

1 CHAIRMAN JAMES: Mr. Anders.

2 MR. ANDERS: Madam Chair, Commissioners, it's a
3 pleasure to be here today. I feel qualified to give this
4 presentation at this time in part because of my knowledge about
5 economics, but also because I teach working MBA students in the
6 evening and I teach them business economics so I try to keep
7 their eyes from glazing over while we get the points across.

8 The purpose of my presentation is to discuss the
9 policy implications of my research on Indian gaming, and to offer
10 some recommendations to help us more fully comprehend the costs
11 and the benefits of this activity.

12 I have no axe to grind, I approach this from the
13 social science point of view and try to maintain a degree of
14 objectivity and neutrality in analyzing these issues.

15 One of my professors in graduate school used to say
16 that no argument is so flat that it has only one side. This is
17 especially true regarding conflicts among local communities,
18 states and Native American tribes regarding gaming. Native
19 Americans assert that because of their sovereignty, federally
20 recognized tribes have the right to engage in gaming. In 1988
21 IGRA affirmed those rights, while at the same time, requiring
22 tribes to negotiate a compact with states.

23 For the most part, Native Americans have been a
24 historically oppressed and disenfranchised minority. They have
25 lost their lands, as Governor Thomas pointed out, and have been
26 relegated to the bottom of American society. Many reservations
27 are among the poorest and least developed parts of the United
28 States. Native Americans have seen government services cut, and
29 live with diminished opportunities to equally participate in the

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1 American dream. Over the five or six generations of the
2 reservation culture hopelessness and dependence has bred numerous
3 maladies symptomatic of unequal educational opportunities, high
4 unemployment, low incomes, poor health care and social
5 disintegration.

6 Tribes in Arizona are, in many ways, a cross-section
7 of the Native American experience and typify the situations found
8 in other parts of the country. Native Americans in Arizona may
9 have fared better economically and culturally than other tribes,
10 but for the last ten years, however, Arizona tribes have been in
11 conflict with the state over issues of taxation and equity in the
12 provision of services. Several important court cases have been
13 decided here, and there is a longstanding contentious element to
14 tribal-state relations because of sharp differences over the
15 control of tribal resources including: land, minerals, timber,
16 water rights, and now gaming.

17 Since 1992, there have been 17 reservation casinos
18 established in Arizona. These casinos have generated hundreds of
19 millions of dollars in profits for tribal communities. From the
20 state's point of view, Indian gaming is a business that
21 externalizes the social and infrastructure costs on to the state
22 and should be taxed. Tribal leaders argue that casinos have
23 created jobs, raised living standards, and stimulated new
24 business opportunities that also benefit the state. In addition,
25 gaming tribes have been able to improve health care, help needy
26 tribal members, modernize their housing stock, and build
27 infrastructure.

28 A summary, in general terms the benefits and costs
29 are included in a figure associated with my presentation. And

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1 this is simply an attempt to try to put the benefits and the
2 costs from the state's perspective in a conceptual framework so
3 that we can begin talking about it.

4 Research conducted with my colleague at ASU West, Don
5 Siegal, has been directed towards understanding the fiscal
6 impacts of Indian casino gaming on the State of Arizona. In a
7 recent article in Contemporary Economic Policy we found that
8 Indian casinos have destabilized state sales taxes, that's
9 Arizona TPT collection. That is, since the casinos have been
10 doing business in Arizona, actual sales tax revenues are below
11 projected sales tax revenues. Furthermore, we found evidence of
12 revenue leakages from taxable sectors, such as restaurants and
13 bars, to non-taxable gaming establishments. We argue that these
14 displacement effects are currently being masked by strong
15 economic growth and favorable demographic trends in the state.

16 Given the magnitude of the revenues generated by
17 these Native American casinos, it is not surprising that we find
18 strong evidence of displacement. Based upon slot machine and car
19 table earnings, the four Indian casinos close to Phoenix are
20 estimated to earn annual revenues of approximately \$750 million
21 per year. Off the reservation the State of Arizona collects a
22 TPT, Transaction Privilege Tax, of 5 percent on taxable items.
23 Since Indian casinos do not pay taxes to the state or Federal
24 Government, these four casinos alone displace state sales taxes
25 buy approximately 37.5 million dollars per year.

