

The Impact of the Turning Stone Casino on Employment, Taxation, and Social Factors in the Three-County Area

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I. Introduction and Motivation

Gambling in America has long been an extremely controversial topic. Various non-profit groups throughout the country work to raise awareness of the detrimental effects it can have upon individuals, communities, and the whole of the United States. These include, but are not limited to, increases in bankruptcy claims, crime rates, divorce rates, and wasted state and Federal expenditure in the form of welfare and Medicaid programs. However, in the past twenty years, gambling in the United States has increased exponentially despite these possible negative social impacts. For example, from 1988 to 1997, per capita state lottery sales increased by over 300 percent.¹

¹ *National Gambling Impact Study Commission Report*. National Gambling Impact Study Commission. 1999. p 2-1.

A much more remarkable increase occurred within the casino industry (which average Americans equate with gambling), where, prior to 1990, casinos operated legally in only two jurisdictions: Nevada and Atlantic City. Currently, casinos operate legally in 28 states. There are now over 100 riverboat and dockside casinos in operation, mostly along the Mississippi River, and over 260 casinos in operation on Indian reservations.² The later were made possible by the *Indian Regulatory and Gaming Act*, passed in 1988. Citing Supreme Court decisions assuring sovereignty on tribal lands, the act specified the exact mechanisms and procedures through which tribal gaming could take place, and be properly regulated. As a result of this act, from 1988 to 1997, tribal gambling revenues grew from \$212 million to over \$6.7 billion annually – a more than 3,000% increase.³

The growth of these Indian casinos spurred a great deal of controversy within the United States for several reasons. Economically speaking, sovereign status allows Indian tribes to operate these facilities without paying taxes to the Federal, state, or local governments. Concurrently, this non-tax status may cause cannibalization of local expenditure, luring spending away from other local businesses. These two characteristics result in lower tax revenues for the local, state, and Federal governments, and reduced merchant profit in areas surrounding the casino. Another worry regards the locations these casinos typically enter. Areas surrounding tribal land are, on the whole, economically depressed areas. The worry then ensues, that those spending money at the casino will be those that can least afford it. Unlike the large resorts in Atlantic City and Las Vegas, these tribal casinos are thought to generate a majority of their revenue from local sources, which should decrease the amount of non-gambling spending occurring in

² *National Gambling Impact Study Commission Report*. p 2-1.

³ *ibid.*

the areas surrounding the casino.⁴ This gambling increase is also thought to positively influence crime rates, bankruptcies, and have other social costs that are more difficult to quantify.

These potential negative effects, however, must be compared with the positive economic impacts that these casinos provide. Entering into economically depressed areas, they provide employment to the local economies directly, and indirectly through increased demand for resources such as construction, food services, and other products and services necessary for the establishment's operation and growth. This increased employment, if it is not restricted solely to tribal members, results in increased state and federal government revenues in the form of payroll taxes. Casinos also have the potential to attract large amounts of tourists to an area. This increase in tourism may cause spillover spending to local non-gambling businesses, particularly in the case of more rural areas. Additionally, the positive effects upon unemployment rates and per capita income may actually decrease the social ills discussed in the previous paragraph.

This study analyzes the economic impact of the Turning Stone Casino, owned and operated by the Oneida Indian nation, located in one of the poorer areas of upstate New York. Opening in 1993, the casino has become one of the largest tribal casinos in the country, creating over 4,000 jobs in the last ten years (\$85 million in employee wages), and investing over \$2 billion in construction spending in New York State alone.⁵ The study analyzes these positive economic impacts, as well as the social costs of the casino

⁴ "The Case Against Casino Gambling," Pennsylvanians Against Gambling Expansion. website accessed November 12, 2004. <http://strongerpa.org/report/case.htm>.

⁵ "Fact Sheet: Positive Economic Impact of the Oneida Indian Nation." Oneida Indian Nation. website, accessed April 23, 2005. <http://oneidanews.net/media/631.pdf>

in order to determine the overall net impact of the casino on the Oneida, Madison, and Onondaga county area.

The following section of this paper gives a brief background of the literature on Indian casino gaming, and casino gaming in general. These topics range from studies conducted on state revenues, crime, and bankruptcy rates, to descriptive studies estimating employment benefits of various casinos upon their local economies. Part three describes the background of the Oneida Indian Nation, including information on treaties, land claims, and general information regarding the current state of the tribe. Part four describes the three county area which is most affected by the Turning Stone Casino: Onondaga, Oneida, and Madison Counties. Parts five through nine analyze the impact of the casino upon employment and income taxes, sales taxes, crime rates, and income maintenance benefits spending in each county respectively. Finally, the paper closes with some conclusions regarding the overall net impact of the casino upon the area, and suggestions regarding future studies.

II. Literature Review

Numerous studies regarding the economic and social effects of casino gambling have been conducted in recent years, particularly with the advent of Indian casinos and tribal gambling. The majority of these studies, however, are biased in one direction or another in that they are commissioned by either the gaming industry itself, or by various social advocacy groups. Studies commissioned by the gaming industry, pro-casino Indian tribes, and other pro-gaming groups typically highlight only the economic benefits created by the casino businesses. These include increases in local employment, revenues

generated from increased tourism to the casino, spillover spending to local non-gambling businesses from this increased tourism, and other positive economic factors. Studies from social advocacy groups, on the other hand, typically focus on the negative externalities that may arise from a casino's introduction into a local area. These include increased bankruptcy claims, increased crime rates from local and imported sources, cannibalization of spending away from other local industries, and other negative factors.

Two good examples of this polarity in the literature are the Zogby study, commissioned by the Oneidas themselves in 1998, and updated in 2001, to measure the economic impact of the Nation, and a study entitled "The Case Against Gambling," conducted by the non-profit group Pennsylvanians Against Gambling Expansion. The 1998 Zogby study found that the Oneida Indian Nation, through multiplier effects upon employment, generated a total of 5,116 in the Central New York region. Through the over \$103.8 million the Oneida's spent on vendors in the local area, Zogby found that 482 jobs were created. In terms of taxation, \$26.3 million were generated in the form of state and federal income and payroll taxes, with over \$10 million contributed in all forms of property and sales taxes to Oneida and Madison Counties.⁶

The study's measurement of employment and income tax effects were conducted in the same basic framework presented within this paper. However, its estimates on other forms of taxation were skewed. Zogby merely generated statistics for the average amount of taxation paid by a worker in New York, adjusting this number for the lower average wages in the Central New York region. They also included the amount of property tax paid by the average worker in each of the affected counties, and multiplied this by the total number of workers supported by Oneida businesses. This method

assumes that these residents would not pay any property taxes if the Oneida enterprises were non-existent. This assumption is an exaggeration that is often present in studies of this type, commissioned and paid for by the Nation themselves.⁷

A study by the non-profit group Pennsylvanians Against Gambling Expansion (PAGE), highlighted the case against bringing casino gambling into the state. They used several case studies regarding the negative impacts of opening a casino upon the surrounding communities. The main arguments were that casinos often tend to fail in delivering the economic development they promise, they lead to social harm in the form of problem gambling, crime, corruption, and bankruptcy, and they often tend to be a tax burden on the state taxpayers rather than boosting state revenue. Nationwide, crime rates in casino areas were nearly twice as high as the nationwide average. Few merchants in surrounding areas claim they benefit from the increase in tourist traffic that casinos allegedly provide. A typical casino reports that over 70 percent of gamblers are from the surrounding area, meaning that little discretionary spending is brought in from outside areas. Most places overestimate the amount of tourism they will receive, casino related tourism draws people away from other tourist attractions, and very few casino visitors spend any time in local places of business outside the casino itself. Total state expenditures as a result of problem gambling are staggering. They estimate that added social costs to Wisconsin as a result of the casino introduction is \$320 million per year, assuming casinos led to a .7% increase in problem gambling at an expense of \$13,000 per problem gambler.⁸

⁶ "Oneida Nation Economic Impact Study," Zogby International. 15 December 1998.

⁷ *Ibid.*

⁸ PAGE

The study presents some interesting descriptive statistics, painting a very negative picture of the introduction of casinos to local areas. However, many of these effects are community specific. For example, economic benefits of a casino in a more urban area tend to be substantially lower than a rural area because additional spending at local attractions would be more diffused. For example, a rural area containing few gas stations will likely experience an increase in the utilization of those stations surrounding rural casinos. Also, rural casinos are less likely to divert visitors away from other local attractions in areas that have few other attractions to offer. This is particularly true in the three county area surrounding the Oneida Nation.

In a paper published in the *Annals of the American Academy of Political and Social Science*, Ricardo Gazel (1998), a Federal Reserve Bank economist, recognized this bi-polarity among prior studies and presented an outline for an unbiased academic study of a casino's economic impacts. According to Gazel, a complete impact study would focus on both the economic costs and benefits incurred by local area as a result of the casino. The benefits should include casino expenditure on wages and salaries, purchases of goods and services from other businesses within the impact area, advertisement spent within the local area, utility payments, insurance, construction spending, maintenance costs, local tax payments, and any shared profit between the casino and its employees or local governments. Additional benefits include expenditure by visitors on nonlocal businesses such as lodging, food, shopping, and entertainment.⁹ The overall economic costs of the casino should include spending by local residents on gambling that would have been used at other local industries, diversion of visitor spending away from non-

⁹ Gazel, Ricardo. "The Economic Impacts of Casino Gambling at the State and Local Levels," *Annals of American Academy of Political and Social Science*. March 1998.

casino businesses, growth in government expenditure (such as increased spending on road construction as a result of traffic increases), higher crime rates, and costs associated with problem gamblers.¹⁰

Gazel admits that many of these economic factors are extremely difficult, if not impossible, to quantify accurately, especially without time-consuming and often flawed survey data. This is particularly true of the negative externalities associated with gambling such as crime rates and bankruptcy costs. This does not mean, however, that they should be ignored in an economic impact analysis. Gazel states, “Politicians should also examine the negative side associated with casino gambling and not focus only on the positive side of job creation and increased tax revenues. Negative externalities are a reality even if precise estimates of their monetary costs are not yet available.”¹¹

Evans and Topoleski (2002) detailed the social and economic impacts of Indian casinos nationwide. They used a difference-in-difference framework, comparing economic results upon the tribe and surrounding community before and after a tribe opened a casino. Results indicated that tribes experienced only positive impacts such as increased population, increased income per capita, and lower poverty rates. The gaming operations had mixed effects upon the surrounding economies, depending largely on the size of the casino, and the surrounding communities’ previous economic condition. Positive effects included increased health benefits, as mortality rates fell by 2 percent in counties in which a casino opened within 4 years, and 1 percent in adjacent counties. However, bankruptcy rates, violent crime, auto theft, and larceny were all up 10 percent

¹⁰ *Ibid.*

¹¹ Gazel, 83.

in counties containing a casino, illustrating that some negative social costs do come with increased economic well-being and increased tourism.¹²

The data set they used was incredibly inclusive. It contained information for all tribes in the continental U.S. for 1983, 1989, 1991, 1993, 1995, 1997, and 1999. They found that employment growth seemed largest in rural markets four years after a casino opens—definitely the case with the Oneida Nation casino.

It is important to note that Evans and Topoleski admit that the practice of estimating impact on regions that are perpetually improving economically may overstate some of the positive economic effects of the casino itself, due to omitted variable bias. This, however, is untrue with the Oneida nation, as the Turning Stone Casino is located in an area that has experienced decreasing growth in per capita income in recent years. Thus, estimates on the positive impacts of the casino may be underestimated, if anything.

Many studies have been conducted on the overall impact of gaming in particular states. Cornell and Taylor (2001) conducted an analysis of Indian gaming in the state of Arizona. Their data set utilized Bureau of Indian Affairs information on all tribes operating gambling establishments in Arizona. It found that Arizona Indian casinos spent over \$254 million on goods and services in 2000, the majority of which was injected directly into the Arizona economy. In the spring of 2001, 9,324 employees were engaged in gaming or regulatory activities statewide, of which 57 percent were non-Indians. These non-Indian employees generated over \$28 million in federal and state payroll taxes yearly. Through the use of an economic multiplier, estimating the effects of increased final demand for goods and services that the casino causes, they calculated that at least

¹² “The Social and Economic Impact of Native American Casinos.” NBER Working Paper 9198. Jan. 2004.

14,784 in-state jobs were attributable to Indian casino operations, which generated over \$468 million in economic activity in-state in 2000.¹³

This study did not attempt to quantify the social and economic costs that the casinos generated in the economy, and so can not be considered an accurate cost-benefit analysis. The study looked at purely positive monetary and employment impacts upon the state. As such, it is useful for looking at how to compute overall economic benefits. The economic multiplier they used was most likely less accurate than the BEA multiplier that is used in this study, in that they used only one multiplier for all casino expenditure, rather than compute industry specific effects on segmented expenditure.

Another Arizona study, Anders, Siegel, and Yacoub (2001), provided a more exact model for computing the effects of Indian casino gambling on state revenues, looking closely at the possible diversion of funds from taxable activities to non-taxable tribal activities. The standard econometric model used to forecast state tax revenues is as follows:

$$TFP = f(\text{EMPLOY}, \text{RETAIL})$$

where TFP (total privilege taxes) are a function of employment and retail sales. They utilized the following equation to determine the effect of a casino:

$$\text{LogTFP} = \beta_0 + \beta_1 \text{Log EMPLOY}_t + \beta_2 \text{Log RETAIL}_t + \beta_3 \text{CASINO} + u_t$$

¹³ “An Analysis of the Economic Impacts of Indian Gaming in the State of Arizona.” Udall Center for Studies in Public Policy. University of Arizona, June 2001.

where CASINO is a dummy variable which equals 1 after the introduction of Indian casinos to the state in 1993, and 0 prior to that date. They generated a coefficient on CASINO of $-.027$, statistically significant at a 95 percent confidence interval. This effectively showed that the entrance of casinos into the Arizona economy had a detrimental effect on overall state revenues.¹⁴

These results suggest that the introduction of Indian casinos to Arizona displaced spending from taxable areas into non-taxable tribal areas. While this is not necessarily surprising, it does indicate that the negative effects of lost retail taxes from increased tribal economic activity may outweigh any positive effects on taxes from increased business in the state as a result of Indian gaming. However, from the previous Arizona study, only about 57 percent of employees in Arizona casinos are non-Indians. The other 43% of employees do not pay state income taxes on their earnings, causing the positive effect of employment on state revenues to decrease. At the Oneida casino however, over 90 percent of the employees are non-Indian, which would cause the payroll tax effect to be much larger and would more likely offset the cannibalization effect of spending diversion.

