

A Special Look at Indian Gaming

Editor's Note: While academic inquiry is blessed with strict demands for reliability, validity, statistical calculations and scientific methodologies it can be hampered by cold, impersonal investigation sometimes by researchers whose sole relation to the subject is intellectual. In the essay that follows we get a glimpse of Native American gaming from one who admits his admiration for a unique people and their culture and whose favorable attitude gives his writing an advocate's touch.

Dr. Ronald A. Nykiel's acquaintance with Native Americans goes back a long way and continues today. His college roommate was Native American. Nykiel lived and worked in Connecticut in the late 1960's and 1970's during the decline of manufacturing and the resultant economic hardship later turned around with the arrival of Foxwoods, the most successful casino resort ever, whether Native American or owned by private corporations. A second Indian casino, Mohegan Sun followed Foxwoods with its own measure of success and revenue generating benefits to Connecticut. Thus, Nykiel's view of "Connecticut Then and Now" commands our attention.

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An Assessment of the Many Contributions of Native American Gaming: Connecticut Then and Now

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Native American casino economic impact has been dramatic with social implications and infrastructure developments as well. In the case of two tribal nations developments in the state of Connecticut, the Mashantucket Pequot and the Mohegan Tribe, the impact has not only been dramatic, it has been extensive. The sphere of influence related to the impact includes the tribal nations, local townships, the seacoast area, the state, neighboring states, and the region. In addition to the geographic impact, these two developments have also influenced all other tribal nations by providing both motivation and successful examples.

Foxwoods

Foxwoods is a casino resort located in Ledyard, Connecticut. It is owned and operated by the Mashantucket Pequot Nation. It is the single most successful casino operation in the United States with annual casino revenue of well over \$1 billion. The story of how the casino came to be is an interesting one. Connecticut authorities in the 1960s were making plans to turn the Mashantucket Pequot reservation into a state park. Only one thing stood between the State of Connecticut and its plan to take over the last piece of reservation land: the determination of three elderly women not to let go. Alice Brend, Martha Langevin and Elizabeth George were half- sisters, born and raised at

Mashantucket early in the century. They had no political or economic power, but as long as they were alive, these three women could frustrate every outside effort to assert authority over Pequot tribal rights for nearly 20 years.

“They were going to fight to hold onto the land,” recalls tribal member Bruce Kirchner. “They were proud of their heritage, they were very knowledgeable of the history of the tribe, and I think they were well aware of what they had to do” (Mashantucket Pequot Museum & Research Center, 2004) In the mid-1980s, the Hartford Courant wrote a human interest story about an elderly, terminally ill woman who was the lone remaining member of the Pequot tribe living on tribal land. Upon her death, if no other tribal member resided on the land, it would automatically revert back to the State of Connecticut. Upon learning of the woman’s terminally ill condition and potential fate of the tribe, two tribal members, living in the area, moved back to the tribal land to insure that the Pequot Nation would not fade into history. They soon enticed other tribal members to move back with them but needed funds to improve the land and continue the tribe’s history.

The needs of the Mashantucket Pequot Tribal members, the state’s poorest group (according to the 1990 census) were persistently ignored by state government (Bee, 1990). Now, with its diverse business enterprises and reinvestments of capital in Connecticut, the Mashantucket Pequot Tribal Nation (MPTN) has become an economic growth marvel for the state and the immediate region.

Since the opening of its Foxwoods Resort Casino in 1992, the Nation has created almost 13,000 jobs and played a leading role in revitalizing the southeastern Connecticut economy of the early 1990s. However, the full economic impact of the Nation, its Foxwoods Resort Casino and other business enterprises is far greater than just direct employment effects.

