



ECONOMIC IMPACT OF THE ST. REGIS MOHAWK TRIBE 2008

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CONTENTS

I. Findings in Brief.....	2
II. Introduction	4
III. Features of the St. Regis Mohawk Economy	5
A. Tribal Sovereignty	5
B. Intergovernmental Relationships	10
C. Tax Immunity	13
D. Regional Context	16
IV. Gross Economic Impacts on the New York and Regional Economy	18
A. Direct, Indirect, and Induced Impacts	18
B. SRMT Impacts on St. Lawrence and Franklin Counties	19
C. Statewide Impacts	20
V. Net Impacts	21
A. Casino Trade Flows and Substitution	22
B. The Tax-Immune Private Sector	24
C. Government Spending	24
About the Author	26
References	27



I. FINDINGS IN BRIEF

The St. Regis Mohawk Tribe, a federally recognized tribe, has witnessed a remarkable expansion in recent years. It has experienced economic growth made possible by Indian sovereignty and intergovernmental agreement, namely the growth of its bingo and casino operations. The Tribe's gaming-led growth built upon an active private sector and bolstered under-funded tribal programs to address poverty, health, education, the environment, and a host of other public concerns. As beneficial as this growth has been for Mohawk citizens, it has also had welcome effects on surrounding non-Indians and their communities. In particular:

- Total St. Regis Mohawk tribal employment has grown from 956 in 2003 to 1,336 in 2008, making the Tribe the third largest employer in the combined St. Lawrence and Franklin Counties and fifth largest in Northern New York. A large majority of these employees are non-Indians.
- St. Regis Mohawk direct revenue sharing with New York grew from \$4.7 million in 2005 to \$13 million in 2008 and is slated to rise into the future as the Tribe's casinos grow and as the compacted state percentage increases. Of that money, one quarter (\$3.3 million in 2008) goes to St. Lawrence and Franklin Counties to fund economic development and compulsive gambling programs at the counties' discretion.¹

¹ Unless otherwise noted all dollars are adjusted for inflation to 2008 equivalent dollars by the CPI-U (Bureau of Labor Statistics, 2009).

- Transfers from the gaming enterprises to the tribal government jumped nearly twenty-two fold, from \$0.7 million in 2003 to \$15 million in 2008, helping to meet chronic gaps in federal funding for Indian programs. Since government spending is largely wages and personnel benefits, the preponderance of that spending stays in the region.
- The tax-immune private sector on the St. Regis Mohawk Reservation employed at least 417 Indians and non-Indians and helped to fund \$2.5 million in tribal government spending via fees.
- The St. Regis Mohawk Tribe creates net economic benefits for St. Lawrence and Franklin Counties by drawing in only one-third of its revenue from the region while expending about the same proportion of its vendor outlays and ninety-eight percent of its payroll in the region. Similarly, tax-immune tobacco sales and ancillary spending bring net benefits to the region since about thirty percent of the sales volume derives from Canadian visitors.

Far from depending on the federal and state taxpayer as the myth might have it, the St. Regis Mohawk Tribe is now an engine of local employment growth and economic development. It achieves this not by foisting harms and infrastructure burdens on the governments around it, but by paying more than its fair share and attracting net new economic activity to Northern New York.



II. INTRODUCTION

American Indian sovereignty—the power of self-determination that tribes retain from before the founding of the United States—yields more benefits to non-Indian communities than most Americans appreciate. Contrary to popular conceptions of Indian sovereignty as a quaint historical fact, a special minority entitlement, a benevolent federal anti-poverty policy, or a nettlesome legal formality, modern tribal sovereignty critically and practically supports the recovery of Indians from the consequences of dispossession and poverty. While practical effectiveness for Indians could be justification enough for the treaties, laws, and policies recognizing and strengthening tribal powers to make decisions on foster care, tax rates, elementary curriculum, and water quality, robust Native nations also provide practical benefits to non-Indians around them as well.

This report examines how one particular Native nation, the St. Regis Mohawk Tribe, participates in the economy of New York. It explains how the structural features of Mohawk sovereignty distinguish its economic activity from non-Indian commerce and government, intensifying its regional economic benefits. It documents the remarkable recent growth of the Mohawk economy and tallies the jobs, earnings, and taxes that result from this activity. Most importantly, this report demonstrates that the remarkable gains the St. Regis Mohawk Tribe has achieved for its people come at no expense to the people of New York. To the contrary, St. Regis Mohawk economic activity provides substantial *net* benefits to the immediate off-reservation economy and New York more broadly.