Another national study, conducted by Taylor, et al. (2000), highlights this rural difference. The study compares the social and economic effects of American Indian gaming on the surrounding communities with the effects of non-Indian gaming facilities on their surrounding communities. They utilized a national sample of 100 communities across the United States. Twenty-four of these experienced the introduction of a non-Indian casino, and sixteen experienced the introduction of an Indian casino. All of the

¹⁴ “Does Indian Casino Gambling Reduce State Revenues? Evidence from Arizona.” Western Economic

communities used in the study had populations of 10,000 or greater. Their equation utilizes a summation of total income from 1981-1997, a dummy variable equaling 1 if the area experienced the entrance of a casino, a dummy variable equaling 1 if that casino is an Indian casino, and a dummy variable equaling 1 if the area is a large market (near Eastern Connecticut or Minneapolis casinos—the two largest casino areas outside Las Vegas and Atlantic City). They found that Indian casinos typically have a greater positive net impact on the surrounding communities than non-Indian casinos because the latter are more likely to enter economically depressed areas. Not only do Indian casinos tend to increase employment and local GDP while lowering poverty rates, but they also result in lower crime and suicide rates due to a positive income effect upon the population.¹⁵

Friedman (1989) investigates casino gambling in Atlantic City throughout the high-growth period of 1978-1984 and its effects on local crime rates. The sample pool consisted of 64 communities within the three counties surrounding the city. He utilized time-series data stretching from before the casinos' entry into the local market until 8 years after, analyzing property and violent crime rates. Included in the model were variables such as how accessible the community is to Atlantic City, the population of the community, the unemployment rate and value of real estate in the area, and the population density of the area. The authors found that the introduction of casinos in the Atlantic City area caused a crime increase greater than what could be explained by population increases, and that the social cost of crime needed to be considered in weighing casinos as growth stimulators. Additionally, areas outside the economic impact

Association International. 2001.

¹⁵ “The National Evidence on the Socioeconomic Impacts of American Indian Gambling on Non-Indian

area of the casino—that is, those that did not gain any benefits from employment or spillover spending—may also experience the negative externality of crime increases due to gambling growth.¹⁶

Although the study involved extremely large casinos in an urban environment, the findings should be applicable to this study of a large rural casino. Many of the areas affected by the crime externalities generated from the casinos were small rural communities—suburbs and towns in the counties surrounding the city.

In addition to crime, many believe that increases in bankruptcy rates are negative externalities associated with the introduction of a casino into an area. This generally stems from concerns over problem gambling—gambling in which a person utilizes resources greater than a reasonable level of their disposable income in order to feed a destructive gambling habit. The presence of an accessible casino will, therefore, increase a problem gambler’s likelihood of bankruptcy. Additionally, Indian casinos typically enter economically depressed areas (a result of the federal government’s allocation of reservation land). Residents in these areas, by definition, may be more prone to bankruptcy problems from gambling because they may not have as much disposable income. Casino supporters, on the other hand, argue that increases in employment and economic stability brought by the casino offset any negative effects caused by problem gamblers. In addition, most casinos offer medical coverage that is not typically available in alternative low-paying occupations, reducing local bankruptcies caused by high medical bills.¹⁷

Communities.” American Behavioral Scientist. 2000.

¹⁶ “Casino Gambling as a ‘Growth Pole’ Strategy and its Effect on Crime,” *Journal of Regional Science*, 1989.

¹⁷ “Casino Gambling and Bankruptcy in New United States Casino Jurisdictions,” *Journal of Socio-*

A study conducted in 1999 utilized quarterly data on personal consumer bankruptcy from 1989-1998 in order to compare the increases in bankruptcy rates among communities that experience the introduction of a casino during the time period with similar communities that had not. The study compared eight communities in Iowa, Missouri, Illinois, and Mississippi, all of which had gambling for at least four of these ten years, with control communities matched through similarities in such demographic and economic variables as median household income, unemployment rate, percent of residents in poverty, population density, racial composition, and income equality. Results showed that 7 of the 8 casino communities experienced higher bankruptcy rate increases than their control group; 5 of these were significantly higher at a 90% confidence level.¹⁸

One community, Biloxi, Mississippi, experienced decreases in bankruptcy rates compared to its control group over the time period that were statistically significant at a 95% confidence level. Interestingly, the authors characterize this area as the only example of a “destination resort,” meaning that a large percentage of its patrons are from outside the community. The area, therefore, is able to reap the economic benefits of casinos without the negative effects of bankruptcy, “effectively exporting gambling.”¹⁹ In determining the level of economic cost and benefit to a community, it is extremely important to estimate the percentage of business a casino receives from out-of-area patrons.

A similar study, Barron, Staten, and Wilshusen (2002), used annual bankruptcy filing rate data over the period from 1993-1999. During this timeframe, bankruptcy

¹⁸ *Economics*, June 1999.
¹⁸ *Ibid.*

claims increased dramatically, with almost a half million more claims in 1999 than even 1995. Their data set consisted of over 3000 U.S. counties, with new county-level measures of consumer debt, compiled by the major U.S. credit bureau TransUnion—as a right-side variable. Their model for bankruptcy levels included household income, growth rates of income, employment tenure, unemployment rates, divorce and health insurance rates, population densities, age demographics, casino revenues, and dummy variables for each year to capture time trends.²⁰

They found that the presence of a casino had a positive and significant impact upon bankruptcy filing rates in its county, as well as surrounding counties. Their model painted a very clear picture of the effects of casino gambling increases:

The model suggests that bankruptcy filing rates in 1998 would have been 2.6% lower in counties that hosted or were adjacent to casinos, which translates into slightly less than a one-half of 1% lower filing rate nationwide. If we impose a more extreme assumption of no casino gambling at all, then the model predicts a 5.4% reduction in 1998 filing rates for casino and adjacent counties and close to a 1% decline in the nationwide filing rate²¹.

They went further to compare rates in 1998 if income had not increased at a very substantial rate, and if levels of consumer debt had remained constant. It is important to note that these results are purely local, meaning that they do not capture effects if a gambler lives outside the adjacent counties of a given casino. The authors also mention

¹⁹ *ibid.*

²⁰ Barron, John M., Michael E. Staten, Stephanie M. Wilshusen. “The Impact of Casino Gambling on Personal Bankruptcy Filing Rates,” *Contemporary Economic Policy*, Vol. 20. No. 4. Oct. 2002.

²¹ Barron, 455.

that urban casinos typically cause greater negative externalities, such as bankruptcy, as a result of their largely local revenue source.²²

The latest publication relating casino gaming to personal bankruptcy was a study conducted by Thalheimer and Ali (2004). Their panel data sample consisted of each county in Illinois, Iowa, Missouri, and Mississippi—all states that permit legalized riverboat gambling. These comprised a total of 398 counties, observed over the eight year period from 1990-1997. The authors used a linear model to relate the total number of Chapter 7 and Chapter 13 personal bankruptcy filings to each county's lagged unemployment rate, per capita income, ratio of disposable income to consumer and mortgage debt, and demographic variables such as population in specific age group, race, and gender populations, as well as divorce rates. The authors also utilized a dummy variable for 1995, the first full year after the Bankruptcy Reform Act of 1994 was implemented. They used two gaming variables in the model, measuring the degree of availability of casino gaming and the availability of pari-mutuel wagering.²³

Accessibility was measured assuming each county resident was located at the geographic center of their respective county.²⁴

Their model fit the data quite well, with an R^2 value of .899. All demographic and economic variables were statistically significant at a confidence level of 90% or higher; however, the casino and pari-mutuel variables were not statistically significant.

The authors suggest that differences between their results and prior studies that found

²² *Ibid.*

²³ Pari-Mutuel wagering refers to betting on such activities as horse races, sports games, etc. In these games, the payouts are largely based upon the total bets placed upon each possible winner in the game. These include sites such as Off-Track Betting.

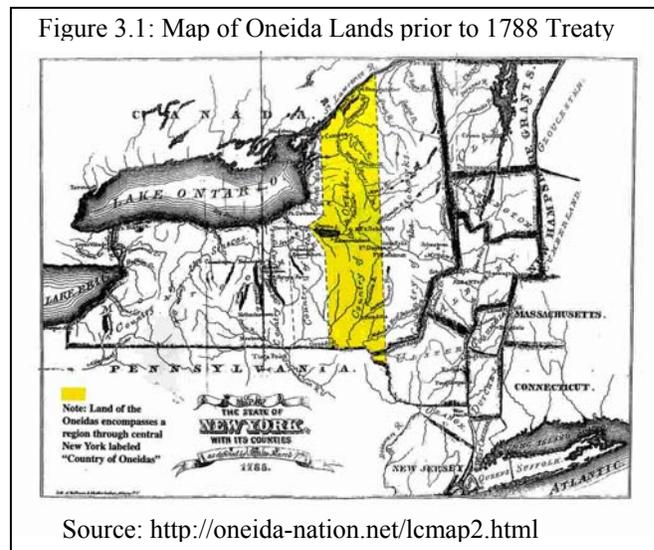
²⁴ Thalheimer, Richard, Mukhtar M. Ali. "The Relationship of Pari-Mutuel Wagering and Casino Gaming to Personal Bankruptcy." *Contemporary Economic Policy*. Vol.22, No.3. July 2004.

significant impacts from gambling upon bankruptcy rates revolve around the types of data collected, rather than the form of the model. Much of the data they utilized, particularly with regard to debt levels, was collected at the national rather than the county level. As such, their conclusions may fail to take into account local debt levels that may differ significantly from national averages.

III. The Oneida Nation

Since 1788, the Nation and either New York State or the federal government have been involved in numerous treaties regarding ancestral Oneida land. These treaties have been the basis for numerous Supreme Court decisions in the past fifty years that have served as guidelines for the Nation's sovereign and, for the purposes of this paper, non-taxable status. This section gives a brief overview of the political environment surrounding the Oneida Indian Nation, the surrounding municipalities, and the New York state and federal government, as well as a discussion of the Nation's current status.

In 1788, the first treaty between an American government and the Oneida Indian Nation took place, with the Treaty of Fort Schuyler. As a result of this treaty, the Oneida Nation was given reservation lands of approximately 300,000 acres in the Central New York region. All other lands were ceded to the state of New York for a given price. In 1790, Congress instituted



the Nonintercourse Act, saying that tribal lands could not be sold without the expressed consent of the federal government.²⁵ Furthermore, the federal government upheld the Treaty of Fort Schuyler reservation claim in 1794, with the Treaty of Canandaigua. The treaty recognized the reservation as outlined by the Treaty of Fort Schuyler, and committed the Federal Government to the protection of those lands. In exchange, the Oneidas agreed to limit their land claims in the United States to only those 300,000 acres.²⁶ The Nonintercourse Act and the Treaty of Canandaigua are the most commonly referenced pieces of legislation among recent Oneida land and redressing claims.

Despite this commitment of the United States government to the lands recognized by the 1788 treaty, over the course of the next 50 years, the state and federal government both undertook policies aimed at the gradual removal of all tribal lands. During this time period, the state negotiated as many as 200 minor treaties, slowly eating away at the land held by the Nation. By 1838, only around 5,000 acres of the Nation's original land claim under the Treaty of Canandaigua remained in Oneida possession, and just over 600 Oneidas remained in upstate New York, while approximately the same amount relocated to Wisconsin.²⁷ The number of Oneidas living in upstate New York rapidly diminished throughout the remainder of the nineteenth century and beginning of the twentieth century as more Nation land was sold and more members relocated. By 1920, the Nation's landholdings bottomed out at 32 acres.²⁸

In 1951 the Oneidas, using the Treaty of Canandaigua as a reference, filed a grievance before the Indian Claims Commission requesting redress for lands acquired by

²⁵ “City of Sherrill v. Oneida Indian Nation of N.Y.” Supreme Court of the United States. March 29, 2005.

²⁶ *Ibid*

²⁷ *Ibid.*

²⁸ *ibid.*

the New York state government between 1795 and 1846, claiming that the federal government had a responsibility to assure the preservation of Oneida Nation lands during this time period. The Commission agreed with the Oneida's position, but the case was dropped at the request of the Indian Nation.²⁹ In 1970, the Oneidas of Wisconsin and New York filed a lawsuit against Oneida and Madison counties, the current location of all Nation-owned lands. They claimed that over 100,000 acres had been illegally ceded to New York state through the Nonintercourse Act. This was the first attempt by the Oneidas to sue a municipality other than the federal government, and the Supreme Court ruled in favor of the Nation.³⁰ The Oneidas proceeded to expand this case to a claim of over 250,000 illegally ceded acres in 2000, spanning the years 1795-1946, expanding this so far as to demand the recovery of this land and the eviction of the current landholders. The courts found that current private landholders could not be held accountable for any grievance upon municipalities historically.³¹

In 2002, the Oneida Nation and the New York state government agreed in principle to an settlement which many thought would end the land claim issue once and for all. This agreement would have paid the three Oneida tribes of Wisconsin, Canada, and New York \$500 million in compensation for their lost land, and limit the size of the New York Oneida's land claim to 35,000 acres from 250,000.³² This deal, however, fell through shortly after its proposal due to disagreements between the New York and Wisconsin branches of the Oneidas.³³

²⁹ *ibid.*

³⁰ *ibid.*

³¹ *ibid.*

³² "State, Oneidas Agree to Settle Nation's Land Claim," Syracuse Post-Standard. 11 February 2002.

³³ "Wisconsin Branch Balks at Plan," Utica Observer-Dispatch. 17 February 2002.

