

Brady Biehn

**Effects of Tribal Gaming on a Reservation's Economy**

Gustavus Adolphus College

January 26, 2024

## **Abstract**

Using reservation data from the 2020 United States Census for Native reservations in the Midwest, this paper analyzed the effect that tribal casinos had on the economic issues of unemployment rate, mean household income, median household income, and homeownership rate. The data suggests tribal gaming has a positive impact on the unemployment rate, homeownership rate, and mean household income. However, the addition of tribal casinos did not also have a positive impact on the median household income, which suggests that the economic benefits of tribal casinos may not be equitable. These findings support the hypothesis that the addition of a tribal casino will have a positive effect on the economy of the reservation.

## **Background**

In 1980, Ronald Reagan was elected President of the United States. One of President Reagan's core promises was that he was going to cut government spending, which included social welfare programs. One demographic that was heavily reliant on these programs were Native Americans. Natives did not have much of a leg to stand upon economically speaking, which means they did not have a great way of earning money. To resolve this problem, the Reagan and subsequent Bush administrations turned to gambling. Native American tribes are considered their own independent or pre-constitutional nations due to the fact that they were created before America became a country. More specifically, before the constitution became the supreme law of the land. This means that they are their own independent sovereign states, so certain regulations and restrictions do not apply to them. One of the restrictions they are exempt from is gambling. More specifically, Class III gaming. In 1987, the Supreme Court cemented this with the landmark case *California v. Cabazon Band of Mission Indians*, which allowed Natives

to own and operate their own gaming operations. Two years later, Congress passed the Indian Regulatory Gaming Act of 1989, which established guidelines for Indian governments that wanted to start their own gaming operations. The primary requirement to establish an operation was that a tribe must sign a deal with the state government for which their land or reservations reside. These agreements between tribes and the state government are called compacts. This paper will explore how tribal gaming operations have influenced key economic issues faced by Native Americans.

### **Literature Review**

Gregory et al. found that Native American economic circumstances deteriorated compared to white people during the 1980s. One key finding is that the value of having Native American workers in companies is swiftly declining (Gregory et al.). Another group of researchers found that Native Americans have some of the lowest representation in positions of power in businesses in the United States. For instance, 13.1% of working Americans had a managerial position within a company, while only 7.9% of Native American employees had these positions (James et al.). The 2015–19 American Community Survey (ACS) found that the median household income in America was \$62,843. The two highest earners of any demographic are Asian and white households, earning \$88,204 and \$68,785, respectively. Both values are above the median household income. The median household income for American Indian and Alaska Native (Natives) households is \$43,825, which is significantly lower than the median household income (Asante-Muhammed). During that same period, the average income for individuals living on reservations was roughly \$17,000. The U.S. average income was \$53,657 in 2015 (Asante-Muhammed et al.). The Bureau of Labor Statistics showed that the unemployment

rate for Native Americans is constantly the highest for any subpopulation within the United States. During the start of the COVID-19 pandemic, the unemployment rate for Native Americans was 28.9%, which was nearly double the rest of the population (Bureau of Labor Statistics). According to a report from the Economic Policy Institute (EPI), the employment rate of Native Americans was 64.7%, compared to 78.1% of white people (Austin). Native Americans tend to face some of the most financial and economic inequity and inequality among all demographics within the United States; the creation of casinos could lead to a resolution to all or some of these economic issues.

Of the 562 total Native American tribes in America, 240 tribes run gaming operations. Native tribes run class III gaming operations in 25 states (University of Nevada, Las Vegas). Class III gaming operations include most card games, slot machines, roulette, and any game where a player bets against the house. These types of gaming sites have been shown to contribute most of the annual revenue to the industry. The literature has found that one of the biggest factors in a tribal casino's success is its location, not its population. Some of the largest tribes have no gaming compact, and some small tribes own complexes that bring in well over one billion dollars in revenue per year (Thompson). Meister found that the tribal gaming industry makes \$96.6 billion in gross pay and that the industry has grown 300-fold since 1996. The literature also found that the top 25 tribal casinos make up 42% of the total revenue from tribal gaming. Most of the top 25 earning Tribal casinos reside in states where Natives have a monopoly on class III gaming operations, such as Minnesota, Wisconsin, and Michigan (Thompson). States where Native Americans have a monopoly of Class III gaming operations could lead to Natives residing in these areas having a much better economic situation.