Using a sophisticated computer model of the Connecticut economy and other economic analyses, the University of Connecticut’s Center for Economic Analysis has found that the Tribal Nation’s investments in people, goods and services, capital improvements and private land has had significant, positive economic impacts on the State (Carstensen, F., et al., 2000). The Center has found that:

- The Tribal Nation (MPTN) has raised real gross state product (GSP) by \$1.2 billion dollars on average above the baseline forecast annually over the study period due to the presence of its operations. This represents a yearly average percentage increase of 8.5% for New London’s gross regional product and 1% for the state’s GSP.
- The Nation has increased total (direct, indirect and induced) employment statewide by 41,363 jobs on average yearly above the status quo forecast.
- MPTN operations have sustained positive residential property values in a period when substantial cutbacks in manufacturing employment occurred.
- Seventy-three percent of visitors to Foxwoods Resort Casino came from other states whose spending is new to the region. This spending stimulates the expansion of the lodging and restaurant business in the area.
- MPTN operations have provided millions of dollars in property tax money to the Towns of Norwich, Preston, North Stonington and Ledyard.
- The Tribe has assumed a leadership role in welfare reform, including lifting families out of poverty through training and employment through its Work ETC program.
- MPTN has passed on revenues from slot operations to the State that topped \$1 billion in January 2000. These revenues are distributed in turn to the 169 towns in Connecticut.
- Developed high-speed ferry operations that connect New London with Glen Cove, NY and Martha’s Vineyard, and intersects the nation’s first high-speed train, Acela, in New London.
- Built a \$193 million Native American Museum that is a leading cultural attraction

in the area, attracting over 250,000 visitors per annum. The Tribal Nation also sponsors an annual tribal pow-wow, Schemitzun that brings cultural tourists to the area. Cultural tourists stay longer and spend more money than other tourists.

The Center's report looked at traffic congestion and reported crimes in the area as potential negative impacts on the economic growth of the region and the state. There was no measurable increase in crime outside of the casino resort. It should also be pointed out the MPTN makes approximately \$5.0 million in payments to the state for the State Police, the Liquor Control Division and Division of Special Revenue.

In summary, Foxwoods and the efforts of the Mashantucket Pequot Tribal Nation have served as a model and blueprint for other Native American gaming developments.

Mohegan Sun

Mohegan Sun is a tribal casino operated by the Mohegan Tribe. It is located 10 miles north of Foxwoods. Even though Mohegan Sun is a relative newcomer to the casino scene (1996), they have more than made up for time. They are the second most successful individual casino in the United States with gaming revenue in excess of \$1 billion annually. The fact that they exist at all is a tribute to Native American cooperation. When Foxwoods negotiated their exclusive agreement with the State of Connecticut, there was no plan for another casino. Two years after Foxwoods opened the newly elected governor wanted to bring in Las Vegas gaming mogul Steve Wynn and commercial gaming to help balance the state's budget shortfall but was precluded from doing this by the exclusive agreement with Foxwoods. When the Mohegan's approached the state, they too were rebuffed for the same reason. Foxwoods, however, subsequently agreed to waive the exclusivity for the Mohegans.

Foxwoods assisted the Mohegans in obtaining financing and management expertise in the person of Sol Kerzner, another foreign financier and with significant casino experience. Kerzner operated several casinos: in Sun City, South Africa; Resorts International in New Jersey; and the Paradise Island Casino in the Bahamas. The Mohegan tribe structured an excellent management team, which included some former Foxwoods executives. While each have their separate identity, there is much cooperation between Foxwoods and Mohegan Sun. Mohegan Sun management team has been intelligent enough to follow the successful blueprint of their neighbor and while the smaller of the two Connecticut Native American casinos, it continues to grow and prosper.

Connecticut Then and Now

In the ten years prior to Native American Gaming in Connecticut, many defense plants and other manufacturing facilities closed in the southeastern shoreline area and throughout the state. The result of the Connecticut closings was substantially more severe in terms of lost jobs, bankrupt businesses, lost state tax revenue, poorly funded schools, and road and highway decay. This same tragedy was repeated in many parts of the state during the early 1990's. In fact, many cities and towns in Connecticut were depressing. Storefronts were boarded up; there were vacant manufacturing facilities, and many empty and dilapidated houses. Many roads were in disrepair and there was a depressed decreasing population.