Beginning in the 1980s, and fully blossoming in the 1990s, Oneida Nation Enterprises have increased exponentially. In 1985, the Nation opened its first high-stakes bingo hall, beginning a flow of revenue from gaming that continues to this day. The Indian Regulatory and Gaming Act of 1988, which legalized gaming and set the conditions for opening large-scale casinos on tribal land, allowed the Oneidas to open the Turning Stone Casino in 1993—their largest and most profitable enterprise. After large expansions in 1997 and 2002-2004, the Nation employed over 4,000 local residents by the end of 2004 and that number is projected to grow each year.³⁴ Although the tribe does not release revenue figures, several independent estimates placed revenues for purely casino gambling in 2002 at a level of around \$152 million.³⁵ In addition to gambling, the casino complex also contains two showrooms for concerts and other events and numerous diverse restaurants.

Although the casino is, by far, the Nation's largest revenue source, the Oneidas run a large number of diverse enterprises. The Nation owns five golf courses in the area surrounding the casino, a chain of Sav-On gas and convenience stores throughout Madison and Oneida counties, a textile design business, a newspaper, and a marina.

The large success the Oneida Indian Nation has found with these enterprises—especially the Turning Stone Casino—has given the Nation a great deal more economic power than it had in the past. With these new economic means, the Nation began to buy back large portions of its original territory. Using financial resources provided by its enterprises, the Nation has been able to purchase back 5400

³⁴ “2005 Fact Sheet: Positive Impact of the Oneida Indian Nation,” Oneida Indian Nation website: <http://oneidanews.net/media/631.pdf>

³⁵ “Turning Stone Places Bonds; Income Figured at \$152 Million,” *Indian Country Today*. 17 December 2002.

acres in Madison County and just over 10,000 acres in Oneida County—both amid the areas included in its 2000 land claim of 250,000 acres.³⁶

Additionally, thanks to its business ventures, the Nation has been able to start many programs for its members. Table 3.1 lists some of the Oneida Nation services made possible by their Turning Stone operations, many of which would have to be provided by state and municipal governments in the absence of Oneida backing.

Table 3.1: Oneida Nation Expenditures and Services (2004)		
Services	Cost to Nation (2004)	Description
Family Services	\$154,851	Provides alcohol, drug, credit and other counseling (including mental health) and other family related services
Elders	\$115,648	Elder Day Center, which includes activities and five day a week noon meal program similar to Meals on Wheels
Housing	\$352,329	Housing Rental, design, and development, and Nation housing management, which is similar to HUD
Total	\$622,828	

Source: Oneida Nation Data

Many of the services provided by the nation go above and beyond any services that would be provided by the state or municipal governments. However, benefits such as the noon meal program for seniors, counseling provided by family services, and housing management are very similar to many services that would have to be provided by outside governments in the absence of the Oneida Nation government. These services relieve pressure on programs such as HUD, meals-on-wheels, and many county-level social services.

As a result of its business operations, the Oneida Nation is also able to pay for many other services that allow the Nation to run as a nearly self-sufficient entity.

³⁶ Oneida Nation data.

Although the Nation pays no sales tax to the state or federal governments, the Oneidas do collect an equivalent sales tax that is used for other operating expenses that would be covered by state or municipal governments. In 2004, the Oneida Nation collected a total of \$3,413,544 in sales tax from its operations. They used nearly \$2,000,000 toward law enforcement and public safety (which is a separate force from casino security), and \$150,000 toward the Oneida Nation Court. The Nation's total expense for these services was \$2,106,288 in 2004. Again, most of these services, particularly law enforcement, take a great deal of pressure off of other local agencies.³⁷

The nation is also able to provide numerous educational opportunities to its members as a result of its economic success. Its Early Learning Center provides educational and childcare services free of charge to Oneida members and to Nation employees for a fee. The ELC has an enrollment of 53 children as of 2004 and also provides additional after-school programs for children up to age 12.³⁸ According to the Oneida Nation Annual Report, "the Oneidas have also been able to start an extensive scholarship program for its members. Through the scholarship program, members receive tuition funds equal to the amount of a public college. If a member prefers to attend a private school, they receive the equivalent of the public school tuition."³⁹ Since 1990, over 400 members have used the scholarship program to obtain higher education.

One of the Nation's goals is to bring its members back to their ancestral homeland. In this spirit, the Nation began a Homeownership Program in 2000. This program provides \$50,000 grants to individuals and families who wish to purchase or build a home on Nation land. The Nation also provides financing toward home

³⁷ Oneida Nation data.

³⁸ Oneida Nation Annual Report, 2004. 38.

purchases. As of 2004, 32 members purchased homes on Nation land through the Homeownership Program.⁴⁰

This new economic freedom has not come without controversy. As the Oneida Nation repurchased these lands mentioned in the original Treaty of Canandaigua, they considered these lands part of their sovereign nation. As such, the repurchased areas were considered untaxable to local and county municipalities by the Nation. Recently, the City of Sherrill, NY, located in Oneida County, began eviction proceedings against the Oneidas for failure to pay assessed property taxes on several parcels of land within the city's limits. In turn, the Oneidas sued the City of Sherrill in federal court, including Madison County in the suit as well, "seeking a declaration that the tribe's properties in Madison are tax exempt."⁴¹ On March 29, 2005, the Supreme Court ruled in favor of the City of Sherrill. The court, "recognized the impracticability of returning to Indian control land that generations earlier passed into numerous private hands."⁴² This ruling effectively means that the Oneidas will be required to pay property taxes to area municipalities on all lands outside of a small acreage of land designated as "reservation" land. Importantly, much of this land now eligible for property tax assessment includes the majority of the Nation's enterprises and development. The property tax implications for the local municipalities and the Oneida Nation are likely to be enormous. However, due to the uncertainty regarding how the Nation's land will be assessed, the nominal value of this decision to area municipalities is not yet quantifiable.

³⁹ Oneida Nation Annual Report, 2004. 40.

⁴⁰ Oneida Nation Annual Report, 2004. 42.

⁴¹ "City of Sherrill v. Oneida Indian Nation of N.Y." Supreme Court of the United States. March 29, 2005.

⁴² *Ibid.*

Before 2005, the Oneidas contributed large amounts of funds in the form of covenant grants, largely in place of property tax collections. From 1995-2004, the Nation contributed over \$7.5 million in covenant grants to school districts and municipal governments.⁴³ These grants were far greater than the estimated property taxes on the area, assuming they were still assessed at purchase price. Table 3.2 shows the covenant grants given to local school districts from 1995-2003 and the estimated property tax levels on Nation properties in those districts during the same time period (assessed at purchase price and estimated by the Oneidas).

Table 3.2: School District Covenant Grants vs. Estimated Property Taxes (1995-2003)			
Year	Total Grants Given	Estimated Taxes Owed*	Grants as % of Taxes Owed
1995	\$145,420	\$34,684	419%
1996	\$210,194	\$117,835	178%
1997	\$327,274	\$196,374	167%
1998	\$603,496	\$322,657	187%
1999	\$774,491	\$398,811	194%
2000	\$928,714	\$486,113	191%
2001	\$1,068,461	\$560,127	191%
2002	\$1,064,877	\$626,065	170%
2003	\$1,135,598	\$661,508	172%
Total	\$6,258,525	\$3,404,174	184%

*Assessed at purchase price
Source: Oneida Nation data

In the nine year period, the Nation contributed over 184% of the estimated taxes owed to school districts in the form of covenant grants. This number, generated by the Oneidas, is misleading in that it relies on the land's original purchase price as an assessment value for estimating tax levels. While actual property tax requirements would clearly be much higher due to Oneida business and residential development, this framework does present a comparison of school district and municipal receipts in the absence of the Nation.

⁴³ Oneida Nation Annual Report, 2004. 54.

Comparing receipts in these school districts in the absence of Nation repurchases to the covenant grants shows that these districts are much better off with the Nation's presence.

IV. The Three-County Region

The Turning Stone Casino is located in the central region of upstate New York, within Oneida County. The three-county region, as it shall be referred to for the remainder of this paper, most influenced by the casino's establishment consists of Oneida, Onondaga, and Madison counties. The Oneida Indian Nation draws the vast majority of its work force from these three counties—nearly 86 percent of the 4,215 jobs it supports directly, as of December 2004. Additionally, 80 percent of the Nation's capital expenditures are paid to contractors within this three-county region, as well as the vast majority of its vendor purchases. All land owned by the Oneida Indian Nation is located in Oneida and Madison counties, with over 10,000 acres of land purchased in Oneida County since 1987, and over 5,000 acres of land purchased in Madison County during the same time period.⁴⁴

Economically and demographically speaking, Onondaga County is, perhaps, the outlier among this group of counties as a result of the City of Syracuse. As of the 2000 Census, nearly 150,000 people resided within the Syracuse city limits, making it the third largest city in upstate New York behind only Buffalo and Rochester. The largest urban area in Oneida County—the City of Utica—contains less than half that number, while all of Madison County's population is only marginally larger than that of the City of Utica. These differences in population and urban composition between Onondaga, Oneida, and

⁴⁴ Oneida Nation Data.

Madison also present several other important demographic and economic differences. Onondaga, as a result of the greater Syracuse area, has a much higher level of personal income per capita than Oneida and Madison. This positive urban influence lies in stark contrast with the effect of Utica, less of a shopping and entertainment destination, upon Oneida County’s per capita personal income. Onondaga also has a historically lower unemployment rate (4.9 percent in 2002) than Oneida and Madison counties (5.2 and 5.6 percent respectively). Perhaps the most telling socio-demographic differences lie in the county crime rates. The mostly rural Madison County has a far lower rate in all categories of crime. In particular, violent crimes are much more prevalent in the more urban Onondaga and Oneida counties.

Table 3.1: Number of Crimes per County, 2002

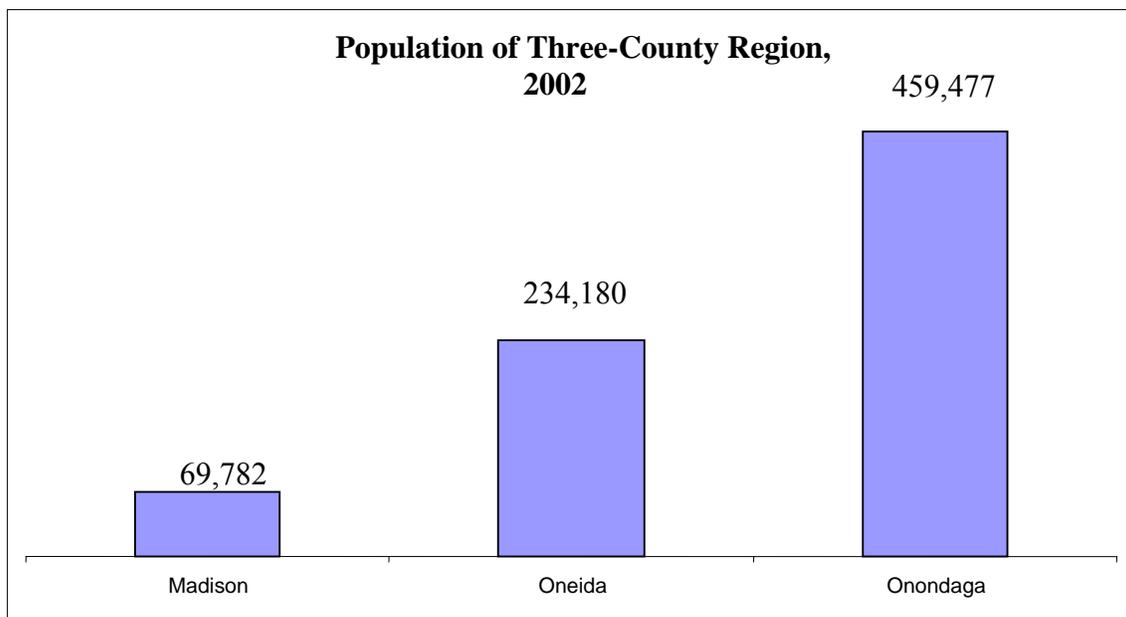
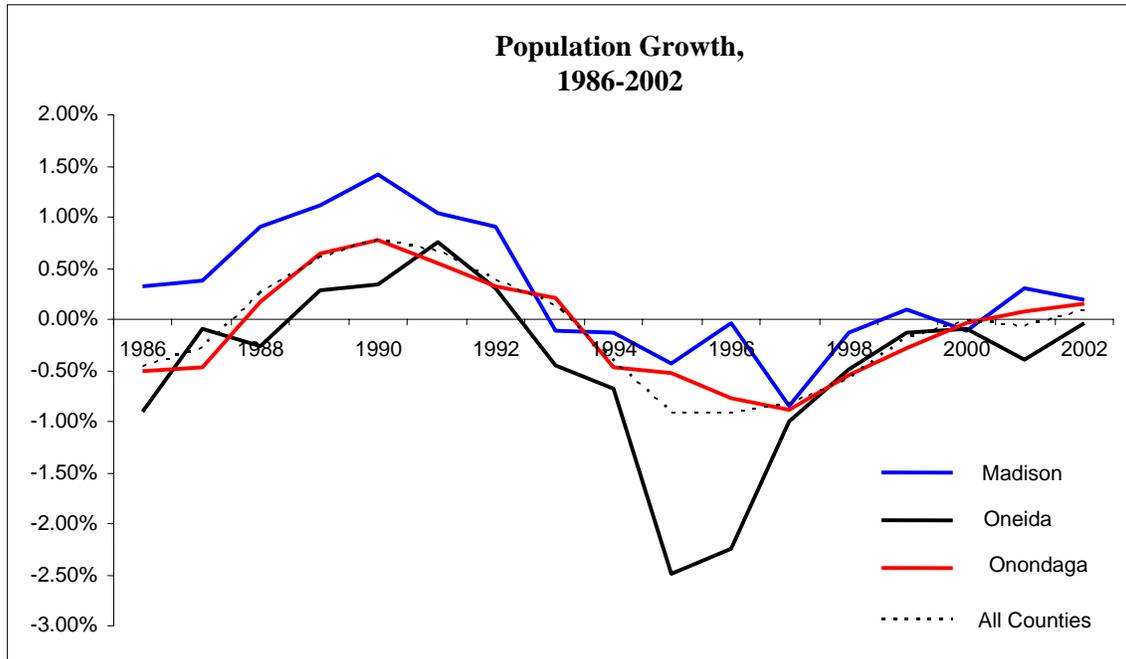
Type of Crime	Madison	Oneida	Onondaga
Aggravated Assault	57	378	1,180
Arson	6	31	128
Burglary	337	1,507	3,068
Larceny	877	4,343	11,060
Motor Vehicle Theft	28	248	1,540
Murder	0	6	28
Property	1,242	6,098	15,668
Rape	8	68	90
Robbery	8	237	669
Violent Crimes	73	689	1,967