Research produced by Asante-Muhammed et al. found that 50.8% of Native Americans owned homes. The same group found that 73.3% of non-Hispanic white Americans and 64.6% of the general population owned homes (Asante-Muhammed). The National Indian Council on Aging found that the percentage of Indian home ownership is decreasing slightly annually (NICA). There is not much literature on Indian home ownership on reservations. Most of the literature on this issue is focused on the Indian population as a whole, not just those who live on reservations. This leads to an association between the role that casinos play in home ownership and the fact that they tend to boost the local economy. If that changes, the homeownership rate within the community needs to be studied in greater detail.

Existing literature found that tribal casinos do have an association with the addition of a local tribal casino that boosts the local economy, especially with the creation of new jobs (Bangsund & Leistritz, Bubb). Researchers found that tribal gaming also increased the employment rate among Natives; the employment rate increased by 26% (Gorman, Evans, & Topoleski). However, researchers found that most of these increases stemmed from non-native-owned jobs increasing within the surrounding area (Evans & Topoleski). A 1994 case study of Native American casinos on a reservation in Maricopa County, Arizona, found that the addition of tribal casinos resulted in an increase of 2,483 new jobs and an increase of \$80.35 million for the surrounding region (Anders). The literature shows that there could be a potential relationship between tribal casinos and a boost to the local economy.

The current literature has shown that Native Americans face some of the greatest discrimination in America. Most of these discriminations are economic. Native Americans have some of the highest unemployment, lowest income, and lowest homeownership rates. The literature has also found that the addition of tribal casinos has created job growth and boosted the

local economy. This topic of the economic implications of tribal casinos needs to be studied in much greater detail. An interesting fact regarding the literature is that most of the research is dated. Most of the research occurred in the mid-1990s, which is about five years after the Indian Regulatory Gaming Act of 1989 was enacted, so using the updated 2020 census data to study this phenomenon is needed. One hole within the existing literature is the economic implications of tribal casinos for Indigenous people of different regions within the United States. Since tribal casinos are subject to state laws, there would be great variation in how tribal casinos impact the local economy. There could be variations state-by-state or region-by-region. By using existing data from the 2020 United States Census, this paper will focus on the economic implications of tribal casinos for Native Americans living on reservations in the Midwest. Midwestern states' economies are more likely to be affected by or dependent on gambling than other states in the Union. This region of the United States is a good place to start understanding the impact of tribal gaming. In hopes of seeing how the relationship between unemployment rate, median income, mean income, and home ownership within tribal reservations that have tribal casinos has evolved, it would help better understand the importance of tribal casinos for Native communities.

### **Data and Methods**

The data used in this study was primarily collected from the 2020 United States Census. The data, in particular, was on Native American reservations across the Midwest. The following states were included in the Midwest: Minnesota, Wisconsin, Michigan, North Dakota, South Dakota, Montana, Nebraska, and Kansas. The traditional Midwestern states of Missouri, Illinois, Indiana, and Ohio were excluded from the study because they do not have any federally recognized Indian reservations, so the Census had no data on them. The untraditional Midwestern state of Montana was included in the grouping for two reasons. The first being that

the state's population has one of the highest proportions of Native Americans among its population in America, so it is a good representative state for Indigenous peoples. The second is that the state has the most casinos outside of Nevada, so Montana's economy is heavily dependent on casinos; this could help explain the role tribal casinos play in economic issues. Additional data was collected from the Department of Interior, more specifically the subbranch of Indian Affairs, in regards to the tribe or tribes that owned and lived on a reservation and whether the tribe had a compact for Class III gaming.

