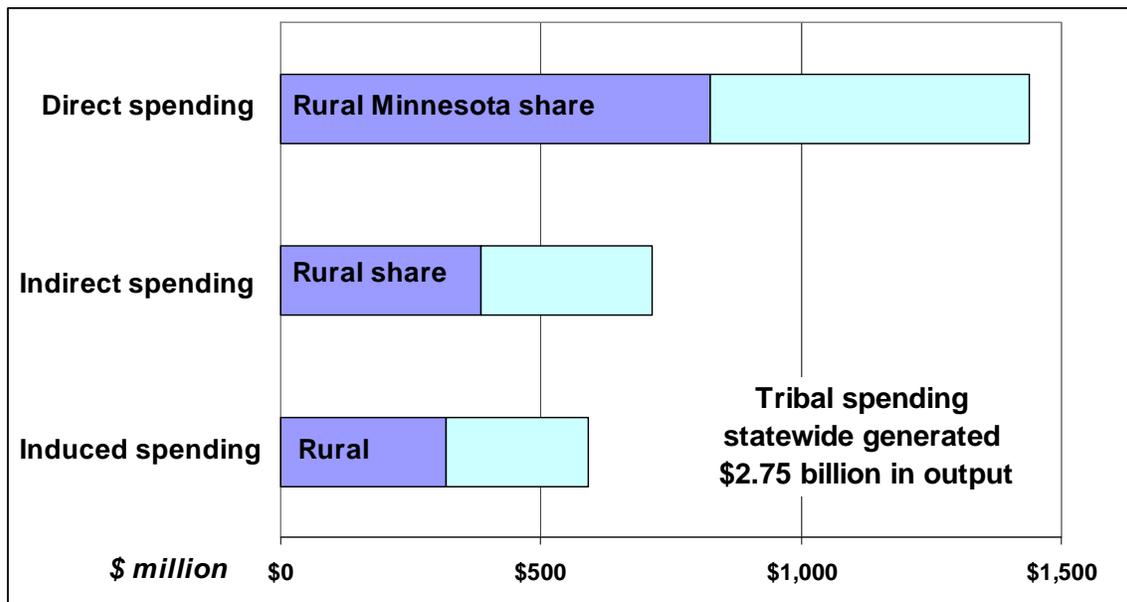


SUMMARY AND CONCLUSIONS

Minnesota’s eleven Native American tribes own and operate 18 casino-resorts scattered throughout the state. These facilities have brought economic growth to rural Minnesota and much needed funding to tribal government programs serving a disadvantaged segment of the state’s population. The positive economic impacts from this trade were widespread across rural Minnesota and benefited nearly every industry in the state. This analysis calculates the economic contributions Minnesota Indian tribes made to the state and rural economies in 2007, first in direct spending on employees and suppliers, then through the indirect and induced effect of re-spending by businesses and workers.

Tribal gaming and tribal governments spent \$1.44 billion on employees, vendor goods and services, and capital investments in 2007 (figure 4). The rural Minnesota share of this direct spending stimulus was \$826 million. The total \$1.44 billion in spending generated additional indirect spending by intermediate vendor and capital construction suppliers totaling \$715 million, of which \$385 million benefited rural Minnesota firms.