Source: New York State Division of Criminal Justice Services

The following page illustrates several economic and demographic trends for the three-county region in the last ten years. Economic performance has been mixed. All three counties experienced similar impacts during the recession of the early 1990’s and the Clinton-boom of the mid to late 1990’s. Per capita income growth dropped from 1989 to 1991, trending up again from 1993 to 1998. Per capita income growth on the whole, however, trended linearly downward over the entire time period—a troubling

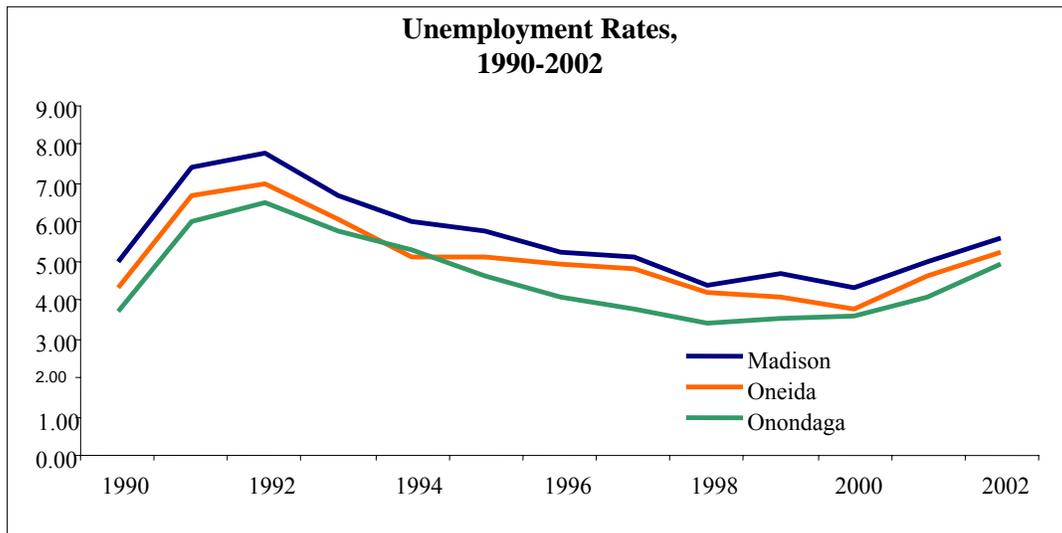
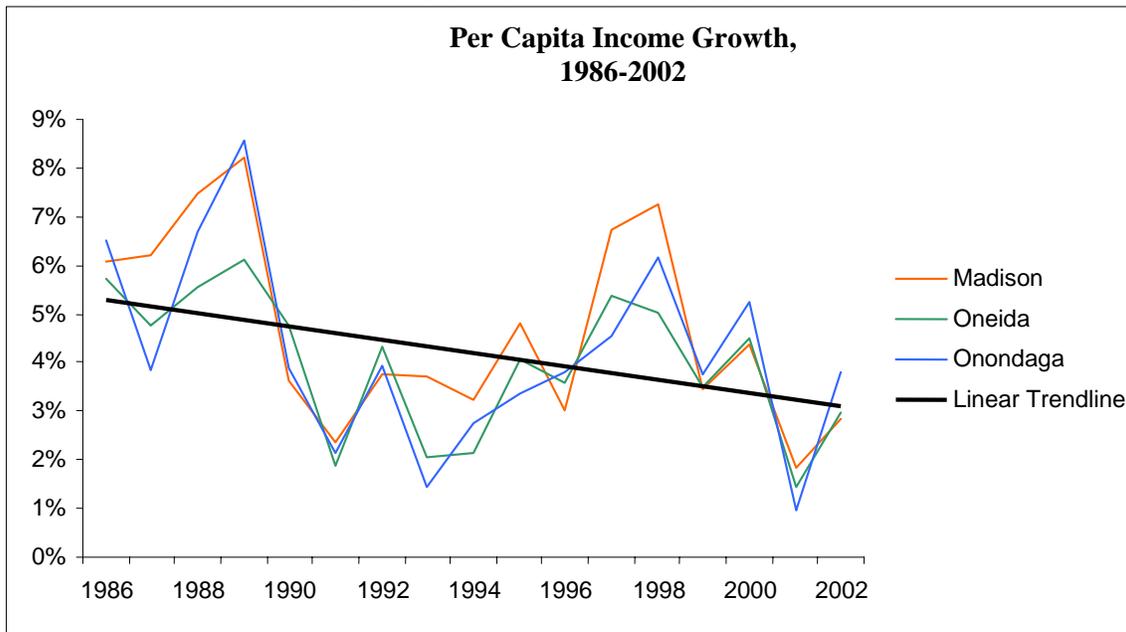
omen for future income and economic growth. Unemployment rates behaved similarly, decreasing steadily from 1993 to 1999, only to gradually rise along with the national trend following 2000. Graphs of population growth, income growth, and unemployment rates all have the same basic shape over the time period of 1990 to 2002.

Charts 4.1,2: Population in the Three-County Region



Source: U.S. Census Bureau.

Charts 4.3,4: Income and Unemployment in the Three-County



Source: Bureau of Economic Analysis

V. Employment

Since the development of the Turning Stone Casino in 1992, and the casino's subsequent opening in 1993, the Oneida Indian Nation has become one of the leading employers in Central New York. Job generation as a result of Oneida enterprises has far outpaced overall job growth in the surrounding counties, as well as New York State as a whole. Growing from a payroll of under \$1 million in 1992, the Nation has become a major source of employment for the surrounding communities. In a time when many potential employers are unwilling to invest capital into upstate New York, the Oneidas have invested over \$350 million in construction spending alone over the past three fiscal years, an indication of their commitment to the area surrounding native Oneida lands.⁴⁵

In fiscal year 2004, direct employment by the Oneida Nation reached 4,215, making it the third largest employer in Central New York. Of this total, 3,613 employees (approximately 86 percent) lived within the three county region of Oneida, Onondaga, and Madison counties. This comprised approximately 1 percent of the total work force among the three counties.⁴⁶ These 3,613 jobs translate into 3,585 full-time equivalent jobs, as some are part-time. The Nation also plans to reach the 5,000-employee mark in mid-2005, which would make it the second largest employer in Central New York and the largest regional employer outside the Syracuse metropolitan area.

In addition, Nation enterprises indirectly created an additional 3,570 jobs in the three-county area through the multiplier effects of the nation's employment, as well as increased final demand resulting from the Nation's capital projects. This brings the total

⁴⁵ Zogby International.

⁴⁶ U.S. Bureau of Labor Statistics – Local Area Unemployment and Labor Analysis.
<http://www.bls.gov/lau/>

number of Central New York full-time jobs created by the Nation to 7,155, or just under 2 percent of the total regional employment.⁴⁷

Despite the tax-exempt status of the Oneida Nation Enterprises, significant payroll tax revenues are generated from its employment as 97% of the workers are not tribe members. Direct and indirect employment created by the Nation is estimated to contribute over \$46 million in tax revenues for the state and federal governments in 2004.

Direct Job Creation:

According to 2003 data from the Central New York Business Journal, the Oneida Indian Nation has become the third largest employer in Central New York (See Table 1.1). Among the three counties surrounding Oneida Nation land, the Nation is larger than any employer in Madison and Oneida Counties, behind only SUNY Upstate Medical Center and Syracuse University in Onondaga County, and is on pace to become the largest employer in all counties within the next few years with the projected expansion of the Turning Stone Casino Resort. Of those employed by the Oneida Nation, approximately 97 percent are non-tribe members. This percentage is extremely large for an Indian Nation operating a tribal casino. For example, tribal casinos in Arizona typically employ only 57% non-Indian workers.⁴⁸

⁴⁷ *Ibid.*

⁴⁸ “An Analysis of the Economic Impacts of Indian Gaming in the State of Arizona.” Udall Center for Studies in Public Policy. University of Arizona, June 2001.

Table 5.1: Three-County Region Employers

Top 10 Employers in Three County Region		
Company	Location	Number of Employees
SUNY Upstate Medical Center	Syracuse	5433
Mohawk Valley Network*	Utica	4395
Syracuse University	Syracuse	4250
Oneida Indian Nation	Oneida	4215
New Process Gear	Syracuse	3900
St. Joseph's Hospital Center	Syracuse	3560
Niagara Mohawk	Syracuse	2800
Verizon	Syracuse	2600
Lockheed Martin	Syracuse	2300
Crouse Hospital	Syracuse	2300

Source: Central New York Business Journal rankings – 2003 Book of Lists.

*The Mohawk Valley Network is comprised of a group of separate employers within the area, and is not considered a single employer.

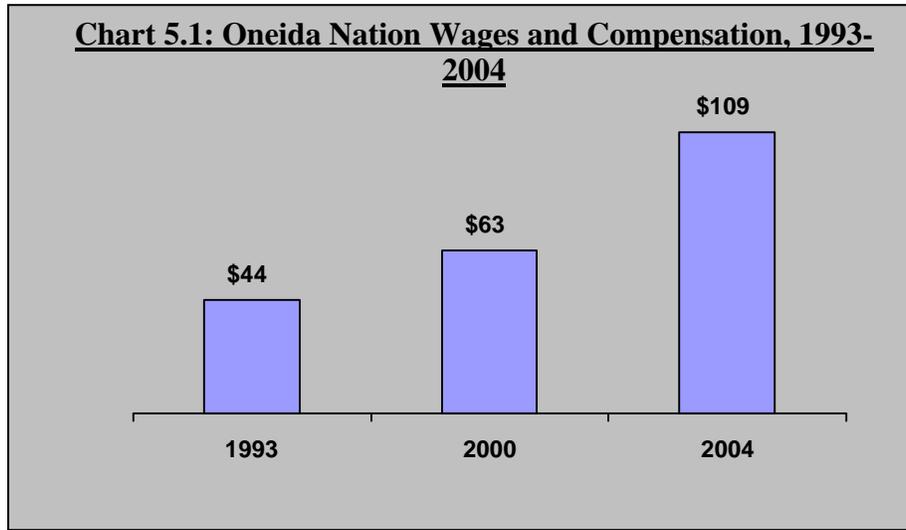
Since the opening of the Turning Stone Resort in 1993, the Oneidas have become a leading employer within the Oneida, Onondaga, and Madison County area. The initial opening was a tremendous boost to employment in the region with employment of 1880 workers and a payroll of \$44 million. Yet payout for wages and compensation continued to grow throughout the 1990s, from \$44 million in 1993 to \$63 million in 2000.⁴⁹ As a result of extensive expansion and renovation projects, wages and compensation grew by an additional \$46 million from 2000 to 2004, or 73%, to \$109 million.⁵⁰

Employment also continued to grow throughout the 1990s, as the number of workers employed by the Oneida Nation increased from 201 to 1,880 by 1993 as a result of the resort opening, and continued to grow to 2,957 by 2000.⁵¹ The recent expansion led to a dramatic increase in employment over the past four years, from 2,957 to 4,215 by 2004, a 42.5% increase. Employment is expected to reach at least 5,000 by mid-2005.⁵²

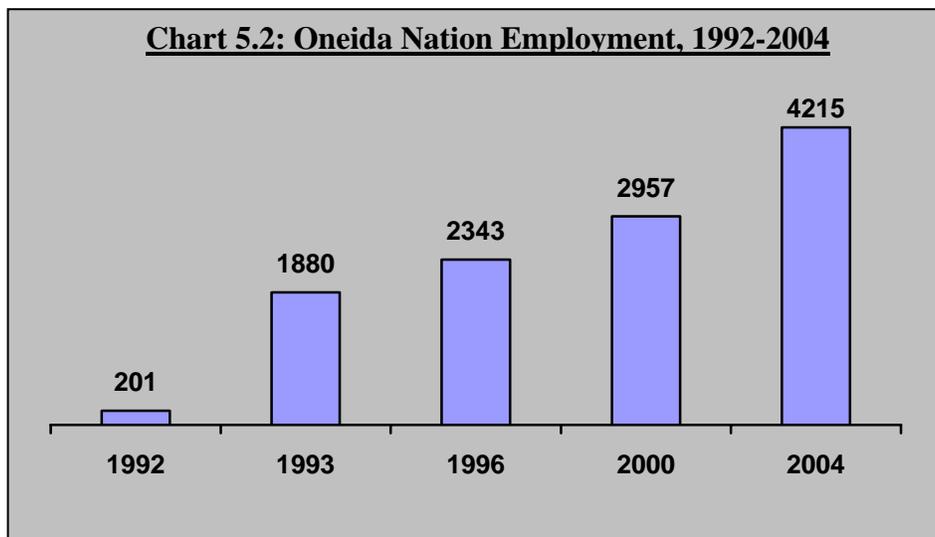
⁴⁹ Zogby International.

⁵⁰ Oneida Nation data.

⁵¹ Zogby International.