The U. S. recession in the early 1990's was of crisis proportion in Connecticut, a state that relied heavily on the defense industry and manufacturing as its economic motor. From 1988 to 1993, the Connecticut region lost approximately 10,000 jobs, including nearly 4800 manufacturing jobs (Hsu, 1999). In 1993, the projections for 1998 were even worse: 25 percent unemployment with 32,000 jobs lost (Dyer, 1977). Today, Connecticut has a top ten ranking in the country for the condition of its road system

(U.S. Department of Transportation, 2001), in the quality of schools, in the income of its residents, increases in real estate values and a vibrant services economy, according to the U.S. Census Bureau.

How could all this dramatic turn around and these many positive changes occur in just a decade? No, Connecticut did not raise income taxes or create a plethora of new taxes. Connecticut entered into an agreement to allow Native American gaming and to share in the revenue, a move made possible with the passage of important Federal legislation, The National Indian Gaming Regulatory Act of 1988.

Changes in the laws, a unique geographical location between two major metropolitan areas (Boston and New York), a heroic effort from tribal leadership, and greater acceptance by the American people toward gaming, created an excellent opportunity for the Mashantucket Pequot to run one of the most successful casinos in the United States (d'Hauteserre, 1998). The two most significant successes have been the Foxwoods and Mohegan Sun casinos both located in Connecticut. They are the two highest revenue-grossing casinos in the United States including non-Indian casinos owned by Harrah's, MGM Mirage and Park Place Entertainment. None of these non-Indian casinos come even close to achieving the revenues generated by Foxwoods and Mohegan Sun.

Other Successful Native American Casinos

Turning Stone in New York, Barona in California, Sac and Fox in Iowa, the Mdegonquin Sioux in Minnesota, the Silver Star in Mississippi, the Cherokee and Comanche Nation Game casinos in Oklahoma, the Isleta and Sandia casinos in New Mexico, and the Paragon Casino Resort in Marksville, the Grand Casino Coushatta in Kinder and Franklin, and the Cypress Bend Casino in Chariton, Louisiana are some examples of successful Native American casino operations. These successes have led to a re-evaluation of casino policy in several states formerly opposed to gaming including Nebraska, Florida, Massachusetts, New Hampshire and Hawaii.

Let's look briefly at the economic impact that gaming has had in two states outside of Connecticut, namely Oklahoma and New Mexico. In Oklahoma tribal gaming represents 100 percent of all gaming operations in the state. Tribal gaming has significantly benefited the state, its citizens, and the Indian nations of Oklahoma. Tribes initiated gaming as a means of raising revenues to maintain economic self-sufficiency. The local communities where gaming operations are located also benefit from the new jobs created, earnings, and spending. This in turn decreases the state's burden on welfare obligations, which benefits all citizens. Furthermore, many Indian nations in Oklahoma and in the United States contribute to charitable organizations.

Tribal gaming operations generated over \$208 million in revenue for Oklahoma in 2000. These revenues contributed to the employment of about 3,800 people. These operations also benefited various other industries through the purchase of \$70 million in supplies and services necessary for gaming operations. Annual gaming salaries and wages totaled \$43 million 2000. The estimated economic impact in terms of new jobs created was in excess of 9,000 during 2000. In 2000, the state collected over \$23 million in tax revenues from gaming operations in Oklahoma (Oklahoma Tax Commission, 2002).

