

## REPORT SUMMARY

# THE CHARACTER AND EFFECTS OF THE INDIAN ECONOMY IN WASHINGTON STATE

Indian tribes are creating economic opportunities for their own people and for other Washingtonians at an unprecedented rate. Any visitor to Quil Ceda Village on the Tulalip Reservation, the Puyallup Tribe's Emerald Queen Casino, or the government offices at Jamestown S'Klallam can see dramatic changes afoot. Indians are building, buying, selling, hiring, and investing like never before.

Tribes employ thousands of Washingtonians in their casinos, their non-gaming enterprises, and their governments. They buy millions of dollars' worth of goods and services from hundreds of vendors in communities near them and around the state. Those purchases and wages, in turn, yield millions in taxes for state and local governments. What is more, the tribes' commercial investments underwrite important, tribally driven social, economic, environmental, and cultural investments that produce significant and tangible results for Indians and non-Indians alike.

Indian casinos, widely recognized as critical engines for such change, categorically differ from other enterprises in Washington: governments own them. Tribal governments use casino profits to

fund the same categories of public activity that state and federal governments do. Tribal governments educate children, assist the poor, reduce pollution, build roads, fight fires, and keep the peace.

Given the low historical bases of funding for Indian governments, and the low socioeconomic standing of Indians to begin with, opportunities for economic improvement and government success abound. The Washington tribes have seized such opportunities. They have demonstrated that Indian gaming promises improved functioning of the Washington economy by raising the fortunes of communities both on and near Indian reservations.

Representing the second and final phase of a two-year project undertaken by the Taylor Policy Group (TPG) on behalf of the Washington Indian Gaming Association, this report serves as a companion to TPG's first report, *Tribal Self-Government and Gaming Policy: The Outcomes for Indians and Washington State*. Among other things, Volume I systematically examined taxable sales



and property values in communities near reservations to determine whether introducing Indian casinos had any material effects on those important sources of Washington tax revenue. That research found no statistically discernible harm, consistent with comparable studies conducted on other jurisdictions. The second volume documents the economic, fiscal, and social effects of tribal government spending.

### Indian Economic Activity

In 2005 Indian gaming in Washington became a billion-dollar industry, yet Indians have even broader, more fundamental influences on the economy:

- Altogether, in 2004 the Washington Indian "economy" took in more than \$3.2 billion in revenues and employed 30,000 Washingtonians.
- The total value-added, multiplier effect of tribal government and enterprise purchasing and payroll within Washington exceeded an estimated \$2.2 billion. That sum yielded an estimated \$141 million in state and local taxes in Washington.



Little Creek Casino  
Squaxin Island Tribe

- Individual Indians owned 5,731 companies of various sizes with more than \$1 billion in revenues and 11,505 employees in 2002.
- More than 91,000 Washington Indians earned \$1.4 billion in personal income in 1999—up 26% from 1989. Still, statewide Indian income remained less than 60% of the all-races average in Washington, and on reservations it was less than half.
- Tribal enterprises owned by twenty surveyed tribes earned \$1.45 billion in revenues in 2004 and employed 13,146 people (9,155 non-Indians and 3,991 Indians).
- Other enterprises operated on Indian reservations but neither owned by Indians nor by tribes received at least \$311 million in revenue and employed at least another 1,400 people.
- Sixteen Washington tribal governments report \$695 million in combined revenues for 2004. About one-third of this revenue consisted of intergovernmental transfers and the remainder derived from fees, sales, taxes, enterprises, and other non-grant sources. Together these governments employed 4,427 people.
- Indians harvested and marketed \$12.7 million worth of salmon and \$33.9 million of shellfish in 2004, out of a total state harvest of \$19.4 million in salmon and \$104.7 million in shellfish.

This evidence reveals money flowing as freely off of as onto the reservations. Casino and other tribal enterpris-



es, along with tribal government payroll and purchasing, provide benefits for neighboring towns, for regional economies, and by natural extension, for the state as a whole.

### Tribal Government Activity

Indian socioeconomic recovery and its collateral benefits to Washington depend critically on broad recognition of the need and right of Indian tribes, like Indian cultures, to set their own course. Such definition distinguishes tribes not just from non-Indian companies and organizations, but from each other as well. In the first regard, tribal governments spend enterprise proceeds predominantly on or near the reservations unlike private firms whose profits accrue wherever in the nation

or the world their shareholders reside. Tribal governments have stated intentions to advance the socioeconomic recovery of their people. They invest in health care, college tuition, reading proficiency, habitat protection, summer youth activity, home construction, healthcare, language restoration, drug rehab, tutoring, childcare, cultural revitalization, and a variety of other realms affecting tribal quality of life. Together these investments affect broader socioeconomic outcomes. Between the 1990 and 2000 censuses, Indians on reservations in Washington saw poverty decline and incomes rise faster than other Washingtonians'. The gap between Indian and non-Indian wellbeing remains large, but it is closing.

In the second regard, history, geography, and culture distinguish the tribes substantially from each other. As a means of conveying the variation of tribal models of self-determination, as well as common trends, four accounts of recent tribal experience document and differentiate recent socioeconomic investments by tribes. The stories of the Jamestown S'Klallam, Kalispel, Squaxin Island, and Tulalip Tribes depict the explicit purposes to which tribes direct their earnings.