Source: Oneida Nation data

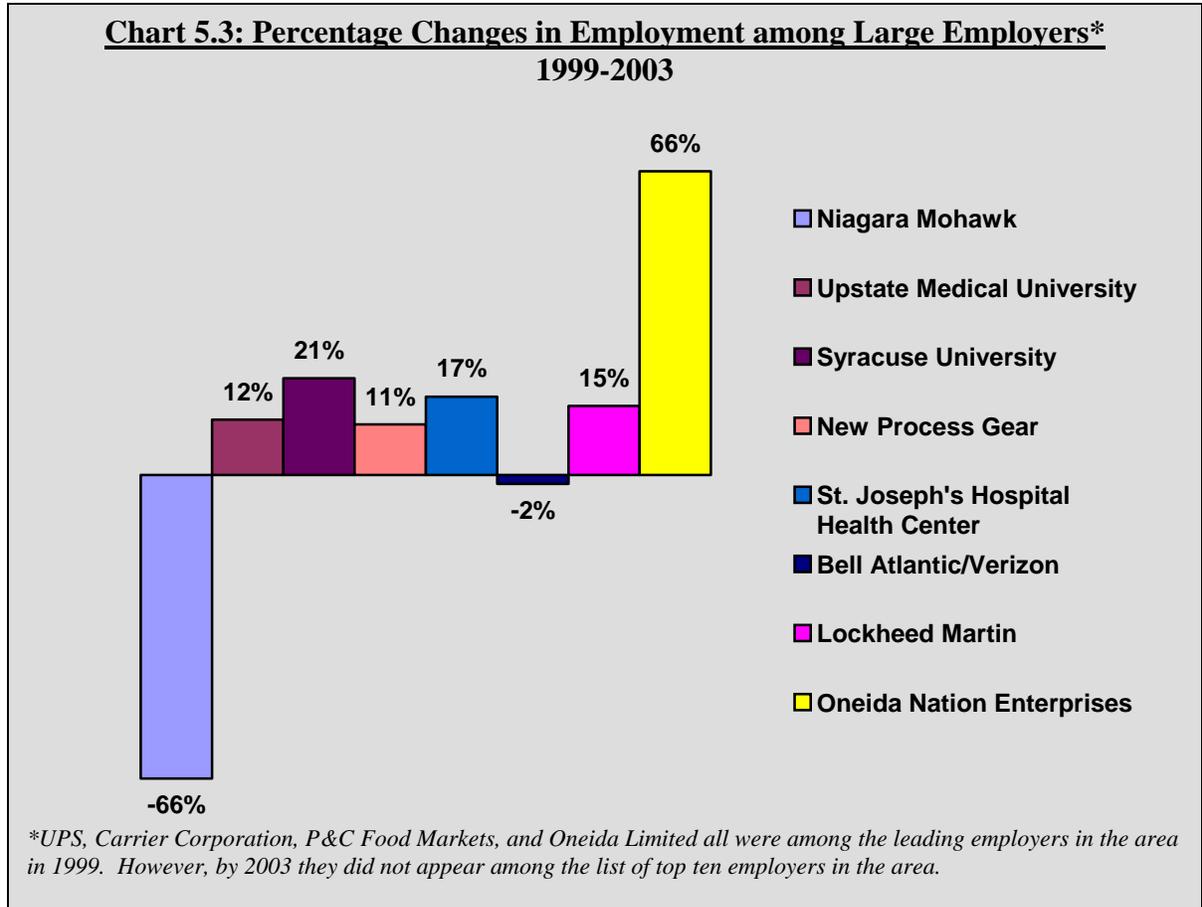


Source: Oneida Nation data

The Oneida Nation is the fastest growing employer in the three-county region of Onondaga, Oneida, and Madison counties. In fact, the Oneida Nation is among the few large-scale employers that are currently increasing employment levels. Only 6 of the leading employers in the area increased employment from 1999 to 2003. In addition,

⁵² Oneida Nation data.

four of the top ten employers in 1999—United Postal Service, Carrier Corporation, P&C Foods, and Oneida Ltd.—dropped out of the list of top employers entirely.⁵³



Source: 2000 and 2004 Book of Lists
Central New York Business Journal

The Oneida Nation’s 66% employment increase from 1999-2003 is staggering when compared to employment changes in similarly-sized companies in the area. Syracuse University was the only other major employer to increase employment by over 20%, while several posted double-digit decreases.

The Nation’s employment is divided between casino and resort operations, non-gaming enterprises, and Nation administration. In addition, the jobs are extremely

⁵³ “Book of Lists,” *Central New York Business Journal*. 2000, 2004.

diversified. Employment opportunities range from gaming and retail operations to highly specialized fields such as information technology, journalism, and full-time medical staff. They included police officers, electricians, nurses, gas station managers, and sales representatives. Table 1.2 is a list of total jobs directly created by the Nation as of November 2004.

Approximately 80 percent of the jobs created by the Nation are within the casino resort operations category. The largest category of workers in the Turning Stone Casino operations is food and beverage workers followed closely by gaming workers and employees in hotel and guest services. With the growth of the casino, the Nation's administrative employment has also increased, along with property and facility management. More than 500 workers are employed outside the casino in administrative jobs for the Oneida Nation. These jobs are extremely diversified with the largest numbers in finance. The operation of the Sav-On gas station/convenience stores comprises the largest percentage of the non-gaming, non-administrative employment. Of the total jobs listed in Table 1-2, 3,613 of these employees live in the three county region of Oneida, Onondaga, and Madison Counties. Because some of these jobs are part-time, the total full-time equivalent jobs in the three county region is 3,585.

Table 5-2: Total Direct Job Creation among Nation Operations

Government Administrative		Gaming and Resort Operations		Non-Gaming Enterprises	
Human Resources	34	Food and Beverage	900	Saveon Stations	251
General Office Management	8	Gaming/Dealers	800	Marinas	24
Purchasing	26	Hotel and Guest Services	600	Auto Repair	16
Finance	72	Security	320		
IT	11	Administrative/Executive Managers	120		
Payroll	5	Spa/Salon	12		
Budget	7	Golf	250		
Public Safety	4	Landscaping	40		
Nation Police	41	Construction	20		
Facilities	25	Facilities	120		
Transportation	8	Entertainment	50		
Legal	10	Marketing	15		
Nation Court	2	Miscellaneous	73		
Retail Administration	11	Information Technology	56		
Newspaper	21				
Executives	36				
Line Management	46				
Telecommunications	27				
Cultural Center Staff	9				
Communications	16				
Video/Animation Dept	7				
Housing	6				
Family Services	12				
Agriculture	8				
Recreation	6				
Government Administration	6				
Education and Day Care	29				
Health Dept.	30				
Other	25				
Total	548		3376		291

Source: Oneida Nation data.

Including wages, company-provided medical coverage, and company-provided retirement benefits, the Oneida Nation paid out over \$109 million in total compensation in the 2004 fiscal year, up from \$63 million in 2000.⁵⁴ Of this total, approximately \$96 million was paid out as wages, with nearly \$3 million paid out in employer-paid retirement, and just over \$11 million paid out in employer-paid medical coverage.

Approximately 75% of the monthly cost of medical, dental, vision, and prescription insurance costs were paid by the Nation for its employees.⁵⁵

Indirect Job Creation:

In addition to the direct job generation, the Nation's employment creates further jobs throughout the three county area in several ways. First, employees of the Nation spend a portion of their income on goods and services produced within the three county area, thus generating additional jobs in those industries through the rollover of income. Second, this income spent within the area generates further rollover effects as vendors continue to spend a percentage of this money on goods produced within the three counties. Third, the Nation's increased demand for products necessary for the daily operation of the resort, non-resort enterprises, and nation also ripples through the regional economy. Finally, the Nation's immense capital project spending over the last three years, amounting to over \$350 million in construction and equipment spending, directly creates a substantial number of jobs within these particular industries. Here, we consider capital spending only in the 2004 fiscal year, which amounted to \$175 million.

To measure the indirect job creation of the Nation, we use RIMS II Direct Effects Multipliers for Onondaga, Oneida, and Madison counties, provided by the Bureau of Economic Analysis. The multipliers add the effects of income rollover and increased vendor spending that result from increasing employment. We apply the multipliers to each of the Nation's employment areas, and each of the respective job types, accounting for part-time and temporary jobs. In addition, we assume that the percentage of

⁵⁴ Zogby International. "Oneida Indian Nation Economic Impact Study," 2001.

⁵⁵ Oneida Nation data.

employees residing within the three-county area within each job type was equivalent to the percentage of the total employees residing within the three-county area.

Table 5-3: Gaming and Resort Indirect Job Creation

Gaming and Resort (Turning Stone Complex) Employment Effects in 3 County Area				
Job Category	Direct Employment*	Multiplier	Additional Indirect Employment	Total
Food and Beverage	774	1.2666	206	980
Gaming	688	1.3822	263	951
Hotel and Guest Services	516	1.4924	254	770
Security	275	1.4384	121	396
Administrative/Managers	103	2.3029	135	238
Spa/Salon/Lifeguards	10	1.4384	5	15
Golf	216	1.3822	81	297
Landscaping	34	1.4384	15	49
Construction	17	1.9153	16	33
Facilities	103	1.3973	41	144
Entertainment**	33	1.3822	12	45
Marketing	13	1.4384	6	19
Information Technology	56	1.9802	55	111
Other	63	1.4384	28	91
TOTALS	2901	1.4266***	1238	4139

*Assuming 86% of employees in each category are from 3 county region

**50 employees total, half part-time

***Weighted average of multiplier

Source: Bureau of Economic Analysis, RIMS II Multipliers by Industry Aggregation for Madison, Oneida, Onondaga counties

Table 5-4: Non-Gaming Business Job Creation

Nation Non-Gaming Enterprise Employment Effects in 3 County Area				
Job Category	Direct Employment*	Multiplier	Additional Indirect Employment	Total
Gas and Convenience Retail	182	1.3922	72	254
Marinas	21	1.3822	8	29
Automotive Repair/Detailing/Car Wash	14	1.4384	6	20
TOTALS	217	1.3963**	86	303

*Assuming 86% of employees in each category are from 3 county region, counting part-time as .5 workers

**Weighted average of multipliers

Source: Bureau of Economic Analysis, RIMS II Multipliers by Industry Aggregation for Madison, Oneida, Onondaga counties

Table 5-5: Government Administrative Job Creation

Government Administrative Employment Effects in 3 County Area				
Job Category	Direct Employment*	Multiplier	Additional Indirect Employment	Total
Human Resources	29	1.3973	12	41
General Office Management	7	2.3029	9	16
Purchasing	22	1.3973	9	31
Finance	62	1.3973	25	87
Information Technology	9	1.9802	9	18
Payroll	4	1.3986	2	6
Budget	6	1.3986	2	8
Public Safety	3	1.3973	1	4
Oneida Nation Police	35	1.2754	10	45
Facilities	22	1.3973	9	31
Transportation	7	1.5274	4	11
Legal	9	1.8306	8	17
Nation Court	1	1.8306	1	2
Retail Administration	9	1.3922	4	13
Newspaper	18	2.3963	25	43
Executive Management	30	2.3029	40	70
Line Management	40	1.3822	15	55
Telecommunications	23	2.9198	45	68
Cultural Center	6	1.4384	3	9
Communications	14	2.9198	26	40
Video/Animation Dept.	6	2.9198	12	18
Housing	5	1.4924	3	8
Family Services	7	1.2754	2	9
Agriculture	6	2.0047	6	12
Recreation Dept.	3	1.3822	1	4
Gov't Administration	5	1.3973	2	7
Education/Day Care	25	1.3986	10	35
Health Dept.	26	1.5687	15	41
Other	25	1.4385	11	36
TOTALS	464	1.6931**	321	785

*Assuming 86% of employees in each category are from 3 county region, counting part-time as .5 workers
Source: Bureau of Economic Analysis, RIMS II Multipliers by Industry Aggregation for Madison, Oneida, Onondaga counties

Table 5-3 shows that the Turning Stone Casino employs 2,901 residents of the three-county region. The indirect job creation resulting from the operations of the casino is estimated to result in an additional 1,238 jobs in the three counties. This implies that the existence of the Turning Stone Casino alone is responsible for the creation of an additional 4,139 jobs in the Madison, Oneida, and Onondaga Counties. The Nation's

administrative activities, which are closely linked to the success and growth of Turning Stone, also have a significant impact on employment in the region. The Nation directly employs 464 residents of the three counties in its government administrative activities and the indirect job creation of these activities is estimated to create an additional 321 jobs. In total, the Nation generates an additional 785 jobs in the three county area through its administrative services. The non-gaming businesses of the Nation (most importantly, the Sav-On gas stations) directly employ 217 workers and generate an additional 86 jobs through the multiplier effects for a total of 303 additional jobs in the area.

As a result, the Nation's direct employment that supports its daily operations generates a total of 5,227 jobs within the three-county area. Of these, 3,585 full-time equivalent jobs are directly created by the Nation, and another 1,642 jobs were created through the indirect effects the Nation's operations.

A large portion of these created jobs were by-products of vendor spending: purchases made by the Oneidas in order to sustain the daily operation of their enterprises. These purchases include, but are certainly not limited to, raw food and beverages, golf course fertilizers, cleaning supplies, office equipment, audio/video equipment, utilities, and countless other purchases necessary to keep the Nation's many enterprises functioning daily. Vendor payments in the 2004 fiscal year exceeded \$342.4 million in New York State alone, with \$59.8 million of this total going directly to firms and individuals in the three-county area.

In order to quantify the additional employment effects of the Nation's significant capital outlays, we utilize the RIMS II Final Demand Multiplier for construction for the three-county area. The multiplier accounts for impacts in job creation and income

rollover among industries that experience an increase in final demand as a result of the construction. In this case, the multiplier refers to the number of jobs created in the region for every additional one million dollars in construction spending. We assume that, based on evidence compiled in the 1998 Zogby study, 80 percent of capital expenditures are made within the three-county region.

Table 5-6: Capital Program Job Creation

Job Creation Impacts of Nation's Capital Program, 2004		
Capital Expenditure (in millions)*	Direct Job Creation per million spent**	Total Jobs created
140	13.77	1928

*Based on estimation of 80% of expenditures occurring within the three county area

** Construction industry final demand multiplier

Source: Bureau of Economic Analysis, RIMS II Multipliers by Industry Aggregation for Madison, Oneida, Onondaga Counties

Based upon these assumptions, the total number of jobs created as a result of the Oneida Nation’s capital expenditure projects is 1,928. These additional jobs result from increased demand for construction services and increased demand for subsidiary industries necessary to support the construction projects. Total job creation by the Oneida Nation for 2004 is estimated to be 7,155.

Payroll Tax Effects:

A large amount of debate regarding Oneida Indian Nation enterprises revolves around the Nation’s categorization as an independent, sovereign government. As such, all Nation businesses conducted on tribal lands are exempt from local, state, and federal corporate taxes and all tribe members working in these businesses are exempt from any local, state, or federal income taxes. In addition, the Oneida Nation is exempt from all

state and county sales taxes, hotel occupancy taxes, and property taxes on all land owned by the Oneidas.

Despite these tax exemptions, the nation's payroll is responsible for contributions of large amounts of revenue to New York State and the federal government in the form of payroll taxes. These payroll taxes are paid by the 97 percent of Oneida Nation workers who are not tribe members—as of the 2004 fiscal year, just over 4,000 workers.

