

# IMPACT OF LOST CASINO RESORT INCOME ON THE LIVES OF OREGON INDIAN TRIBES AND THEIR PEOPLE

## Commentary by

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The response to the COVID-19 pandemic stay-at-home orders have led to significant unemployment and other economic impacts with some economists describing the current situation as an 'economic coma'. While the Governor has partially lifted restrictions and the state is beginning to reopen, it is less clear how the economy will recover—it depends on a lot of factors related to the pandemic that cannot yet be reliably projected. What is clear is that economic damage will be long lasting, and the recovery period will extend for years.

ECONorthwest has done its share of economic impact reports. Since 2003, ECONorthwest has done economic impact studies for the Oregon Tribal Gaming Alliance.

Using data from past economic impact reports, this white paper describes the negative economic impacts of the closures, who gets hurt, and what those losses mean for the lives of real people. They are substantial. Not just because casinos have been providing help to tribes for over 25 years, but also because the State of Oregon strictly controls where tribes can operate casinos; relegating them to less than desirable, non-urban locations where the State Lottery operates freely.

*Please turn to page 3 for personal observations given by tribal members representing the Confederated Tribes of the Grand Ronde, the Confederated Tribes of the Umatilla Indian Reservation, the Cow Creek Band of Umpqua Tribe of Indians, and the Klamath Tribes.*

## IMPACT OF COVID-19 ON TRIBAL GOVERNMENTS

Like other public gathering places in Oregon, COVID-19 compelled tribes to close their casinos in mid-March and are likely to remain closed for at least two months. This shutdown will cost tribal

*Casinos and resort revenues are critical to tribal governments. Tribes use the funds to pay for healthcare, education, housing, and other needs much in the same way that state lotteries help pay for state government needs.*

### ECONOMIC CONTRIBUTIONS OF TRIBAL CASINOS:

**\$1.5 billion** in statewide economic output

**11,262 jobs**

**\$551 million** in wages, salaries, and benefits

**↓ \$24.6 million** total projected cost of the shutdown for last two months.

governments about \$10.9 million in lost support.

But that's only a part of the cost. Tribes also incurred huge costs shutting down their casinos and keeping them on standby for eventual reopening. They are also paying to keep critical employees engaged and covering healthcare for their furloughed workers. We surveyed tribes and estimate that statewide Oregon tribes will have to spend \$13.7 million over the two-month shutdown. Tribes will lose about \$24.6 million just during the two-month shutdown.

Tribal and local community members also have to contend with lost income. Oregon casinos are often the largest local employers in their areas. In 2017, they employed 4,514 and paid for the employment of another 646 in tribal government. The total payroll

<sup>1</sup>For this analysis, we combined audited financial data from all the tribal casinos, their hotels, restaurants, and other resort facilities. We then ran the data through an economic model of Oregon, which provides estimates of overall impacts of the casinos on the state's economy. They are great: for every dollar in revenue earned by tribal casinos there is a multiplier effect averaging another dollar and a half in economic output elsewhere in the state. The multiplier ratio is about the same for jobs and wages. In short, every job at a tribal casino supports another half a job and expenditures that support other parts of the economy in tribal communities.

and benefits exceeded a quarter billion dollars. The jobs are held by tribal members and those in neighboring, largely rural, communities. They have few local alternatives for work, so the impact of the shutdown of the casinos affects all local families, not just tribal member families. The result has been devastating and will persist after casinos reopen; increasing burdens on tribal governments at the same time their resources are badly depleted.

Casinos and hotels are recession sensitive. Once casinos reopen later this year, the economy will be in the midst of a deep recession. COVID-19 will still be around. Former casino guests will hesitate to go out. Those suffering from unemployment, depleted savings, and facing stacks of unpaid bills will stay home. Tribal casinos simply will not be able to resume tribal government support at the levels we had seen before. The 2008 - 2010 recession resulted in a \$25.2 million drop in tribal government support from casinos. Therefore, we anticipate total losses to tribal government from the shutdown of casinos and the subsequent recession will be \$51.2 million.

## CONTRIBUTIONS ACROSS THE COUNTRY

Annually, American Indian nations make significant contributions to the U.S. economy. According to the Harvard Project on American Indian Economic Development, tribal businesses (including gaming) and governments supported more than 1.1 million jobs and more than \$49.5 billion in annual wages and benefits for American workers prior to the shutdown. This impact spills over into the broader economy: more than 900,000 of these jobs are held by non-Indians and annual wages and benefits are worth \$40 billion. Moreover, these activities contributed \$9.4 billion per year at the state and local level, and \$15.9 billion federally.<sup>2</sup>

Due to this economic footprint, the impacts on Native American Tribes are particularly hard. Tribes had closed all 500+ tribal casinos and many of their non-gaming businesses in the United States by mid-April. Like other sectors of the economy, the closures led to massive layoffs, loss of workers' insurance coverage,

*Tribes incurred huge costs shutting down their casinos and keeping them on standby for eventual reopening. They are also paying to keep critical employees engaged and covering healthcare for their furloughed workers.*

and increased debt levels.