Each tribe's recent history attests to a particular approach to investment in changing social conditions, in bringing Indian citizens into the labor force, and in raising the productivity of their societies. Each story reveals the importance to each tribe of flexibly tailoring economic strategies to meet its own specific needs, and all the stories demonstrate substantial positive off-reservation benefits.



Health Care Center  
Tulalip Tribes



The Jamestown S’Klallam Tribe purchased essential land to contribute to a multi-government effort to restore Jimmycomelately Creek near their casino. That effort and a joint breedstocking program improved the chances for survival of endangered summer chum salmon in a way that would have been impossible without tribal contributions. Jamestown S’Klallam also created a health clinic in Sequim when a critical non-Indian clinic was closing. About half of the primary care in the region was at stake, but no gap in service occurred for Indian or non-Indian patients because the Tribe acted quickly and competently.

The Kalispel Tribe supports Read Right programs to advance literacy in three public schools outside its reservation and offers an adult Read Right program for employees. The result of this reading proficiency project has been a gain of eight hundred reading-level grades achieved by five hundred students in two years of operation. While the Tribe initiated the program to help Indians, the program serves all students, regardless of heritage.

The Squaxin Island Tribe operates an inpatient treatment center to address substance abuse, domestic violence, and other family and individual mental health problems. The program at the Northwest Indian Treatment Center exceeds Indian Health Service guidelines for the quality and duration of care. Independent accreditors consistently rank the Center among the top programs in the nation. While Native Americans constitute the bulk of the patient population, non-Indians also receive treatment. More broadly, non-Indian taxpayers benefit as patients and their families recover from the problems

of poverty and build life-long health and personal capability.

The Tulalip Tribes reasserted criminal jurisdiction on their reservation with the support of the State of Washington. Via participation in the Northwest Indian Court System, the Tribes established a technically capable and politically independent Tribal Court. Together, these reforms mean that prosecutions can be handled much more effectively under culturally relevant law and process. The Tulalip Tribes have also built the first federally recognized municipality on a reservation, Quil Ceda Village. The economic boom that resulted from its institutional structure and planning created not just a shopping destination, but also 1,400 jobs, \$26 million in state tax collections, and the first-ever Indian/non-Indian chamber of commerce.

### Tribal Fiscal Impacts

A number of features of tribal enterprise and government activity produce fiscal benefits for state, tribal, and local governments. First, the state

taxes many sales on the reservations, as noted above in the example of Quil Ceda Village. Second, even where sales cannot be taxed by Washington, tribes may impose taxes. At the Squaxin Island’s Little Creek Hotel, for example, the Tribe levies a tax of 10% on room charges, compared with 10.5% in nearby Shelton.



Jimmycomelately Creek Restoration  
Jamestown S’Klallam Tribe



Powwow Grounds  
Kalispel Tribe



Totem  
Jamestown S'Klallam Tribe

Third, even where state or tribal taxes do not apply—for example, at slot machines—state collections do not decline when such businesses operate. The opening of Indian casinos produces no statistically meaningful effect on nearby, off-reservation taxable sales or taxable property.

Fourth, despite concerted efforts by the United States and tribal governments to grow tribal economies, these economies remain relatively dependent; they cannot meet their enterprises' and governments' needs for goods and services. Indeed, the vast majority of inputs purchased by four casinos studied in detail came from off-reservation providers. Similarly, the majority of jobs created by tribal enterprise in the state are held by non-Indians, and even Indian employees turn to off-reservation businesses to spend substantial portions of their household incomes.

Fifth, spending at Indian enterprises translates quickly into off-reservation taxable sales. The expenditures made by tribes and their employees translate into demand which extends through the state-taxed economy. As noted above, the total value-added, multiplier effect of tribal government and tribal enterprise purchasing and payroll within Washington exceeds an estimated \$2.2 billion. That sum yields an estimated \$141 million in state and local taxes in Washington, notwithstanding the fact that tribal governments and tribal enterprises are generally outside Washington tax jurisdiction.

Finally, tribal governments own these “non-taxable” enterprises, not individual Indians or private corporations. Thus, tribal governments effectively “tax” the profits of these enterprises at a rate of 100% to fund roads, wastewater treatment, emergency services, economic development, socioeconomic recovery, education, and other related government functions.

Like never before, Indian economic activity is growing in Washington—to the direct benefit of Washingtonians. As Indian incomes rise and areas of reservation poverty begin to shrink, Washington gains more productive, educated, healthy citizens. Where Indian enterprises grow, so also do employment opportunities for non-Indians. Where Indian governments reach the potential they never could attain under federal transfers, non-Indians in Washington benefit from positive spillovers in education, health care, natural resource management, and public infrastructure.

Much remains to be done to close the sizeable gap between Indian and non-Indian quality of life. Yet evidence shows that Indian tribes capably perform the work of governments for their own people—and not inconsequentially for the people of Washington—at a considerable benefit and at no discernible cost to the economies around them.

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