

## REPORT SUMMARY

# TRIBAL SELF-GOVERNMENT AND GAMING POLICY

## The Consequences for Indians and Washington State

### Introduction

Indian self-government is neither an anachronism nor a beneficence of the federal government. Indian self-government is rooted in agreements forged by Indians to establish their own property rights in exchange for large land concessions.

Today tribal self-governance on the reservations is practical and necessary. Indian communities need governments to build schools, treat the sick, maintain roads, regulate waste disposal, enforce laws, resolve disputes, manage forests, and encourage economic development (among other things). Tribal governments provide these services on reservations in much the same way that state, county, and municipal governments do for citizens within their jurisdictions.

Tribal governments have presided over reservation life throughout the history of our country, and recognition of tribal sovereignty is rooted in the history and founding of the United States. Nonetheless, some features of Indian self-government are controversial, especially tribal gambling operations and Indian tax status. This report undertakes a public policy analysis of both issues.

### The Socioeconomic Consequences of Indian Self-Determination

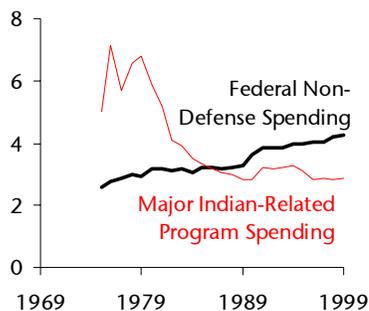
Tribes have standing as governments that is based in history, law, and policy—not in grants of “special” rights. More importantly, tribal government status is justified by practical success. Tribal self-determination results in significant improve-

Figure 1

Federal Indian Spending has been Stagnant and Low

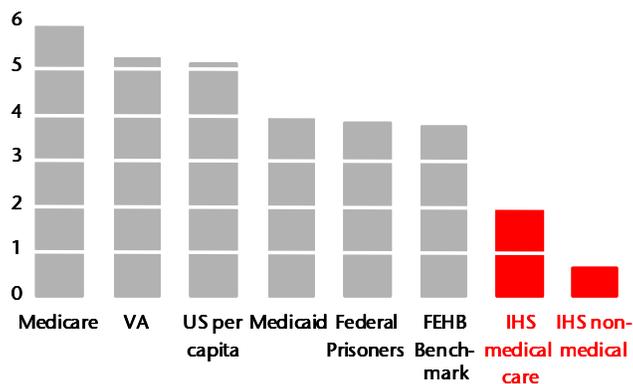
#### Major Federal Indian Spending

000 1997 dollars per capita



#### Relative Funding of Indian Health Programs

000 FY 2003 dollars per capita

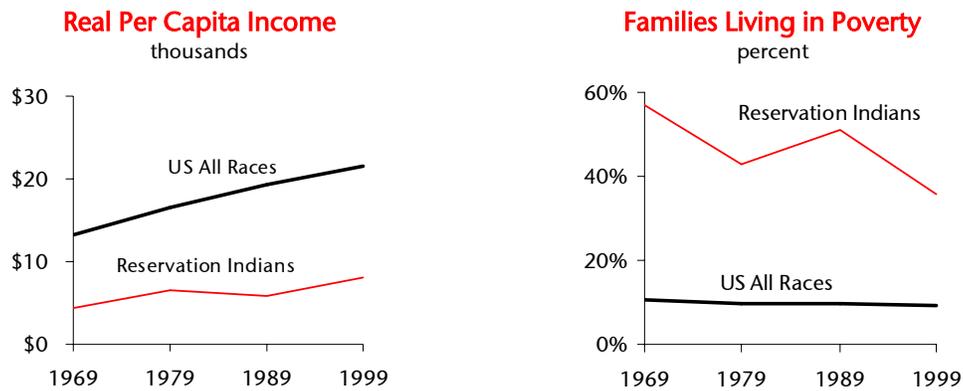


See discussion in main report at Figures 7 and 14.

ments in the efficiency and effectiveness of tribal administration. And despite stagnant and inadequate federal funding for tribes (see Figure 1), self-determination has also brought broad improvements in socioeconomic conditions on reservations across the United States (see Figure 2). Tribes need steady self-determination policies and the economic development that those policies bring if they are to close the substantial gap that remains between reservations and the wider economy.

**Figure 2**

**Tribal Self-Determination has Brought Socioeconomic Change, 1969-1999**



1999 dollars. See discussion in main report at Figure 6.