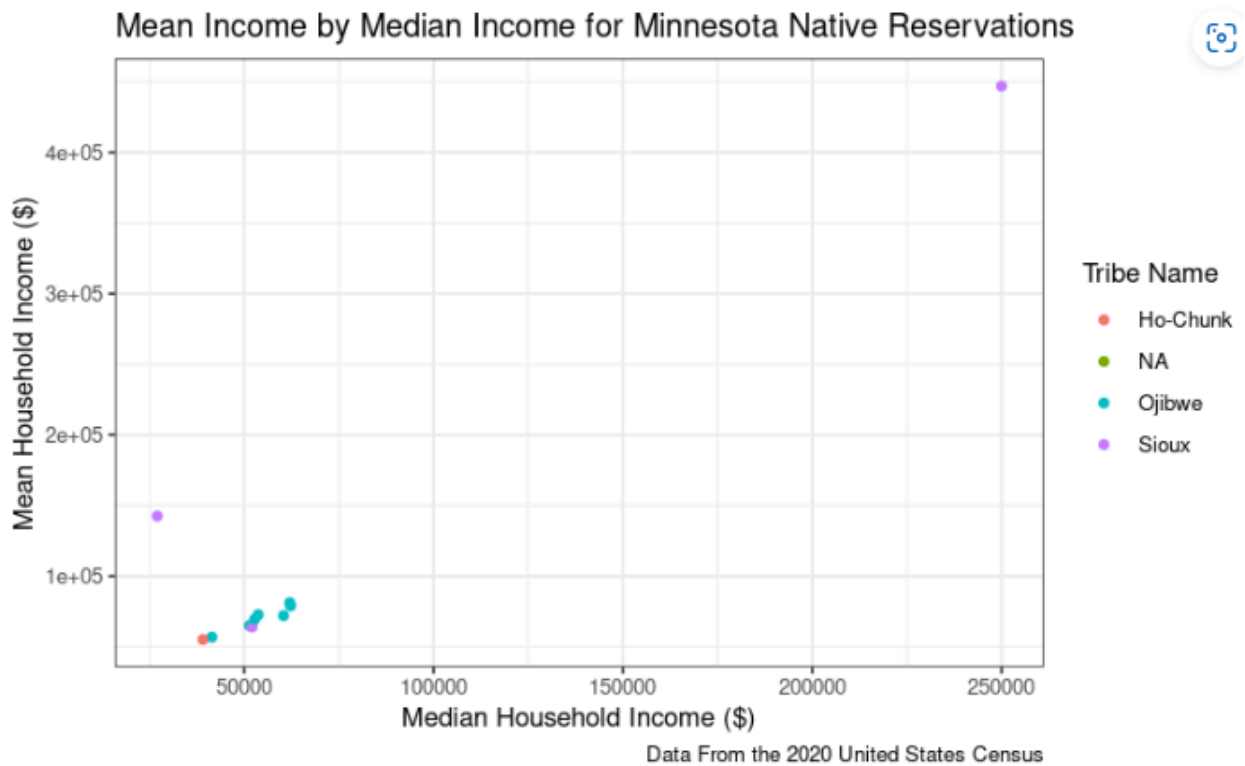
The data was analyzed using two separate approaches. The first was a case study ( $n = 1$ ) on the state of Minnesota. Minnesota is a good state to study because, as previously mentioned, Native American nations are the only groups of people allowed to own and operate Class III gaming. Since Class III gaming operations are where most of the gambling revenue stems from, Minnesota is a good place to start to see if gaming operations have a significant impact on economic issues for Native Americans. It should be noted that every reservation in Minnesota has a gaming contract with the state government. The second approach used was an analysis of the previously mentioned Midwestern states. One of the main focuses of the second approach is to see how the variation in state laws and regulations influences the economic impact of tribal gaming. For both approaches, the following economic issues were analyzed: unemployment rate, median household income, mean household income, and homeownership rate. Going into the research, the following hypothesis was created: the addition of a tribal casino in the immediate area would increase the homeownership rate, median, and mean household income, and decrease the unemployment rate.