In the 2004 fiscal year, the Oneida Nation's employees contributed approximately \$24.7 million in payroll taxes. Of this total, \$11.5 million were in the form of federal and state income taxes collected from non-Indian employees, and \$13.2 million were Medicaid and Social Security taxes collected from these same employees.⁵⁶

In addition, payroll tax revenue is also contributed from employees in the jobs indirectly created through Oneida Nation enterprises. Assuming each indirectly created job within Oneida, Onondaga, and Madison Counties will bear similar tax liability to those directly created*, the 3,570 additional jobs created in Central New York, with an average federal and state liability of \$2,825, generate an additional \$10.1 million in income tax revenue for New York State and the federal government. With an average Medicaid and Social Security liability of \$3,243, the total amount contributed by Onondaga, Oneida, and Madison county workers employed indirectly as a result of Nation enterprises within the three-county area amounts to over \$11.5 million. In summary, the total amount of payroll tax revenue directed to the New York State and federal governments as a result of Oneida Nation Enterprises in the 2004 fiscal year was approximately \$46.3 million. Specifically, the Turning Stone Casino and Resort was

⁵⁶ Oneida Nation data.

* Payroll Tax withheld by Oneidas/ Number of workers = Average Liability Per Indirect Job Created

responsible for income tax increases of approximately \$11.69 million dollars at the federal and state levels, and Medicaid and Social Security increases of \$13.42 million in 2004. The total amount of payroll related tax increases attributable to the Turning Stone Casino is approximately \$25 million for 2004 alone.

VI. Sales Taxes

While calculating the employment and income tax effects of the Oneida Nation's enterprises is fairly straightforward, examining the effects of the Turning Stone Casino on sales taxes in the Oneida, Madison, and Onondaga region is more complex.

Enterprises located on Oneida Nation lands are not required to pay local, county, or state sales tax. On this basis alone, many, particularly the Nation's opponents, conclude that the Nation's businesses take away sales tax revenues from the county, state, and municipal governments. Economically speaking, however, the presence of an untaxable tribal casino can affect sales tax revenue in both positive and negative ways.

The negative side is easily recognizable. As a sovereign nation, the Nation does not pay county or state sales taxes, and this might allow them to sell goods at lower prices than competing businesses that must pay the sales taxes. Therefore, it is possible that sales at taxable businesses within the area will decrease as more residents choose to buy from the Oneida Nation businesses. For example, if one of the Oneida Nation's Sav-On gas stations is located next to an identical taxable gas station, but is able to offer a price on regular unleaded a few cents below that of the competing, non-Oneida station, most passers-by would choose to purchase their gasoline from the Oneida station. This diversion effect negatively impacts county tax revenues. Many of these Nation

businesses are located within the casino complex and so would not exist without its presence. Additionally, casino revenue allows the Oneidas to further develop other business ventures such as the Sav-On convenience store chain. Many of these ventures would not be possible without the support of gaming-generated capital.

However, the Turning Stone Casino is also likely to have a positive impact on municipal sales tax revenues as a result of increased tourism. The Turning Stone Casino and Resort is one of the premier resort destinations in New York State. It attracts over 4 million visitors to the area annually.⁵⁷ With few other local attractions, it is reasonable to assume that the vast majority of these 4 million visitors would not select Oneida, Madison, and Onondaga counties as destinations. While these visitors may spend the vast majority of their vacation dollars at the casino or other Oneida Nation attractions, it is reasonable to assume that they also spend a portion of their money at other taxable businesses in the region. For example, a group of golfers may travel from New York City to play the Oneida's Shenandoah course for the weekend, but decide to stay at a hotel in Syracuse. While they spent their hotel money at a taxable business, they clearly would not have visited the area if Turning Stone did not exist. The net effect of the Nation's enterprises on sales tax revenue depends on which of these two effects dominates.

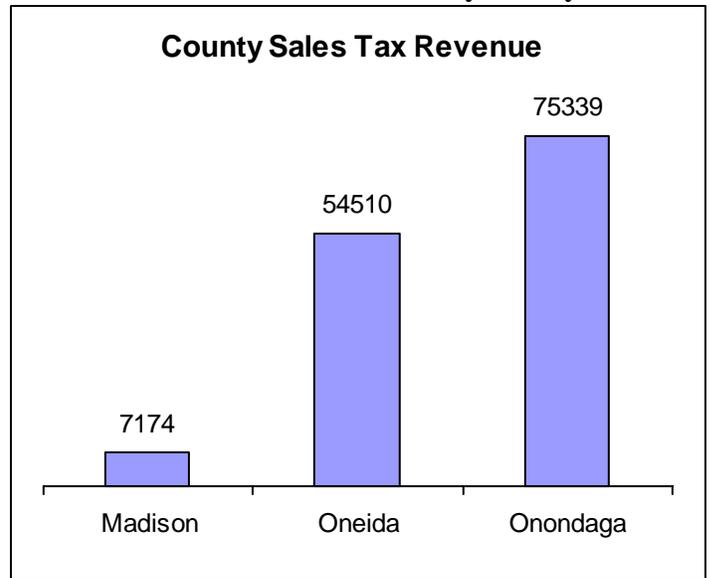
Sales tax revenues for 1990-2002 for each of the three counties in the Turning Stone region are shown in Table 5.1. Chart 5.1 illustrates the growth rates of sales tax revenues collected in the three counties over the same time period.

⁵⁷ "Fact Sheet: Turning Stone Resort and Casino," Oneida Nation website:
<http://oneidanews.net/media/266.pdf>

Table 5.1: Sales Tax Revenues, 000s

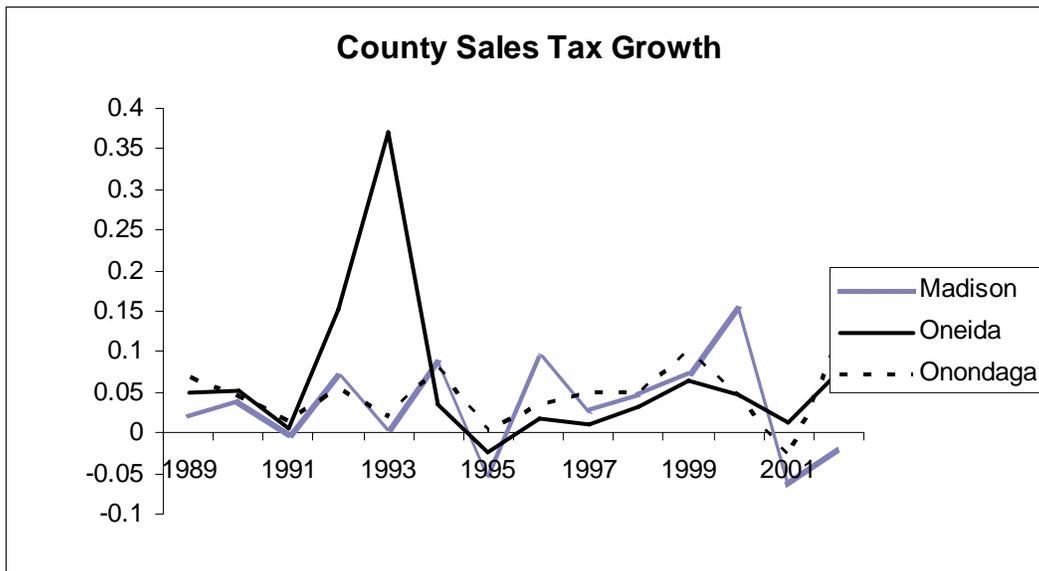
Year	Madison	Oneida	Onondaga
1988	4607	23965	40448
1989	4703	25141	43258
1990	4892	26468	45221
1991	4878	26609	45891
1992	5208	30682	48355
1993	5236	42043	49372
1994	5674	43467	53236
1995	5372	42451	53431
1996	5865	43176	55275
1997	6028	43573	58016
1998	6318	45008	60954
1999	6788	47846	66951
2000	7812	50088	69957
2001	7319	50772	67817
2002	7174	54510	75339

Chart 5.2: 2002 Sales Tax Revenue by County



Source: New York State Office of the State Comptroller, Local Government Services.

Chart 5.3: County Sales Tax Growth, 1988-2002



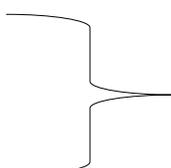
Source: New York State Office of the State Comptroller, Local Government Services

Over the time period, sales tax revenues are generally increasing for all three counties, with the exception of a slight decline for Oneida County in 1995, and Madison County in 1995, 2001, and 2002. Sales tax **rates** for each county over the time period were relatively constant, with the exception of rate increases in 1992 and 1993 in Oneida

County. This is seen in the large growth spike for Oneida County during those two years. Madison County sales tax revenue is much lower than that of Oneida and Onondaga Counties, even with respect to sales taxes collected per capita. In 2002, for example, while Madison County had one-seventh the population of Onondaga County, it collected only one-tenth the amount of sales tax revenue. This is most likely due to the relatively rural nature of the county. Oneida and Onondaga both have the shopping destinations of Utica and Syracuse respectively. Madison, on the other hand, has no comparable destination.

Ideally, one would be able to quantify both the positive and negative impacts of the casino upon sales tax revenues separately. However, it would be difficult to measure the amount of spending by local residents and non-casino visitors at untaxable Oneida enterprises, and virtually impossible to find the amount spent by casino visitors at taxable businesses in the area. Instead, we chose to use Ordinary Least Squares regression analysis, to examine the impact of the casino on total county-level sales taxes collected.

The following variables are included as explanatory variables:

Log(Pop)	= log of the county's population
Log(Inc)	= log of the county's personal income
Unemp	= unemployment rate for the county at year's end
Year	= time trend variable
Madison Oneida Onondaga Fulton Herkimer Casino	 = dummy variables accounting for county effects  = dummy variable equaling 1 in years after 1994

MadisonCas	}	= interaction terms between counties and casino
OneidaCas		
OnondagaCas		
Taxrate		= sales tax rate for each county
Sav-Ons		= number of Sav-On convenience stores in each county
Log(Incomemaintenance)		= log of total income maintenance benefit payments in each county

Population and personal income are expected to positively influence county sales tax collections. As the county's population and the amount the population has to spend increase, more taxable goods should be purchased. Additionally, the unemployment rate, a good proxy for the state of the local economy, is assumed to have a negative impact on spending, which in turn reduces aggregate sales tax. The year is included to account for the overall increases in sales taxes collected over time, independent of increases in the level of personal income. Dummy variables for each county are included in order to account for county-specific factors. These may include specific preferences of that county's population, differences in residential structure (urban vs. rural), and other differences between the counties not measured by the other variables. Tax rates are included in order to account for differences in these rates between counties. Income maintenance benefits, which state and county expenditures such as food stamps and welfare payments, are used as a proxy for county poverty levels. The level of maintenance benefits are expected to increase as poverty levels increase in the county. Poverty levels have a negative impact on private expenditure, so one would expect income maintenance benefits to negatively affect county sales tax collections.

Here, the dummy variable for the casino equals 1 in 1994, the casino's first full year of operation, and subsequent years. Additionally, the number of Sav-On gas stations

in business in each county is included on the right side. Without the inclusion of the number of Sav-On stations in each county, any potential effect of these untaxable convenience stores upon sales tax revenue could be grouped into the other variables, specifically, the casino dummy.

Table 5.2 shows the results of regressions with the log of county sales taxes collected as the dependant variable.

Table 5.2: Regression Results: log (County Sales Tax Collected)

<i>Variable</i>	<i>Parameter Estimates</i>			
	<i>Equation 1</i>	<i>Equation 2</i>	<i>Equation 3</i>	<i>Equation 4</i>
Intercept	-6.56884	6.1815	6.05612	-5.43003
Log (Pop)	1.24214	-0.10888	-0.13689	0.94422
Log (Inc)	0.09498	0.29205	0.30047	0.31021
Unemp	-0.00826	-0.01331	-0.01581	-0.01644
Year	0.03116	0.02673	0.0275	0.03254
Log (Incomemaintenance)	-0.07974	-0.08453	-0.05168	-0.12207
Taxrate	51.1009	35.71901	36.53952	39.31989
Madison	--	-0.1784	-0.16584	-0.24348
Oneida	--	1.40398	1.37609	-0.00082
Onondaga	--	1.96539	1.9361	-0.06782
Fulton	--	-0.87053	-0.88639	-0.68865
Casino	--	--	-0.03123	-0.0808
MadisonCas	--	--	--	0.04248
OneidaCas	--	--	--	0.10503
OnondagaCas	--	--	--	0.07902
SavOns	--	--	--	-0.00099

*All coefficients in bold are significant at a 90% confidence level or higher

Equation 1 includes only the continuous variables usually included as predictors of sales tax revenue; Equation 2 adds the county dummy variables; Equation 3 includes the casino dummy variable; and Equation 4 includes the interactions terms between the casino dummy and each county in the impact study area. As expected, personal income has a positive and significant impact on county sales taxes in all four equations. The unemployment rate has a significantly negative impact upon sales tax in equations 2 through 4. While population was only significant in equation 1, it is likely that some

amount of its impact was included in the county-specific dummy variables. The time trend variable is significant and positive in all equations—evidence of the yearly trend indicated in Chart 5.3. The sales tax rate also has a positive impact on sales taxes collected, as expected. The county dummy variables tell an interesting story. Holding population (and all other included variables) constant, Madison County still collects significantly less county sales tax revenues than the omitted Oswego County, while sales tax revenues are significantly higher in Oneida and Onondaga counties. This is likely a result of the relatively rural nature of Madison County, and the relatively large numbers of consumer attractions in Oneida and Onondaga, as discussed earlier.

In equation 3, the casino did not have a significant impact upon county sales tax levels in the area after its opening. This result is further expounded in equation 4. Although the casino dummy has a significant negative impact in this equation, the interaction terms with Oneida and Onondaga are significantly positive, increasing sales taxes collected in Oneida by 2.5 percent, and decreasing sales tax collections by only 0.1 percent in Onondaga. This positive county-specific impact of the casino upon Oneida and Onondaga could possibly take into account the shopping destinations and hotels that many visitors frequent in those counties, as a result of Turning Stone operations. The total impacts upon sales tax collections from the casino are a \$573,000 decrease to tax rolls in Madison County, a \$1.36 million increase to tax levels in Oneida County, and a \$75,000 decrease to tax rolls in Onondaga County. The total impact of the casino's operations on sales tax collections in the three-county region, therefore, is a net increase of \$712,000 in 2002 alone.

