



**Center for California Native Nations
Collaboration. Research. Service.**

**An Impact Analysis
of Tribal Government Gaming in California**

Summary of Key Findings

Background

In 1987, the United States Supreme Court decided the *Cabazon* case that re-affirmed the right of tribal governments to offer gaming on their own lands. In 1988, the U.S. Congress passed the Indian Gaming Regulatory Act (IGRA), which placed various restrictions on tribal government gaming and the use of gaming revenues. One such limit is the requirement that tribal governments sign gaming compacts with state governments in order to offer casino-style gaming. On September 10, 1999, California Governor Gray Davis signed tribal-state gaming compacts with 61 tribes, which were then ratified by the citizens of California when Proposition 1A passed with 64.5% of the vote in March 2000. Additional tribes have signed compacts to bring the total number of compacted tribes in California to 66. Of these, 55 are currently involved in tribal government gaming.

Purpose

The objective of this research is to evaluate the social and economic impacts of tribal government gaming operations on tribal and local governments in California. The absence of such analysis has impaired public discussions about tribal government gaming and related public policy issues. The study relies primarily upon publicly available data, especially the 1990 and 2000 Censuses. Close analysis of Census data offers a “before and after” snapshot of conditions in California during Indian gaming’s initial growth phase. However, the Census data does not capture effects of California’s tribal-state gaming compacts since they did not go into effect until 2000. To analyze Indian gaming impacts since 2000, the research team conducted surveys of tribal and local government officials and performed in-depth case studies of individual tribal governments.¹ More definitive analysis of post-2000 trends will have to await the 2010 Census.

The study did not measure tribal government charitable giving, problem gambling, or other forms of gaming in California (i.e. horse racing, card clubs, the California lottery, etc.) or elsewhere. It is also beyond the scope of the study to make specific policy recommendations or predictions regarding the future of gaming in California.

¹ These studies will be available at the Center’s website at www.ccnr.ucr.edu.

Defining Framework

This study finds that the impacts of tribal government gaming in California are directly related to two identifiable features of the enterprises themselves: A) the fact that the casinos 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 federal law, tribal gaming revenues in California are invested primarily in community and governmental activities. On the other hand, because this form of gaming is currently confined to existing tribal trust lands and these lands for historical and political reasons were located typically 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.

Specific Findings

A. Tribal Government Gaming Benefits Tribes Involved in Gaming and also Sets Natural Limits on the Spread of Casino Gaming in California.

- *The location of Indian reservations in California places a natural limit on the size and scope of tribal government gaming in California.*

Characteristics of the communities near Indian reservations, mainly population density and income, largely determine which tribal governments pursue gaming as an economic development strategy. Dozens of recognized tribal governments, located far from population centers, have not entered into gaming compacts with the state.

In 2005, thirty-three counties, representing 74% of California's population, are non-gaming. When examined at the tract level, only 11% of California's population lives within 10 miles of a gaming facility.

In 2005, average gaming density among California counties with gaming is 5.4 slot machines per 1,000 inhabitants. San Diego and Riverside Counties have 4.4 and 6 slots per 1,000 people, respectively. Colusa County has the highest casino density at has 41 slots per 1,000 people.

- *There is no typical Indian gaming experience in California since each tribal government and reservation has unique challenges and opportunities.*

Population of the surrounding area is a key predictor of how large a tribal government's gaming operation will be.

There is substantial variation in the size of Indian gaming facilities located in California. In 2005, 19 Indian gaming facilities had fewer than 350 slot machines, 22

facilities had between 350 and 2,000 slot machines, 11 facilities had 2,000 slot machines and 4 had more than 2,000 machines.

- ***Tribal government gaming in California differs from Indian gaming in other states in some important ways. In other ways, California is a subset of the national experience.***

Three distinctive features differentiate California reservations from the rest of the reservations in the United States: large population growth, small sized reservations, and proportionally fewer people living on reservations with gaming enterprises.

Income growth rates on reservations in California vary dramatically and in 2000 there was a larger inequality between gaming and non-gaming reservations than in the reservations in the rest of U.S. Even among tribal governments with gaming there was substantial variation in growth rates.

Between 1990 and 2000, the U.S. Census figures for real income per capita reveal that 22% (17 tribes) of the California tribes exhibit consistent growth, 22% (17 tribes) aggressive growth, 18% (14 tribes) anemic growth, and 38% (30 tribes) decline. Gaming tribes have fared better than non-gaming tribes, with gaming tribes' per capita average income increasing 55% between 1990 and 2000 as opposed to 15% on non-gaming reservations.