## **Results and Discussion**

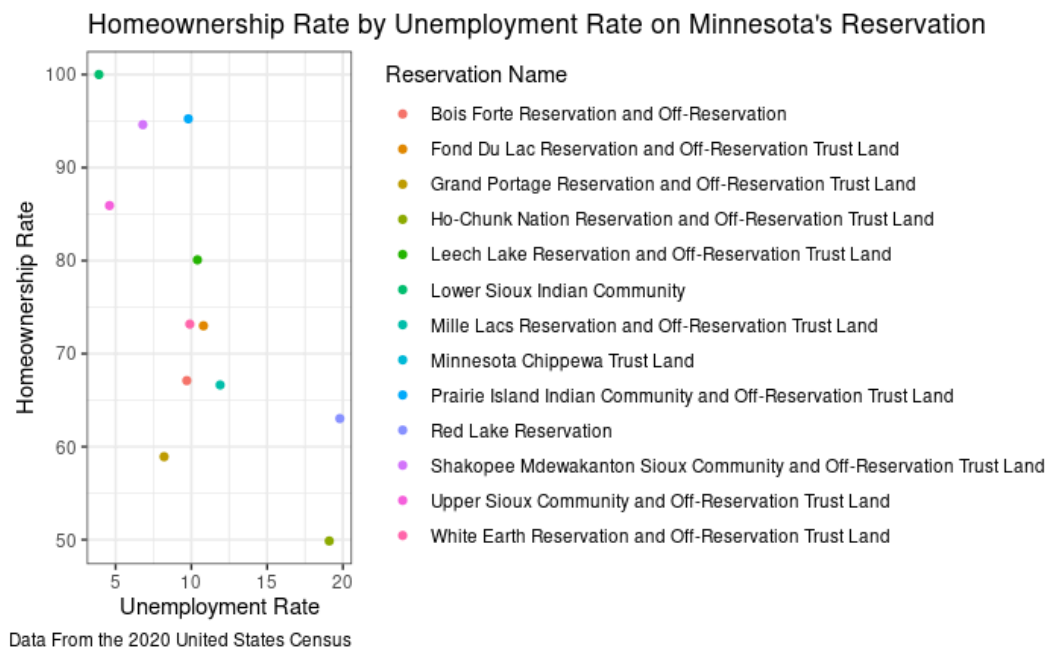
In Minnesota, there was a clear association between the presence of a tribal casino and an increase in the mean household income, which is shown in Figure 1. The reservations that are home to the two largest casinos in Minnesota, Prairie Island Indian Community and Off-Reservation Trust Land and Shakopee Mdewakanton Sioux Community and Off-Reservation Trust Land, which are home to Treasure Island Resort and Casino and Mystic Lake Casino, respectively, both had the highest mean household income in the state. However, the Prairie Island Reservation had the lowest median household income, which suggests that casinos do generate a lot of money, but it is not distributed evenly. The Pearson correlation coefficient was .946, which suggests a strong association between the two variables in the positive direction. However, it should be noted that if you exclude the extreme outlier that Mystic Lake Casino reservation is, the correlation value becomes a much more modest -.454. The reservation in Shakopee also broke this theory because, in fact, it distributed their wealth the best out of all Minnesota reservations. Ten out of the other thirteen Minnesota reservations had very little difference between each other. This fact suggests that the two most important factors for the economic impact of tribal casinos are their location and size. This idea requires further research. There was also one reservation, the Minnesota Chippewa Trust Land, that had no residents, so they were excluded from the study.