This number does not take into account the positive influence of the casino upon employment and personal income. This impact is entirely comprised of increases in visitor spending at taxable businesses, and cannibalization of local spending away from taxable businesses, as a result of the Turning Stone Casino. However, assuming the Oneida Nation enterprises decrease unemployment in the area by one percent (as their employment comprises approximately one percent of the total area employment), the Nation increases county sales tax revenues by an additional 1.6 percent. This corresponds to an increase in revenues of \$114,000 in Madison, \$872,000, and \$1.2 million in Onondaga, in 2002 alone. The net sales tax increase to the area was, therefore, nearly \$3 million in 2002. This increase is still undervalued, however, as personal income increases are unaccounted for.

In order to determine whether the casino's growth, rather than its mere presence, influenced sales taxes to any degree, we also ran these regressions with the log of casino employment as an independent variable. The added term was insignificant in the model, and did not alter the coefficients or significance levels of the other results. It is evident from these results that the presence alone, rather than the size of the Turning Stone operation, is the main influence upon sales tax collections in the area.

VII. Crime Rates

The effect of casinos on local crime rates is often discussed in the literature on the total economic impact of gambling. The presence of a casino is predicted to increase crime rates for two reasons: the influence of more visitor traffic in the area, and general effects correlated with the presence of gambling. These effects typically stem from gambling's potentially addictive nature. With access to a local casino, a problem

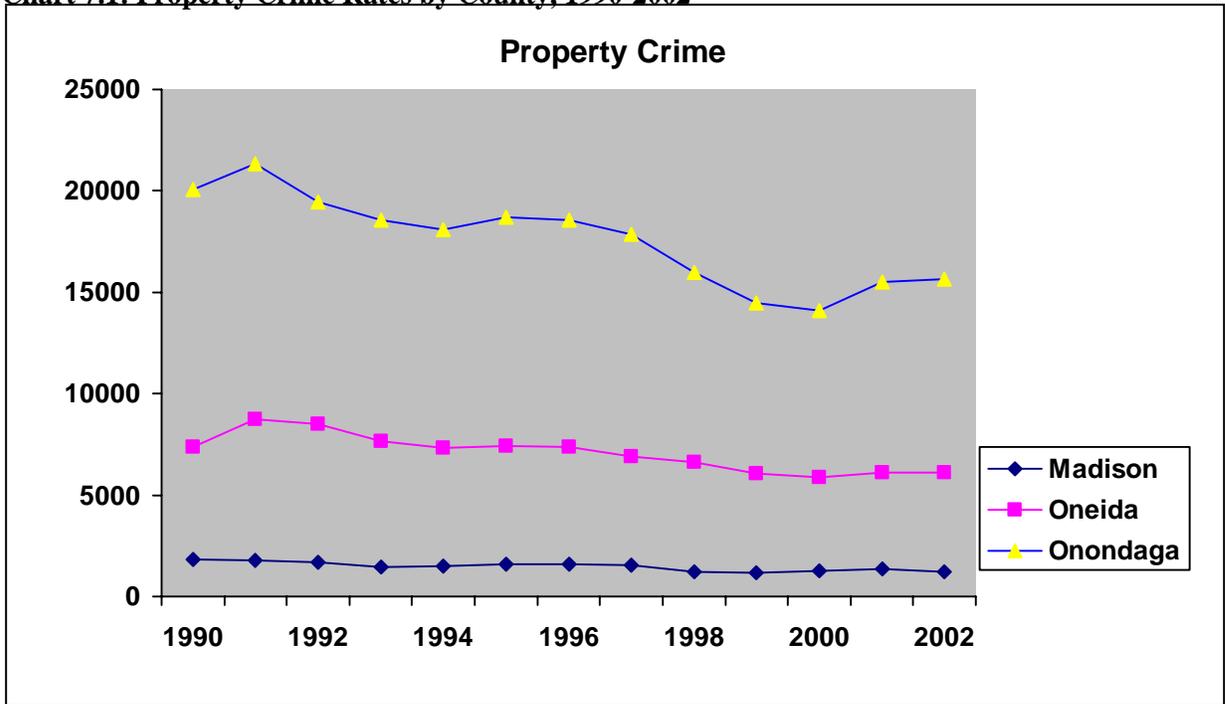
gambler has a greater potential to go beyond his financial means. In order to feed this habit, the addict may resort to illegal means of obtaining the money needed to continue gambling. Previous studies have found mixed results regarding the influence of casinos upon crime rates. Friedman (1989) found that casinos in Atlantic City increased crime rates, while Taylor (2000) found that the tribal gaming decreased crime, likely because of the accompanying increases in personal income and employment.^{58,59}

Crime rates statewide, particularly with regard to violent crimes, have trended down in recent years. In New York State as a whole, violent crimes decreased from over 200,000 cases each year to just fewer than 100,000 from 1990-2002. This trend, however, was not reflected in violent crime rates throughout Madison, Oneida, and Onondaga Counties, where rates have been low and fairly constant over time. Property crimes, on the other hand, which includes burglary, robbery, larceny, and other crimes against property, have decreased dramatically since 1990.

⁵⁸ “Casino Gambling as a ‘Growth Pole’ Strategy and its Effect on Crime,” *Journal of Regional Science*, 1989.

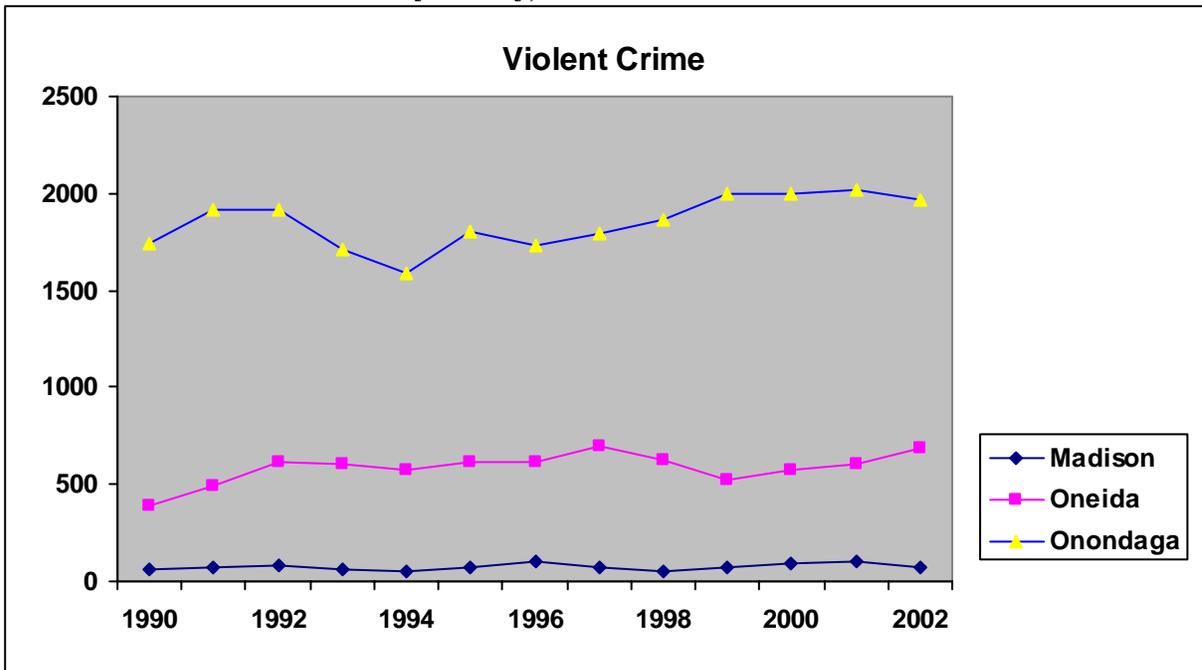
⁵⁹ “The National Evidence on the Socioeconomic Impacts of American Indian Gambling on Non-Indian Communities.” *American Behavioral Scientist*. 2000.

Chart 7.1: Property Crime Rates by County, 1990-2002



Source: New York State Division of Criminal Justice Services.

Chart 7.2: Violent Crime Rates by County, 1990-2002



Source: New York State Division of Criminal Justice Services.

In Madison County alone, larceny rates decreased by almost 40 percent from 1990 to 2002. Charts 7.1 and 7.2 display property and violent crime rates in each of the three counties for the period from 1990-2002. Onondaga and Oneida counties have higher crime rates than Madison County due largely to their greater populations and urban areas.

In order to quantify the effects of the Turning Stone Casino on crime rates in the three-county area, we again use Ordinary Least Squares regression analysis with the log of property crimes as the dependant variables. The following variables are included on the right side:

Log(Pop)		= log of the county's population
Log(Inc)		= log of the county's personal income
Unemp		= unemployment rate for the county at year's end
Year		= time trend variable
Madison	}	= dummy variables accounting for county effects
Oneida		
Onondaga		
Fulton		
Herkimer		
Oswego		
Casino		= dummy variable equaling 1 in years after 1994
MadisonCas	}	= interaction terms between counties and casino
OneidaCas		
OnondagaCas		
Log(Incomemaintenance)		= log of total income maintenance benefit payments in each county
Log(Age15_29)		= log of population in each county between the ages of 15-29

This framework is very similar to the regression for sales tax revenues, but with a few exceptions. In this crime model, Onondaga was omitted as a dummy variable because it is the most urbanized county among those in the analysis. One would expect crime rates to be significantly higher in a large city such as Syracuse. The county dummy variable

results in the equation, therefore, represent differences in crime rates between the more rural counties and the more urban Onondaga County. Population, the unemployment rate, and the income maintenance benefit level (as a proxy for poverty) are expected to have positive impacts on crime rates, while the impact of personal income is ambiguous; although an increase in an individual's personal income lowers the incentive to commit property crimes, this increase may not be evenly distributed throughout the population. If this is the case, those who do not receive the income increase could have more of an incentive for crime. Also, the population of each county aged 15-29 is included in the model. This age group is typically associated with higher crime rates.

The results of the model for property crimes are presented in Table 7.1. As in the sales tax regression, Equation 1 includes only the continuous variables usually included as predictors of crime rates; Equation 2 adds the county dummy variables; Equation 3 includes the casino dummy variable; and Equation 4 includes interaction terms between the casino dummy and each county in the impact study area.

Table 7.1: Regression Results: log (Property Crimes)

Variable	Parameter Estimates			
	Equation 1	Equation 2	Equation 3	Equation 4
Intercept	-6.94567	15.41082	15.24809	31.44019
Inpopulation	0.70437	-1.68364	-2.08098	-3.04852
Inincome	0.19718	0.32397	0.36433	0.31767
Unemployment_Rate	0.01541	0.01035	0.0172	0.01823
adjyear	-0.02805	-0.04732	-0.04674	-0.05298
Inincomemaintenance	0.11183	0.45476	0.38194	0.4366
InAge1529	0.26562	0.50355	0.98053	0.68462
Madison	--	-3.04245	-3.03545	-5.39067
Oneida	--	-1.12596	-1.06653	-1.86899
Fulton	--	-3.85242	-3.80412	-6.47073
Herkimer	--	-3.15821	-3.03337	-5.58087
Oswego	--	-2.20317	-2.19006	-3.90069
Casino	--	--	0.09459	0.11712
MadisonDummyCasino	--	--	--	-0.04242
OneidaDummyCasino	--	--	--	-0.13084
OnondagaDummyCasino	--	--	--	-0.07236

*All parameters in bold are significant at 90% confidence level or higher.

All five of the county-level dummy variables have negative and significant coefficients in the final model, reflecting the expanded result that rural counties have significantly lower crime rates than Onondaga County. Additionally, income maintenance benefits, as a proxy for county-level poverty, and the population of the county ages 15 to 29 increase the amount of property crime in the area. The casino's presence in the area also significantly increases the level of property crime, although in Oneida County, the negative effect is actually reversed, causing a net decrease in overall property crime in that county specifically. The overall effect of the casino upon property crime rates is an increase in Madison County of 12 percent, a decrease in Oneida County of 1.3 percent, and an increase in Onondaga County of 12 percent. This corresponds to an increase in the number of property crime instances in the three-county area of 1950. These are mostly located in Onondaga County. This result suggests that the positive employment and income effects of the casino on the Oneida County economy outweigh any negative impact of gambling on the crime rate.

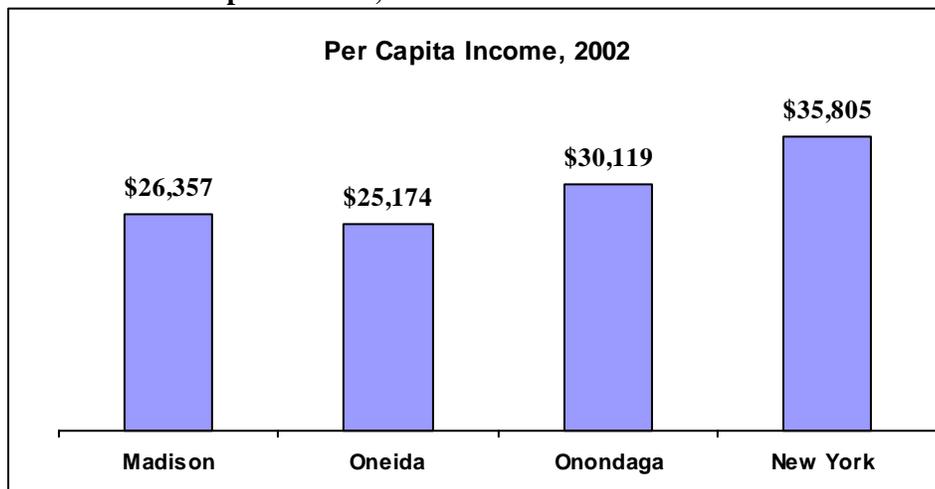
Assuming the Oneida Nation enterprises decrease unemployment in the area by one percent (as their employment comprises approximately one percent of the total area employment), Nation employment decreases crime rates by 1.8 percent (from Equation 4). This corresponds to a decrease of nearly 400 cases per year throughout the region. The overall net effect can, therefore, be reduced to a increase in property crimes of approximately 10 percent in Madison and Onondaga Counties, and a decrease in property crimes of approximately 3.1 percent in Oneida County.