III. FEATURES OF THE ST. REGIS MOHAWK ECONOMY

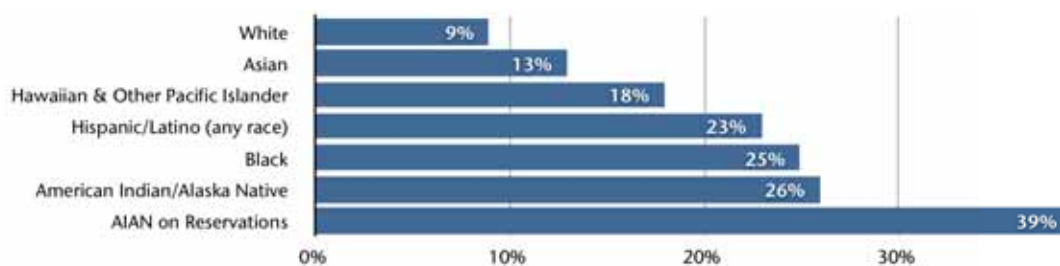
Critics of Indian sovereignty in general and Indian casinos in particular allege that the neighbors of Indian reservations bear economic burdens when tribes become economically successful. Various, the economic critics assert that casino success reduces economic growth off the reservation (see, e.g., Anderson). As this argument goes, non-Indian customers substitute away from off-reservation goods and services when they divert discretionary dollars to the casino. Critics also claim that tribal independence from state tax policy shifts economic activity out of the taxable sector of the economy, reducing collections and burdening competing businesses (see, e.g., Anders, Siegel, & Yacoub; Washington Research Council). Or they assert more prosaically that the attraction of a new Indian casino intensifies burdens upon roads, police forces, sewer systems, and other infrastructure off the reservation. And in New York, in particular, critics of Indian sovereignty point to tobacco tax immunity as a significant distortion of a “level playing field” and a detriment to the state economy. This section rejects the application of these claims to the St. Regis Mohawk Tribe, on the basis that such claims mischaracterize the policy, character, and context of Mohawk economic activity in Northern New York. Section IV will extend the point, estimating the gross economic impacts of the St. Regis Mohawk Tribe, and Section V will assess the net economic effects.

A. Tribal Sovereignty

Tribes are commonly misunderstood to be fraternal organizations, ethnic groups, casino companies, and other things, but plainly and simply they are governments, retaining powers of self-rule exercised prior to the Articles of Confederation and Constitution. Indian tribes are one of four sovereigns listed in the Constitution of the United

States (Art. 1, § 8.). By their treaties—part of the supreme law of the land—they helped constitute the physical extent and structure of United States sovereignty. Treaties, executive orders, laws, regulation, and intergovernmental agreements confirm Indian powers of self-government through history and across partisan divides.² Fundamentally, Indian tribes operate in the federalist matrix of governments rather than occupying a position on the national roster of US 501(c)(3) non-profits or the listings of the New York Stock Exchange.

Figure 1
Percent in Poverty by Race/Ethnicity
2000



(Harvard Project on American Indian Economic Development)






Tribal sovereignty brings practical benefits for Indians living on and near the reservations. American Indians have been the poorest minority readily identifiable in the census decade after decade, and conditions on the reservations have been even worse (Figure 1). Notwithstanding the large poverty gap, there are signs of improvement attributable to self-determination. Economic growth on the reservations in the 1990s was three times the US average rate, despite stagnant federal funding for Indian programs. Even on reservations without casino gaming, economic growth under policies of self-determination far exceeded the US average (Taylor & Kalt). In practical terms, when tribes displace outside decision makers like the Bureau of Indian Affairs, they achieve better results in economic and other domains (Figure 2). To a great extent, these benefits are *net* economic benefits because the programs are able to achieve more with less. Tribes do

² Acts of Congress upholding Indian self-government include: The Indian Self-Determination and Educational Assistance Act of 1975, 25 USC §450a(c); The Native American Housing Assistance and Self-Determination Act of 1996 (25 USC §4101); The Personal Work Opportunity Reconciliation Act of 1996 (8 USC §1621); The Indian Health Care Improvement Act of 1976 (25 USC §1601); The Indian Financing Act of 1974 (25 USC §145); and The Indian Gaming Regulatory Act of 1988(25 USC §2701).