**Figure 1: Mean Household Income by Median Household Income For Minnesota Native Reservations**

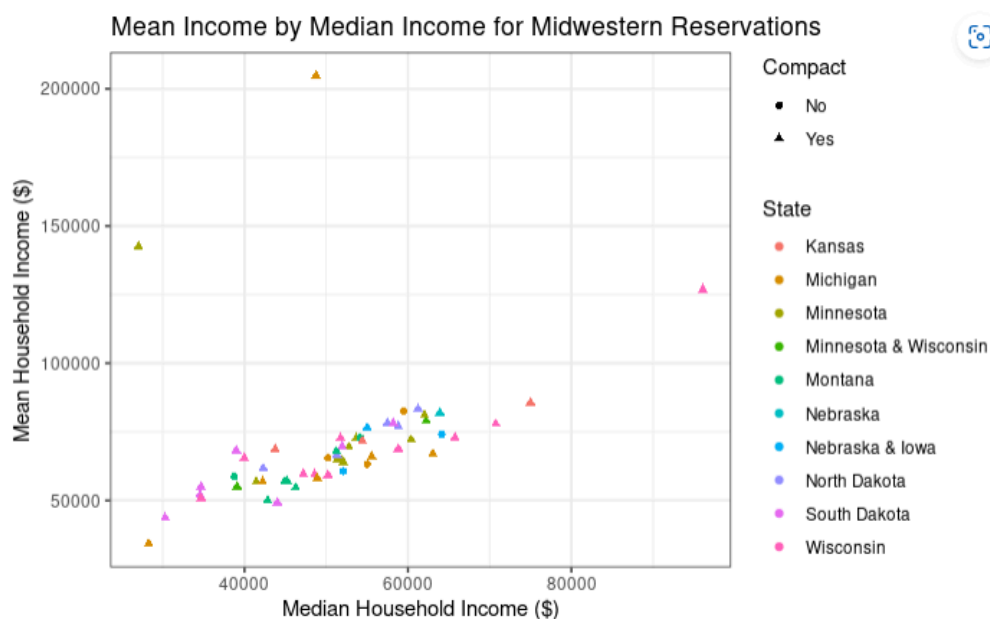


**Figure 2: Homeownership Rate by Unemployment Rate in Minnesota**



As shown in Figure 2, there was a moderate correlation between unemployment and homeownership rates. The Pearson correlation coefficient was  $-0.723$ , which means the higher the unemployment rate, the lower the homeownership rate. The previously mentioned reservation that is home to Treasure Island and Mystic Lake had the second and third lowest unemployment and homeownership rates, respectively. This suggests that that does also mean that tribal casinos do play an important role in economic issues. However, they both trailed the Lower Sioux Indian Community. The Lower Sioux Indian Community, which is home to Jackpot Junction Casino Hotel, This casino is significantly larger than the former two casinos but is also significantly larger than the casinos in the northern part of the state. The three reservations with the lowest unemployment rate and the highest homeownership rate all have large casinos easily accessible to people living in the metropolitan area. This all goes to show that casinos are likely to play a major role in a reservation's economy, which supports this paper's hypothesis.

**Figure 3: Mean Income by Median Income for Midwestern Reservations**



The data depicted in Figure 3 shows the relationship between the median and mean household income for every reservation in the Midwest. It also shows what state the reservation was in and if they had a gaming contract with their state government. The previously mentioned Shakopee Mdewakanton Sioux Community and Off-Reservation Trust Land were excluded due to them being extreme outliers, which helps paint a much clearer picture of the influence a tribal gaming site has on its community. Most of the reservations have a median household income between \$40,000 and \$60,000 and a mean income between \$50,000 and \$70,000. All of the reservations that extend past this range all have a gaming compact, which suggests that gaming could have an influence on their economy. The most extreme case is a reservation in Michigan that has a mean household income of over \$200,000 but only a median household income of roughly \$48,000. This supports the theory that casinos boost the local economy but do not distribute wealth evenly. In other words, they aid the top-income earners and not lower- and middle-class households. This shows a similar story to that of Minnesota, where the factors that contribute to the success of tribal casinos need to be further studied. The correlation coefficient between these two variables was .878, which suggests a strong correlation.

**Figure 4: Homeownership Rate by Unemployment Rate per Midwestern Reservations**

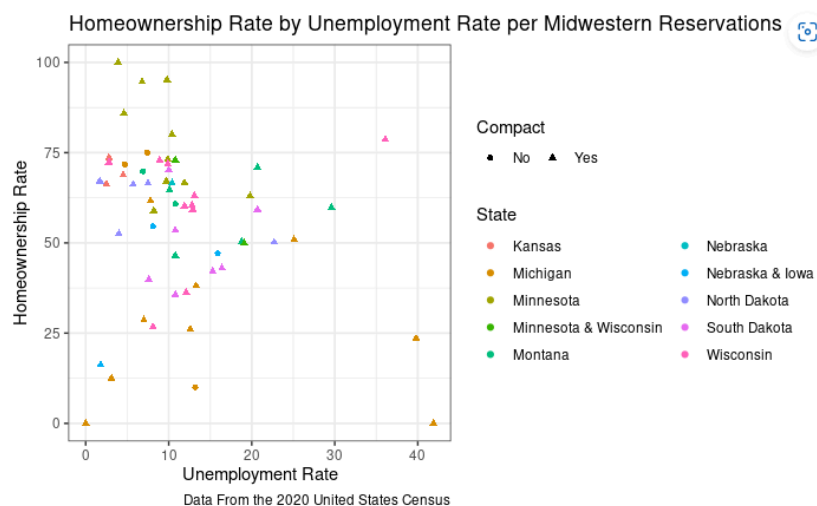


Figure 4 shows the relationship between homeownership and the unemployment rate for Midwestern Native reservations. It also has the same grouping as in Figure 3 of state and compact. Almost all of the reservations with the highest homeownership rates had a compact with their local state government. A similar story was true for the unemployment rate. There were two outliers that had compacts with extremely high unemployment and low homeownership rates. These reservations were not the most reflective of the situation as a whole because they had a very small population, so a few unemployed individuals caused major changes in the percentage. There were only 95 total residents. The two variables had a negative relationship with a  $-0.221$  correlation coefficient. This value suggests that as unemployment goes up, homeownership goes up, which is completely logical.