All three counties, particularly Madison, have very low instances of violent crime. As a result, using the same OLS analysis to investigate the effects of the Turning Stone Casino on violent crime rates did not yield interpretable results.

VIII. Income Maintenance Benefits

One very prominent concern among many gambling studies, particularly among those that deal exclusively with external costs, is that the majority of a casino’s customers are those with the least amount of discretionary spending. This is particularly true among tribal casinos, as they typically located in less wealthy rural areas surrounding original reservation land. While not the poorest area in Upstate New York, the three-county area of Madison, Oneida, and Onondaga Counties has a per capita income level below the New York State average. The 2002 per capita income for each of the three counties and New York State is shown in Chart 8.1.

Chart 8.1: Per Capita Income, 2002.

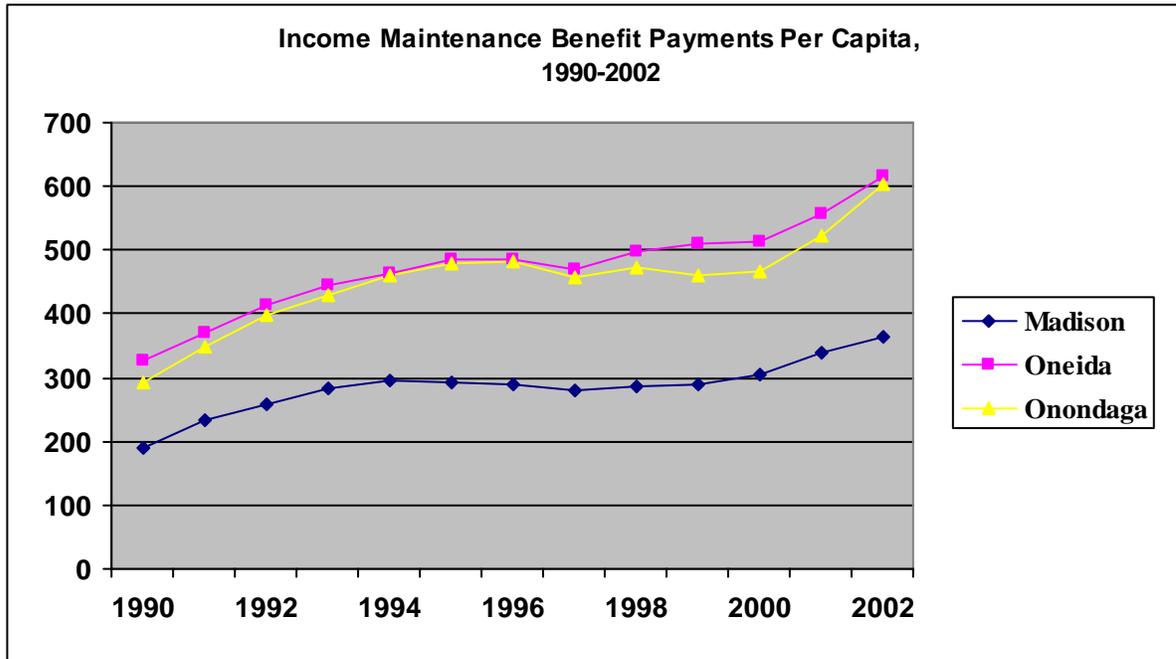


Source: Bureau of Economic Analysis

Given that over 70 percent of all visits to the Turning Stone Casino's gaming facility are local patrons, the worry that the casino may increase poverty in the region may be well-founded.⁶⁰ The effects of this adverse gaming selection manifest themselves primarily in poverty rates; those that use non-discretionary spending in order to gamble are typically more likely to fall below the poverty line. Historical yearly poverty statistics for three-county region were unavailable; however, the county-level of income maintenance benefit payments is a good proxy for local poverty. As a problem gambler uses more non-discretionary spending on local gambling, they are more likely to seek some form of governmental assistance. This assistance could take the form of food stamps, welfare, and other transfer payments to individuals. The Turning Stone Casino, however, could also have a positive impact upon income maintenance benefit payments in each county. As personal income and employment increase as a result of casino operations, income maintenance benefits should be less necessary. Chart 8.2 shows the trends in income maintenance benefit payments per capita in Madison, Oneida, and Onondaga Counties from 1990-2002.

⁶⁰ Oneida Nation data.

Chart 8.2: Income Maintenance Benefit Trends



Source: Bureau of Economic Analysis.

Over the time period from 1990-2002, income maintenance benefit payments increased substantially in each of the three counties. In just a twelve year period, payments per capita doubled throughout the area. This reflects the general trend occurring throughout the entire United States during this time period. Also worthy of note, Madison County's payments per capita are less than 60 percent of Oneida and Onondaga County's. This reflects Madison's more rural demographics. Population density, however, does not entirely explain the differences between the counties; Oneida County's per capita payments exceed Onondaga's despite the influence of the Syracuse metropolitan area on Onondaga's demographic and economic profile.

By again using an Ordinary Least Squares regression model, we hope to extrapolate the overall net change in income maintenance payments (and, indirectly,

poverty rates) as a result of these two casino related effects. We relate the log of income maintenance benefit payments in each county to the following variables:

Log(Pop)		= log of the county's population
Log(Inc)		= log of the county's personal income
Unemp		= unemployment rate for the county at year's end
Year		= time trend variable
Madison	}	= dummy variables accounting for county effects
Oneida		
Onondaga		
Fulton		
Herkimer		
Casino		= dummy variable equaling 1 in years after 1994
MadisonCas	}	= interaction terms between counties and casino
OneidaCas		
OnondagaCas		

Population and unemployment rates are expected to positively influence income maintenance benefits, as a higher population and a larger number of unemployed residents will increase the need for governmental assistance. Increases in personal income should decrease the need for assistance, while the year variable should capture the positive time trend occurring throughout this period nationwide. With Oswego County omitted, each county dummy variable represents the county-specific differences in income maintenance benefit payments between the included counties and Oswego. Equation 1 includes only the continuous variables usually included as predictors of poverty rates, Equation 2 adds the county dummy variables, Equation 3 adds the impact of the casino opening, Equation 4 illustrates county-specific effects of the casino by including interaction terms between Madison, Oneida, and Onondaga counties and the casino, and Equation 5 eliminates the general casino dummy variable in order to better interpret county-specific effects.

Table 8.1: Results: log (Income Maintenance Benefit Payments)

Variable	Parameter Estimates				
	Equation 1	Equation 2	Equation 3	Equation 4	Equation 5
Intercept	-4.5949	-23.7503	-21.9277	-48.9488	-54.1746
Inpopulation	1.11615	2.96342	2.81036	4.80025	5.25723
Inincome	0.11135	-0.05347	-0.05836	0.2001	0.19339
Unemployment_Rate	0.04651	0.02956	0.0344	0.02776	0.02455
Year	0.04629	0.05187	0.0439	0.04194	0.04629
Madison	--	0.81215	0.73349	2.01703	2.24841
Oneida	--	-1.04244	-0.92194	-2.60963	-2.95751
Onondaga	--	-2.31537	-2.08867	-5.19968	-5.83024
Fulton	--	1.78567	1.67187	2.83611	3.21509
Herkimer	--	1.13299	1.03713	2.45383	2.73468
Casino	--	--	0.08864	0.055	--
MadisonDummyCasino	--	--	--	-0.07711	-0.05161
OneidaDummyCasino	--	--	--	0.17352	0.2234
OnondagaDummyCasino	--	--	--	0.05025	0.0834

* All coefficients in bold are significant at a 90% confidence level or higher.

As expected, the coefficients on population, unemployment, and year are positive and significant at a 90 percent confidence level throughout all equations. Equations 2 through 5 show that Madison, Fulton, and Herkimer counties all have county-specific traits that cause higher income maintenance benefit payments than the omitted Oswego County. Oneida and Onondaga counties both have county-specific traits resulting in lower payments relative to Oswego.

Equation 3 shows that the casino causes an increase in income maintenance benefit payments throughout the area. Equation 4, however, shows that this impact was specific to certain counties, as the general casino dummy variable loses its significance once interaction terms are included in the model. The casino has a positive impact on income maintenance benefit payments in Oneida County; specifically, as its interaction term coefficient is positive and significant at a 90 percent confidence level. Equation 5 eliminates the insignificant casino dummy variable, making the entire casino's impact

county specific. Here, both Oneida and Onondaga experience increases in income maintenance benefit payments as a result of the casino's opening. These impacts are increases in payments of 22 and 8 percent respectively. This corresponds to an increase in income maintenance benefits paid of \$31.8 million in Oneida County, and \$22.1 million in Onondaga County, for a total negative impact of \$53.9 million in the three-county area in 2002. Some of these increases are at the state level, but many are either partially or entirely paid at the federal level (food stamps are one example).

With positive and significant coefficients on the Oneida and Onondaga County interaction terms with the casino, and with over 70 percent of the casino's gambling business coming from local sources, it is reasonable to assume that the Turning Stone Casino generates a negative social impact in the form of increased poverty through its gambling operations. However, it is important to note that these effects upon poverty are independent of the casino's positive impacts upon employment and personal income. In the model, these two variables are held constant, so only gambling effects are measured through the casino dummy variables.

IX. Conclusions

The Oneida Indian Nation is one of the leading employers in the Central New York Region, providing employment to over 4,200 New York residents as of 2004, with an annual payroll of over \$109 million. Approximately 86 percent of these workers reside within the three counties of Madison, Oneida, and Onondaga, and approximately 97 percent of these workers are not members of the Oneida tribe. Employment in these counties is further augmented through indirect effects of vendor spending, income

rollover, and capital outlays, generating a total of 1238 additional jobs from casino and gaming operations alone. In total, the Nation created over 7,000 jobs in 2004, as a result of all these effects. Of these jobs, 4139 were attributable to the casino's operations, generating a total increase in payroll, Medicaid, and Social Security tax collected at the state and federal levels of \$25 million for 2004 alone.

Additionally, the Turning Stone Casino is responsible for significant increases in sales tax collections in the three-county area. Cumulatively, increases in spillover spending from out-of-area casino patrons more than compensate for any decreased tax revenues from spending cannibalization away from taxable local businesses. The Turning Stone Casino's cumulative impact upon sales tax revenues in the three county area was an increase of approximately \$3 million in 2002 alone. This corresponds to a decrease of 6 percent in Madison, an increase of approximately 4 percent in Oneida, and an increase of approximately 1.6 percent in Onondaga.

In contrast to these positive taxation and employment results, however, the Turning Stone Casino does have significant negative social and economic impacts upon the three-county area, specifically with regard to crime and poverty rates. As a result of the casino, property crime rates were found to increase by 10 percent in Madison and Onondaga Counties, and decrease by 3.1 percent in Oneida County. These estimates, however, do not take into account increases in personal income resulting from the casino's employment and vendor spending impacts on the local areas. Interestingly, it appears as though the crime increases can be most identified with factors other than the increase in visitors to the local area, as Oneida County (where Turning Stone is located) actually experienced lower crime rates as a result of the casino. The majority of this

visitor impact upon crime should be concentrated highest in Oneida, the destination county for the resort.

Additionally, regressions analyzing the impact of the casino upon income maintenance benefits indicate that the casino has a negative impact upon poverty in the three-county area, with a particularly large impact upon Oneida County. The casino was found to increase income maintenance benefits by 22 percent each year in Oneida County, and 8 percent each year in Onondaga County. Even taking into account decreases in unemployment resulting from the Oneida Nation, these negative impacts remained significantly large. This measure is a good proxy for poverty levels in each county, so the results indicate that the casino has a negative impact upon county-level poverty rates. This is likely a result of localized problem gambling at the readily available casino facility.

Differences among the counties are also notable. Madison County receives negative impacts from the Turning Stone Casino with regard to sales tax revenue, while Oneida and Onondaga both receive positive impacts. This is an indication of Madison's lack of consumer attractions relative to the other counties. Consumers in Madison County are more likely to divert their spending to the Oneida Nation's non-taxable businesses, while the county is also less likely to receive spillover effects from visitor spending. Oneida County receives the largest economic benefits from this spillover spending in the form of sales tax increases, and decreases in crime rates that are likely attributable to this increased wealth. However, Oneida County also receives the greatest negative impact in the form of increased poverty. With the extremely large gambling

operation in such close proximity, it is likely that problem gambling is more of an issue among Oneida residents than residents of the other counties investigated.

The casino's impact upon local, state, and federal government expenditures is mixed. At the state and federal level, increased payroll and sales taxes positively affect these government revenue. These effects are also more widespread than those discussed here, as the employment increases through vendor, rollover, and capital spending were limited in this study to increases in only Madison, Oneida, and Onondaga counties. However, expanding the impact area may increase the amount of spending cannibalization, as the vast majority of the Turning Stone's visitors are from New York State, if not the three-county area in particular. Additionally, expenditures as a result of increased poverty levels in the areas surrounding the casino, and perhaps increased social services costs from problem gambling could also increase expenditures.

At the local level, this study has shown that the casino has had extremely positive impacts upon local employment and income levels, in addition to increased county sales tax levels resulting from spillover visitor spending. However, this does come at the cost of increased crime rates, at least in Madison and Onondaga counties. The Supreme Court decision regarding property taxation will also affect local governments and school districts a great deal. The revenues generated from these taxes will be extremely large once the Oneida-owned lands are assessed, compared to the levels of covenant grants previously distributed by the Oneidas as compensation.

Further studies on this topic should investigate the relationship between the casino and local poverty levels. While suggesting this relationship by investigating federal and state expenditures relating to these levels, this study does not estimate the magnitude of

such effects. Additionally, many other social concerns that are not addressed here are discussed in prior literature. Bankruptcy rates, divorce rates, suicide rates, and overall public health are potentially impacted by the presence of a casino in a local community. These impacts should not be ignored, despite their omission from this particular study.

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