Figure 4: Economic output from direct, indirect and induced spending



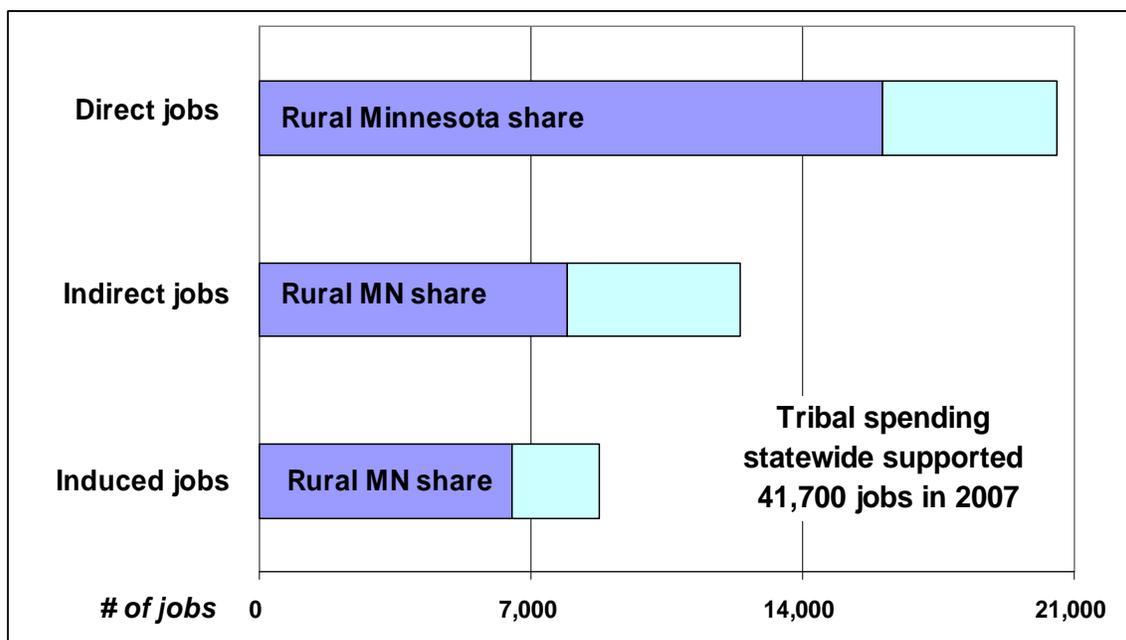
The re-spending by all workers in the tribal input chain generated another \$590 million in employee household spending activity, with \$317 million occurring in rural Minnesota.



Overall, tribal spending in 2007 generated \$2.75 billion in economic activity statewide, including \$1.53 billion of economic output in rural Minnesota.

Tribal gaming and tribal governments had a combine workforce of 20,550 employees in 2007, including 16,075 jobs in rural Minnesota (figure 5). Indirect employment generated throughout the supply chain by tribal vendors and capital construction suppliers totaled 12,400 jobs statewide, including 7,950 jobs in rural Minnesota. The induced effects of workers re-spending their wages supported another 8,750 jobs statewide and 6,500 jobs in rural Minnesota. Overall, tribal gaming and tribal government spending supported 41,700 jobs in the Minnesota economy and 30,525 jobs in the rural economy.

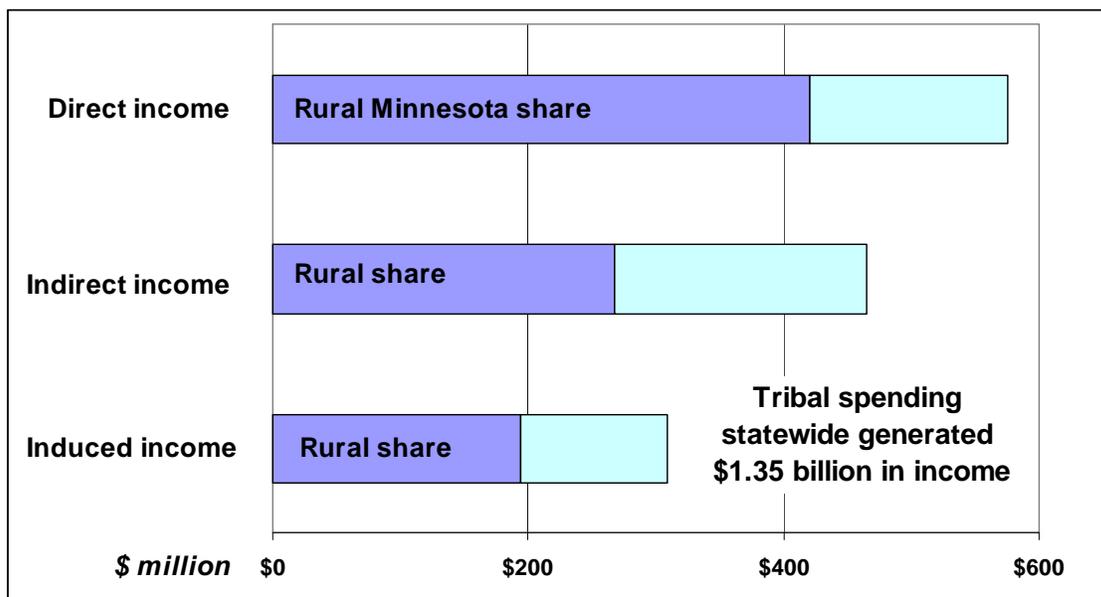
Figure 5: Employment from direct, indirect and induced spending.





Tribal gaming and tribal government employees earned \$576 million in 2007, with \$420 million going to rural Minnesota households (figure 6). Workers in the supply chain of vendors and capital construction, along with the workers of intermediate firms, earned \$465 million, including \$268 million in rural Minnesota. The induced effects of workers spending employment wages generated an additional \$309 million in household incomes statewide and \$194 million in rural Minnesota.