26 In another study, we found that an expansion of
27 Indian gaming is associated with a decline in state lottery
28 sales. These new findings imply that we may have a very

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1 conservative estimate of the total revenue leakages attributable
2 to Indian gaming.

3 Since the data on Indian revenues are not publicly
4 available, our research involves some fairly sophisticated
5 statistical techniques. Also, the existing socioeconomic data on
6 Native Americans may be confusing or misleading. An example in
7 point is the reference to reduction in the unemployment rate on
8 the Gila River reservation. I checked the two sources that I
9 have, both the Bureau of Indian Affairs and also the Arizona
10 Department of Economic Security, and neither of those two sources
11 provide evidence of that great a change in the decrease in
12 unemployment. This information is also included in a table on
13 unemployment rates on Indian reservations and it includes both
14 those with casinos and those without.

15 Okay. Consider the following example. Gaming tribes
16 point to the thousands of jobs created by casinos, and argue that
17 gaming is good because it increases tribal employment. If this
18 is true then decreases in reservation unemployment and the number
19 of families dependent upon welfare can offset the overall
20 displacement in state revenues.

21 While this reasoning is rather straightforward the
22 available evidence does not support the claim. Using data from
23 the Department of Employment Security, it cannot be determined
24 that the difference in the changes in the unemployment rates
25 between Arizona tribes is the result of a casino. While
26 individual tribes may experience a decrease in unemployment,
27 overall rates of unemployment for all tribes have shown a
28 downward trend after peaking in 1994. More over, conversations
29 with state gaming officials suggest that the rate of employee

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1 turnover in Indian casinos is high, and that the residual level
2 of permanent employment is much lower than we might assume.

3 My co-author and co-panelist William Thompson and I,
4 Bill Thompson and I, are working on a book that attempts to apply
5 public policy evaluation techniques to IGRA. After reviewing
6 much of the published literature we are left with the realization
7 that hard data on Indian gaming is almost non-existent. In
8 short, seldom has a public policy of this magnitude been allowed
9 to operate without an evaluation framework to assure that the law
10 is meeting its stated purpose.

11 I would like to end my discussion by talking about
12 two final points that I think are very important for the
13 Commission's attention.

14 First, there is a risk that the research undertaken
15 under the auspices of the NGISC will miss two aspects of the
16 gambling phenomenon. First, the public has a right to know more
17 about the cumulative effects of Indian gaming on the welfare of
18 tribes and the impact of tribal casinos on surrounding
19 communities. There should be a special effort to compile and
20 evaluate the existing studies, and also collect new data on
21 employment, income, welfare dependency, educational attainment,
22 and other socioeconomic variables. This should be done in
23 cooperation with the support of the National Indian Gaming
24 Association, the National Indian Gaming Commission and tribal
25 governments. There are too many instances where so called
26 national studies have not adequately focused on the economic and
27 social conditions of Native Americans. One important
28 contribution of this work will be to document successful

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1 strategies used by tribes to promote economic development and
2 diversification on reservation economies.

3 And let me just mention that in looking at the data
4 on Gila River there is a substantial decrease in unemployment and
5 to go along with this there is a decrease in the number of
6 recipients receiving cash welfare payments. So we're talking
7 here about an example of a tribe that's made some real progress
8 utilizing the revenues from the casino.

9 Such studies of successful tribes would provide an important
10 baseline for the discussion of development models appropriate to
11 all Native peoples.

12 Second, despite an extensive literature review on
13 compulsive and problem gaming there is still a strong behavioral
14 orientation to the NGISC research agenda. Gaming is a \$60
15 billion dollar a year industry that has a profound effect on the
16 total economy. We need to better understand the impacts on
17 economic growth, capital accumulation, technological innovation,
18 employment, and a whole host of related topics. Some will assert
19 the conventional bias that gambling is mala in se (an inherent
20 evil) and will argue that we should devote the entire research
21 effort to defining the magnitude of its negative externalities.

22 The NGISC could make an important contribution by
23 supporting research on the growth effects of gambling. Using
24 county and state data, economists would be able to identify
25 important statistical relationships that would help give us a
26 better understanding of gambling as an entertainment industry,
27 and not focus exclusively on its negative externalities.

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1 CHAIRMAN JAMES: Mr. Anders, thank you very much. We
2 do have the full text of your comments in front of us and I do
3 want to make sure that Mr. Thompson gets his full time.

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