Bipartisan Presidential support of Indian self-determination has included: advancing *self-determination among the Indian people* (Nixon, 1970); extending *the right to control and operate federal programs* (Nixon, 1970); ensuring that *self-determination principles... guide Indian policy* (Carter, 1979); restoring *responsibilities and resources...to the governments which are closest to the people served...not only state and local governments but also... Indian tribes* (Reagan, 1983); *acknowledging and reaffirming the...durability of our unique government-to-government relationship* (G. H. W. Bush, 1991); requiring agencies to operate *within a government-to-government relationship with federally recognized Native American tribes* (Clinton, 1994); consulting *with tribal officials (regarding) the prerogatives and authority of Indian tribes* (Clinton, 2000); requiring that *agencies...honor tribal treaty and other rights* (Clinton, 2000); ensuring that *each executive...agency's working relationship with...tribal governments fully respects the rights of self-government and self-determination* (G. W. Bush, 2004). (Quotes in italics).

better because decision-makers are closer to the consequences of their decisions, more aware of local conditions, and more informed about local preferences and culture. In essence, self-determination for tribes works for the same reasons that federalism and local control work outside the reservations.

Figure 2
Indian Self-Determination Yields Concrete Benefits

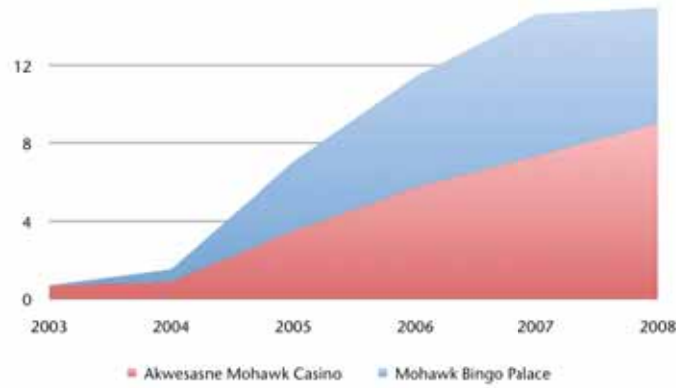
When Indian nations control...		...they obtain...
Forestry		More efficient timber harvests Higher prices for commodity lumber
Health Care		More comprehensive services Greater patient satisfaction
Poverty Policy		Declines in child psychopathology & crime Increases in educational attainment
Economic Development		Greater profitability Greater diversification
Policing		Faster response times Better police treatment

(Adams, 1999; Akee, Copeland, Keeler, Angold, & Costello, 2009; Cornell & Kalt, 1992; Cornell, Kalt, Krepps, & Taylor, 1998; Costello, Compton, Keeler, & Angold, 2003; Dixon, Shelton, Roubideaux, Mather, & Mala Smith, 1998; Jorgensen, 2000; Krepps & Caves, 1994; Moore, Forbes, & Henderson, 1990; Wakeling, Jorgensen, Michaelson, & Begay, 2001).

Tribal investments in social, economic, educational, and other programs benefit not only Indian tribes, but the states and nation as well. When, for example, the St. Regis Mohawk Tribe invests in its housing program, the Boys & Girls Club, the reservation health system, and scholarship program (SRMT, 2008), it addresses longstanding socio-economic deficits in housing quality, life expectancy, and employment outcomes (see, e.g., Harvard Project on American Indian Economic Development) by filling chronic shortfalls in federal funding for Indians (US Commission on Civil Rights). No state or county benefits from pockets of poverty in its midst and the attendant burdens on public services, and social investments like the Mohawks' help carry a burden that state and federal taxpayers would otherwise bear directly as underwriters of Indian programs, or indirectly as providers of public services.

St. Regis Mohawk social investments have trended upward over the last few years. The Tribe's Mohawk Bingo Palace opened in 1985 and its Akwesasne Mohawk Casino opened in April 1999. Recently under the terms of a compact with the State of New York as it was amended in 2004 and after additional tribal investment, the facilities have been able to offer games that are much more attractive to customers and St. Regis prospered accordingly. The result has been a nearly twenty-two-fold increase in the revenues available for the St. Regis Mohawk Tribe to meet its needs, from \$0.7 million in 2003 to \$15 million in 2008 (Figure 3).