## CONTRIBUTIONS IN OREGON

Tribal casinos in Oregon contributed nearly \$1.5 billion in the state's economic output in 2017. That output supported directly and indirectly 11,262 jobs, earning \$551 million in wages, salaries, and benefits—about a quarter of which was earned by Native American employees. All of this spending and employment multiplied as it spread throughout the state economy.

Spending by the casinos and the tribal programs they supported have large economic impacts on the rest of Oregon. The casinos and tribal programs depend on suppliers throughout Oregon. The people they employ live and spend most of their incomes in Oregon.

Tribal casino revenues hit a peak of \$597 million in 2007, after which a Recession drove business down. While the overall economy recovered, it took nine years for tribal casinos just to get back to 2007 levels. The main reason why is because of increasing competition from the Oregon Lottery. But the recovery was illusory—a figment of inflation.

Inflation pushed labor, operating, and other costs up \$51 million between 2007 and 2017. That ate into the earnings available to tribal programs. They fell from \$154 million to \$62 million—the lowest ECONorthwest has ever reported. With fewer dollars, tribal governments have had to cut services to their members.

<sup>2</sup> <https://ash.harvard.edu/news/harvard-project-american-indian-economic-development-releases-research-and-recommendations>

## OBSERVATIONS FROM TRIBES

ECONorthwest asked tribes, if they would like, to tell us how COVID-19 has affected their members and ability to provide needed services. Four offer their observations.

### **CONFEDERATED TRIBES OF GRAND RONDE (CTGR)**

The success of Spirit Mountain Casino has provided the Confederated Tribes of Grand Ronde with the opportunity to provide healthcare to our members. Native Americans suffer from some of the highest rates of diabetes, chronic lung disease, serious heart conditions, compromised immune systems, kidney disease and liver disease in the Country.

The Federal Trust Responsibility to provide health care services and benefits to Indian people has been long-established via centuries-old treaties between the Tribes and the U.S. government, yet the Federal per capita spent on health care for American Indians and Alaska Natives is 30%-50% less than Medicare, Medicaid, and Veterans Health. Spirit Mountain Casino allows the Grand Ronde Tribe to close this disparate gap and provide multiple healthcare programs to its members from cradle to grave.

These services go beyond basic medical needs and includes addiction support, mental and behavioral health, dental, optometry, preventative care, and many others. They pride themselves on being a caring community that works to take care of their members, no matter where they live. The healthcare system supported by Spirit Mountain Casino is one way they are able to do that.



*The impact on casinos of COVID-19 has been devastating and will persist after casinos reopen, increasing burdens on tribal governments at the same time their resources are badly depleted.*



### **CONFEDERATED TRIBES OF THE UMATILLA INDIAN RESERVATION (CTUIR)**

The Wildhorse Resort Casino (WRC) closed in mid-March and has had to furloughed 818 employees of which 26 percent are tribal members. WRC will continue paying health benefits as long as it can, but no longer generating funds for tribal government. As a result, CTUIR government may have to slash its 2021 budget leading to major cuts in critical programs tribal member families depend on. In addition, because of COVID-19, WRC suspended contributions to the Wildhorse Foundation; a major grant making organization for charitable nonprofits that aid schools, clinics, social services, and the like working in rural communities of Eastern Oregon.

Photos by Timothy J. Gonzalez/Smoke Signals

## THE COW CREEK BAND OF UMPQUA TRIBE OF INDIANS

The Cow Creek Band of Umpqua Tribe of Indians own and operate the Seven Feathers Casino Resort in Canyonville. Revenues from that operation are dedicated to the government services the Tribe provides its members, much like the local or state tax base revenues fund state and local public services. As a federally recognized sovereign government, the Cow Creek has an obligation to provide care and support for its members, which reside in and outside of the State.

As community partners, the Cow Creek Tribe operates a health and wellness center for its Tribal members and provides access to care for non-tribal members in the Roseburg community, too. Other critical public services funded by the Tribal government that rely on strong revenues from the Casino and other economic enterprises include insurance programs for membership, other social and human service supports, housing, education, and elder care.

While the Cow Creek does not have a reservation like some Oregon Tribes, as it was taken from them more than 150 years ago, the Tribe has begun to rebuild its ancestral land base and natural resource programs important to Tribal culture and economic future which is an indirect government service to benefit Tribal members long-term for future generations. Gaming revenues also fund the tribal foundation which provides essential funding to hundreds of Oregon non-profits that have come to rely on the tribe for support.



Photos provided by the Cow Creek Band of Umpqua Tribe of Indians

## THE KLAMATH TRIBES

The Klamath Tribes are a significant employer in rural Oregon, and Klamoya Casino is one of the area's largest. In order to protect public health during the COVID-19 pandemic Klamoya Casino closed and 125 employees were furloughed.

Sixty percent of employees are tribal members who are being disproportionately impacted by the virus due to various socio, health and economic challenges in place prior to the pandemic. Tribal enterprises remain in a tense situation and are incurring tremendous expenditures as a result of the closure. With revenues absent, there will be a compound negative impact to direct business operations which is jeopardizing future supporting funds for Tribal Government, including programs vital to the heart of tribal life in the profoundly rural area of Chiloquin, Oregon, such as; the Klamath Tribes Health Clinic, Childcare Center, goos oLgi gowa Community Center, Water Research Center, and more.



Photos provided by the Klamath Tribes