In conclusion, both studies suggest that tribal gaming influences the local economy. With the largest casinos having the biggest impact. The reasoning behind why some tribal casinos are successful and why others are not requires more research. The reservations that were home to the largest casinos had some of the highest mean household income, the lowest unemployment, and the highest homeownership. However, the reservations with the largest and most successful casinos did not always have the highest median household income. In fact, in some cases, they had the lowest median income. This suggests that the money that a tribal casino brings in is not necessarily equitable among the population. All of these factors suggest that the hypothesis was mostly correct but it failed to realize the potential inequality.

## Works Cited

- Anders, Gary C. "Native American casino gambling in Arizona: A case study of the Fort McDowell reservation." *Journal of Gambling Studies*, vol. 12, no. 3, 1996, pp. 253–267, <https://doi.org/10.1007/bf01539322>.
- Asante-Muhammad, Dedrick, et al. "Racial Wealth Snapshot: Native Americans " NCRC." *National Community Reinvestment Coalition*, 7 Apr. 2022, [nrc.org/racial-wealth-snapshot-native-americans/](https://nrc.org/racial-wealth-snapshot-native-americans/).
- Austin, Algernon. "Native Americans and Jobs: The Challenge and the Promise." *Economic Policy Institute*, 17 Dec. 2013, [www.epi.org/publication/bp370-native-americans-jobs/](http://www.epi.org/publication/bp370-native-americans-jobs/).
- Bangsund, Dean A., and F. Larry Leistritz. "Casinos in the Upper Midwest: A Discussion of the Impacts." *Department of Agricultural Economics*, no. 378, July 1997, <https://doi.org/10.22004/ag.econ.23459>.
- Bubb, Adam D., "Cashing in on Indian Casinos: The Impacts of 'Off-Reservation' Casinos on Sovereignty, the Gaming Industry, Surrounding Communities, Reservations, and Tribal Identities." *University of New Mexico*, May 2011.
- Bureau of Labor Statistics, United States. "Unemployment Rate for American Indians and Alaska Natives at 7.9 Percent in December 2021." *U.S. Bureau of Labor Statistics*, U.S. Bureau of Labor Statistics, 26 Jan. 2022, [www.bls.gov/opub/ted/2022/unemployment-rate-for-american-indians-and-alaska-natives-at-7-9-percent-in-december-2021.htm](https://www.bls.gov/opub/ted/2022/unemployment-rate-for-american-indians-and-alaska-natives-at-7-9-percent-in-december-2021.htm).

Center for New Media & Promotion (CNMP), US Census Bureau. “My Tribal Area.” *United States Census Bureau*, [www.census.gov/tribal/?st=27](http://www.census.gov/tribal/?st=27). Accessed 26 Jan. 2024.

Department of the Interior. “Gaming Compacts.” *Gaming Compacts | Indian Affairs*, [www.bia.gov/as-ia/oig/gaming-compacts](http://www.bia.gov/as-ia/oig/gaming-compacts). Accessed 26 Jan. 2024.

Evans, William N., and Julie H. Topoleski. “The Social and Economic Impact of Native American Casinos.” *National Bureau of Economic Research*, Sept. 2002, <https://doi.org/10.3386/w9198>.

Gorman, Linda. “The Social and Economic Impact of Native American Casinos.” *National Bureau of Economic Research*, Feb. 2003, [www.nber.org/digest/feb03/social-and-economic-impact-native-american-casinos](http://www.nber.org/digest/feb03/social-and-economic-impact-native-american-casinos).

Gregory, Robert G., et al. “The Individual Economic Well-Being of Native American Men and Women During the 1980s: A Decade of Moving Backwards.” *Population Research and Policy Review*, 1997, pp. 115–145.

James, Keith, et al. “Barriers to Workplace Advancement Experienced by Native Americans.” *Cornell University*.

Las Vegas, University of Nevada. “Tribal.” *University of Nevada, Las Vegas*, 2 Nov. 2022, [www.unlv.edu/icgr/tribal](http://www.unlv.edu/icgr/tribal).

Thompson, William N. *Gambling in America: An Encyclopedia of History, Issues, and Society*. 2nd ed., ABC-CLIO, 2015.

Meister, Alan. “The Economic Impact of Tribal Gaming: A State-by-State Analysis.” *American Gaming Association*, Sept. 2017,

[www.americangaming.org/sites/default/files/Economic%20Impact%20of%20Indian%20Gaming%20in%20the%20U.S.%20September%202017.pdf](http://www.americangaming.org/sites/default/files/Economic%20Impact%20of%20Indian%20Gaming%20in%20the%20U.S.%20September%202017.pdf).