- ***In spite of significant economic growth and social investment among tribal governments in California, these improvements have not been in place long enough to correct centuries of substandard conditions.***

The average income for American Indians in California remains well below the national average; in 1990 it was 42% of the national average and by 2000 it experienced only a modest increase by reaching 53% of the national average income.

Between 1990 and 2000, the gaming tribes in California experienced a reduction in the percentage of families in poverty from 36% in 1990 to 26% in 2000. At the national and state level, however, the percentage of families in poverty is between 9% and 10%.

B. Locating Tribal Gaming on Reservations Distributes Benefits to Poor Regions and Residents of California who live Near Reservations.

- ***Tribal government gaming in California, located on reservation lands, concentrates employment and other benefits in counties that need development the most.***

Tribal government gaming has not erased poverty on or near reservations in California, where poverty rates hovered around 14% in 2000 in both gaming and non-gaming tracts. However, tribal government gaming did help poor families in

measurable ways. Indian gaming facilities first opened in impoverished areas of California and then expanded to relatively better off parts of the state. For instance, median family income in Census tracts within 10 miles of an Indian gaming facility in 1990 was merely \$32,515 (in constant 2000 prices), as against \$46,255 in the non-gaming tracts. By 2000, median family income grew significantly more in the gaming than in the non-gaming tracts (55% versus 33%).

Between 1990 and 2000 the establishment of tribal gaming was associated with the largest increases in median family income and greatest decreases in the number of families on public assistance among the poorest communities.

- *The off-reservation impacts of Indian gaming in California are significantly positive and local governments near Indian gaming facilities recognize their benefits.*

Analysis of Census tracts in 1990 and 2000 reveals that the introduction of gaming in an area had the effect of raising median family incomes in neighboring tracts by as much as 30-60 percent at very low levels of income. As median family income rises, this effect diminishes, meaning that tribal government gaming helps those that need it most.

Census tracts in close proximity to reservations with tribal government gaming experienced a more significant increase in overall employment growth (about 3.9 percent) between 1990 and 2000 than tracts not in close proximity to Indian gaming, even after controlling for population growth.

Gaming is observed to be associated significantly with a decline (of about 4%) in the number of individuals with less-than-high-school education, an increase of 7% in the population having a high school education, and an increase of 2% in the number of persons with post-secondary education.

A survey conducted as part of this research suggests the off-reservation spill-over benefits of a tribal government enterprise are recognized by local government officials. According to the Center's survey of local governments, officials in counties with tribal government gaming associate gaming more with benefits than costs.

Significance

Comparing the 1990 and 2000 U.S. Census data reveals important information regarding the ways that tribal government gaming in California differs from the national experience and ways that it is a subset. For example, while the economic and population growth resulting from tribal government gaming in California during the 1990s was impressive, these benefits were limited by the insecure political and legal environment that resulted from not having an approved tribal-state gaming compact throughout the decade.

The finding that tribal government gaming in California developed unevenly in the 1990s and resulted in increased economic inequalities between gaming and non-gaming tribes reveals the wisdom of the 2000 tribal-state gaming compacts, which created a policy mechanism---the Revenue Sharing Trust Fund (RSTF)—to address these inequalities before they were statistically substantiated. Since its creation, tribal governments with gaming have put more than \$148 million into the RSTF to be shared with non-gaming tribes.

Survey research in 2005 suggests that payments to the RSTF have been invested in ways that address these inequalities and that tribal governments without casinos have expanded the number of services offered to tribal members at a rate similar to that of tribes with gaming.

Conclusion

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 realized. 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 Davis Compact, and its two major provisions, the Revenue Sharing Trust Fund and the Special Distribution Fund.

Acknowledgments

The study was made possible by a grant from the Pechanga Tribal Government and initiated by the California Nations Indian Gaming Association (CNIGA), an association of tribal governments.

Additional support came from the Center for California Native Nations (CCNN) at the University of California in Riverside. The U.S. Census data for Indian Country was provided by the Harvard Project on American Indian Economic Development, a program of the Kennedy School of Government.

THE CENTER FOR CALIFORNIA NATIVE NATIONS
University of California, Riverside
Riverside, CA 92521
www.ccn.ucr.edu

CONTACT:

Kate Spilde Contreras
Managing Director, CCNN
760.533.9387
kates@ucr.edu

Joel Martin
Director, CCNN
Dean, CHASS
951.827.2762
joel.martin@ucr.edu