In 2002, New Mexico received approximately \$39 million in gaming taxes. Much like Oklahoma, New Mexico's gaming industry is operated primarily through Native American Indian Tribes. New Mexico, and the tribes involved in gaming, has funded many social and public programs. According to the 1990 census, the per capita income of the Indians in New Mexico was \$5,141. One of the Indian tribes, the Sandia Pueblo, have benefited tremendously through its gaming operations. The tribe does not directly

distribute its gaming earnings with the tribe members, but indirectly spreads the wealth through the development of government and social services. The gaming operations are allowing many tribes, such as the Sandia Pueblos, to break the cycle of dependency on federal subsidies benefiting not only the tribe, but also taxpayers alike (New Mexico Gaming Control Board, 2003).

Clearly, the socio-economic benefit of the gaming industry to the aforementioned states is significant. New jobs, earnings, and tax revenues have positively impacted the economies of each subject state. Tourism in Connecticut, Oklahoma and New Mexico continues to show positive growth, as does retail spending by out of state visitors. This growth trend in visitors and retail sales parallel the growth trend in revenue from Native American Gaming.

The growth in Native American gaming operations is further evidenced by a steady increase in the number of tribal gaming establishments and the burgeoning revenue nationwide, as shown in Table 1.

Table 1
Summary of Indian Gaming Revenue

| YEAR | # OF TRIBAL CASINOS | REVENUE (IN BILLIONS) |
|-------------|----------------------------|------------------------------|
| 1997 | 266 | \$7.5 |
| 1998 | 297 | 8.5 |
| 1999 | 290 | 9.8 |
| 2000 | 288 | 10.9 |
| 2001 | 290 | 12.7 |
| 2002 | 295 | 13.8 |
| 2003 | 299 | 15.2 |

SOURCE: National Indian Gaming Commission, 2003

Native American Gaming Economic Failures

Not all Native American casinos have been successful. Failures include the Lummi and Nooksack casinos in Washington State and several small casinos in rural areas throughout the northern tier of states. Much of the failure is due to poor locations, unrealistic expectations, unfulfilled promises, high debt to income ratio, and poor management both on the part of the tribes and the management companies hired. The National Indian Gaming Commission has recently interjected itself and now requires that the commission prior to execution approve all new development plans.

From studying the successes and failures, it is apparent there are three critical factors that contribute to the success of all Native American casino operations. These include location, management and feasibility. The proximity of the casino to a population center for both players and employees is very important to its success. Access to major highways, airports and public transportation is also very important. Further, the relationship between the management company and tribe is also very important. Short-term management contracts, tribal interference and early contract terminations without just cause have shortened the list of tier one management companies willing to undertake tribal casino development. To their credit, Native American casinos have taken the business approach of conducting market and feasibility studies to ascertain market support and demand.

Conclusion

The socio-economic benefits of Native American Gaming as evidenced by the case of "Connecticut Then and Now" and the other positive contributions in the various states that allow gaming cannot be denied. The socio-economic benefits include: increased revenues/taxes; job creation; improved state educational systems; enhancements to infrastructure and services provided to residents of the respective states. Further Native American gaming has helped one of the most forgotten minority groups in America to move forward with better economic conditions, education programs, job creation, and historic/cultural preservation. The tribes, for the most part, have made good use of their newfound wealth to the benefit of their tribal members (National Indian Gaming Association, 2003).

In many Native American communities, such as in Connecticut funds have been allocated to guarantee an education up to and including college for all Native Americans or in Connecticut's case all children in the Mashantucket Pequot Nations. Further, gaming generated funds have provided the resources to educate society on the history and culture of the Native American. For example, within the gaming facilities in Connecticut there are historic displays and exhibits delineating the Native American's nation's history and culture. Funds have also supported Native Americans participation in diversity education through conference participation, political action and individual leadership examples. Two individuals in the Mashantucket Pequot Nation, Jayne Fawcett and Roland Harris were recognized with lifetime achievement awards for their efforts in education by the Hospitality Industry Diversity Institute in 1999. Fawcett, the daughter of a Tribal Chief and Harris, president of the Tribal Council dedicated much of their time and resources to seeing that tribal children receive their basic education and scholarship opportunities for higher education.

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