Figure 6: Household incomes from indirect, indirect and induced spending



The Minnesota economy has seen a dramatic shift in employment and consumer spending since 2007, and tribal casino-resorts have not been immune to these changes. With household incomes declining and personal savings rates rising, households have reduced on their entertainment spending. Economists have a measure called the income elasticity of demand for gaming, which indicates how changes in income change a consumer’s willingness to spend at the casino. An average coefficient is 1.5, which means for every 1% increase in disposable income, a consumer is willing to increase their casino spending by 1.5%. However, this measure also works in reverse, and as disposable income declines by 1%, the propensity to spend at the casino falls by 1.5%. In the end, casino gaming is a leisure entertainment pastime and the current recession is likely to impact tribal gaming and other hospitality businesses in a disproportionate way. Commercial casinos



throughout the nation have already reported record revenue shortfalls, creating significant losses for their employees and shareholders. But these shareholders are scattered across the country and their individual losses will not dramatically alter their local economy. In Minnesota, tribal casino shareholders are the tribal members themselves, who live and work in the local community, and it is these communities that are likely to feel the effects of declining casino revenues first, as casino-resorts and tribal governments are forced to reduce their capital spending and operating budgets. So far, tribal employment and tribal spending appear to be holding up fairly well, but if current economic conditions do not improve or even worsen, then rural Minnesotans may come to understand more directly the significant role tribal gaming and tribal governments play in the region's economic growth.



APPENDIX A – Minnesota Casinos and the Local Area Economy

Minnesota Tribal Casino-Resort Locations and Counties Comprising Local Economies

○ Counties making up the local area economy; (m) indicates Twin Cities metro county

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- Bois Forte Band of Chippewa - *Fortune Bay Resort Casino* in Tower.
 - St. Louis, Koochiching, Itasca Counties
 - Fond du Lac Band of Lake Superior Chippewa - *Black Bear Casino and Hotel* in Carlton, and *Fond-du-Luth Casino* in Duluth.
 - St Louis, Carlton, Pine, Itasca, Aitkin Counties
 - Grand Portage Band of Lake Superior Chippewa - *Grand Portage Lodge and Casino* in Grand Portage.
 - Cook, Lake, St. Louis Counties
 - Leech Lake Band of Ojibwe - *Northern Lights Casino & Hotel* in Walker, *Palace Casino & Hotel* in Cass Lake, and *White Oak Casino* in Deer River.
 - Cass, Itasca, Clearwater, Becker, Morrison, Koochiching, Hubbard, Beltrami, Wadena, Aitkin, Crow Wing, St. Louis Counties
 - Lower Sioux Indian Community - *Jackpot Junction Casino Hotel* in Morton.
 - Renville, Kandiyohi, Chippewa, Yellow Medicine, Redwood, Brown, Nicollet, Sibley, McLeod, Meeker Counties
 - Mille Lacs Band of Ojibwe - *Grand Casino Hinckley* in Hinckley, and *Grand Casino Mille Lacs* in Onamia.
 - Mille Lacs, Pine, Aitkin, Crow Wing, Morrison, Benton, Sherburne, Isanti, Chisago, Kanabec, Carlton Counties
 - Prairie Island Indian Community - *Treasure Island Resort and Casino* in Red Wing.
 - Goodhue, Wabasha, Washington, Olmsted, Dodge, Rice Counties
 - Red Lake Band of Chippewa Indians - *Seven Clans Casino* Thief River Falls, *Seven Clans Casino* Warroad, and *Seven Clans Casino* Red Lake.
 - Red Lake, Pennington, Lake of the Woods, Clearwater, Polk, Marshall, Roseau, Beltrami, Koochiching Counties
 - Shakopee Mdewakanton Sioux Community - *Mystic Lake Casino Hotel* and *Little Six Casino* in Prior Lake.
 - Scott, Hennepin, Carver, Sibley, Dakota Counties
 - Upper Sioux Indian Community - *Prairie's Edge Casino Resort* in Granite Falls.
 - Yellow Medicine, Chippewa, Lac Qui Parle, Lyon, Redwood, Renville Counties
 - White Earth Band of Ojibwe Indians - *Shooting Star Casino Hotel* in Mahnomen.
 - Mahnomen, Clearwater, Becker, Clay, Norman, Polk Counties



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