**Indians, Tribes, and Taxes**

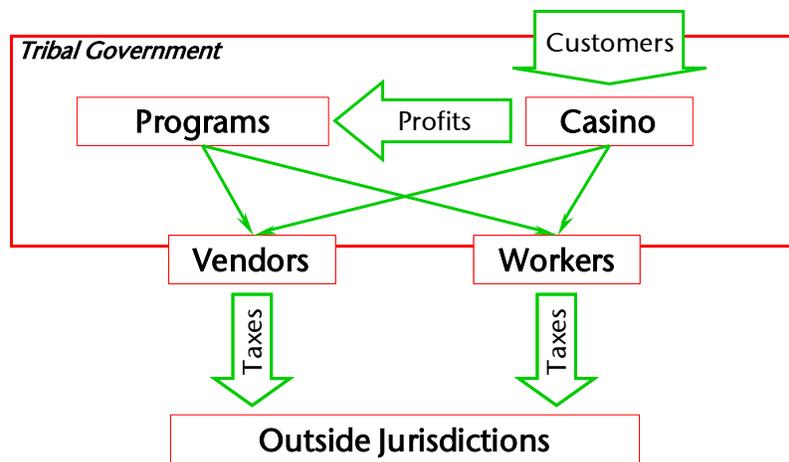
Because tribes are governments they are not taxed, but it is not the case that “Indians don’t pay taxes.” Individual Indians definitely do pay taxes. Tribes do not because it is a generally acknowledged principle of public finance that the thousands of governments that operate in the US do not tax each other. Transfers between governments are commonplace, but such funds are not *taxes* in any relevant sense of the word.

- Indians pay taxes (on and off the reservations), withhold taxes (\$45 million annually by Washington tribal governments, at least), and collect taxes (from their own reservation economies)
- Washington tribes reimburse the state for Indian gaming regulation, and over the last five fiscal years tribes have paid \$5.9 million—15% in excess of actual costs).
- Washington Tribes make fiscal contributions to local governments and community organizations under jointly derived impact mitigation arrangements. Over the last eight years, officially recorded payments of this kind totaled \$16 million. Total expended funds exceed this amount.

## Indian Gaming and Regional Economic Activity in Washington

The common misperception that “special” Indian rights allow Washington tribes to perpetrate fiscal and economic harms on their neighbors—for example via gambling enterprises which allegedly “drain” regional economies—is not supported by evidence. Funds spent on Indian reservations quickly cycle back to the off-reservation economy since tribes are incapable of economic isolation and are forced to turn to the off-reservation economy for significant proportions of their purchases. These purchases, in turn, are associated with tax collections for non-Indian governments. Customers bring dollars to a tribal casino or other enterprise and those revenues are split between the providers of capital, labor, goods, and services, on the one hand, and the tribe on the other. The tribal revenues, in turn, are spent on government programs and services, which then require additional capital, labor, goods and services (Figure 3). The excess demand must be satisfied from off the reservation and ripples outward from there with all the usual tax implications for the state.

**Figure 3**  
**Indian Gaming Finance at a Glance**



See discussion in main report at Figure 20.

Statistical analysis of statewide data finds no discernible net migration of taxable activity away from the non-Indian economy associated with the advent of Indian casinos. A fixed-effects regression of 268 of the 280 Washington tax districts covering 1990 to 2003 finds no statistically discernible change in taxable sales associated with casino introductions (at either five or fifteen miles’ proximity). A virtually identical analysis of property values finds likewise. The advent of Indian casinos is not associated with systematic fiscal harms in the vicinity of reservations. In addition, studies of other jurisdictions corroborate this finding.

Because historical patterns of settlement determined where Washington Indian reservations are today, much of Indian land is found in low-density, rural, and distressed regions of the state. Twelve of the state’s twenty-six Indian casinos are located

in what the Washington Employment Security Department identifies as “distressed counties” (2003). Thus, not only do the proceeds of Indian gaming accrue to one of the poorest identifiable population in the US—Indians on reservations—the location of Indian reservations in Washington means that many of the tribal casinos are in areas that need economic activity outside the reservation as well.

More importantly, the structure of the state-tribal compact allows gaming wealth to be distributed regionally within Washington. The tribes can jointly establish a trading plan under which tribes in large markets can lease the rights to deploy lottery player terminals from tribes that choose not to use their rights in a facility of their own. Twenty of the twenty-seven compacted Washington tribes have participated in such arrangements—five as buyers, fifteen as sellers—thus enabling tribes in larger markets to take advantage of those markets while helping spread the wealth to tribes in rural markets. Eight of the fifteen selling tribes (who represent 56% of the traded capacity) are located in distressed counties, whereas none of the buying tribes are.

Indian gaming is and promises to continue to be a properly functioning and beneficial sector of the Washington economy. It is also an effective exercise of Indian self-determination that benefits Washington Indians specifically and Washingtonians more generally.

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2.14.05

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This study was funded by the member governments of the Washington Indian Gaming Association and conducted under a contract with the Taylor Policy Group, Inc. The views expressed in this report are those of the author and do not necessarily reflect those of the institutions with which he is affiliated.

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The full report is available for download at: [washingtonindiangaming.org](http://washingtonindiangaming.org)