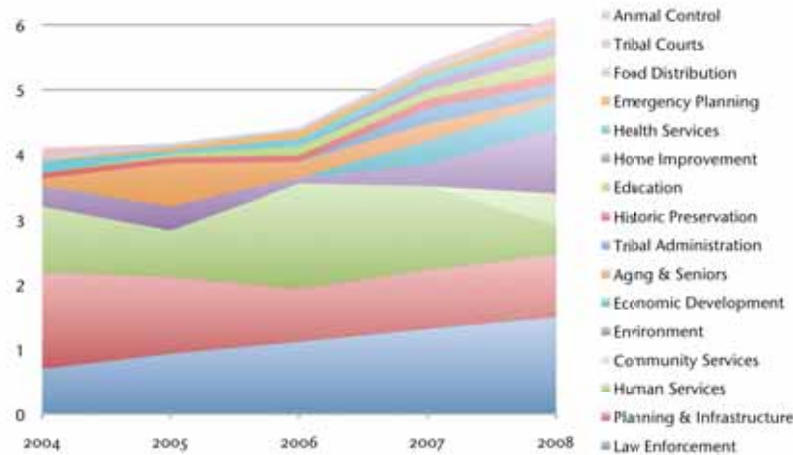
Figure 3
Casino Revenues to the St. Regis Mohawk Tribe
 millions of 2008 dollars



(SRMT, 2008)

The revenue increases allow the Tribe to strengthen and expand existing programs. As Figure 4 shows, law enforcement, planning and infrastructure, human & community services, and environmental protection constituted a majority share of 2008 program spending made possible by gaming income, yet spending ran the gamut from general administration and education to courts and health care.

Figure 4
SRMT Program Contributions from Gaming Income
 millions of 2008 dollars

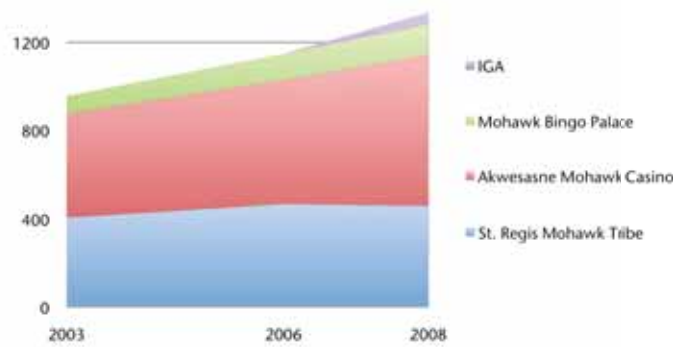


(SRMT, 2008)

The success of the casinos has also increased the Tribe’s employment from 956 in 2003 to 1,336 employees in 2008 (Figure 5). The Tribe is now the third largest private employer across St. Lawrence and Franklin Counties behind only Kinney Drugs (2,500)

and the Sunmount Developmental Disabilities Services Office (1,700). Looking more broadly to include the counties contiguous to St. Lawrence and Franklin Counties, the Tribe ranks as the fifth largest employer in Northern New York (infoUSA.com).³ While the exact rankings change from time to time and vary between data sources and depending upon the regional definition, clearly the St. Regis Mohawk Tribe plays a dominating role in the North Country economy. In addition, the majority of the employees are non-Indians: roughly seventy-two percent of the casino employees, sixty percent of the bingo employees, and about forty percent of the Tribe's government employees are non-Indians.

Figure 5
St. Regis Mohawk Employment Trends
employees



As noted above, the governmental nature of Indian gaming brings tangible benefits for Indians and taxpayers. It also intensifies the regional economic impact of an Indian casino; the revenue, spending and payroll benefits in Figure 3, Figure 4, and Figure 5 exceed what would happen under other economic development or other casino ownership structures. First, a tribal government-owned casino like the Mohawks' will neither disperse its profits to shareholders around the world, nor move its headquarters out of state. The St. Regis Mohawk Tribe long occupied its current land and will continue to spend and invest within Mohawk Territory. Second, because Indian casinos must be on Indian reservation land, which, for the most part in the US and certainly in the case of the St. Regis Mohawk Tribe is not economically prime land for a customer-based business, the casinos become destinations in their own right. Since most states, New York included, do not allow free entry into the market for casinos, the remoteness of the Akwesasne Mohawk Casino and the Mohawk Bingo Palace means that any local substitution losses tend to fall short of the destination gains. Travelers come from further away for the relatively scarce night at the blackjack tables than they would travel for, say, a movie or a steak dinner. As it happens, that broader base also encompasses a large proportion of Canadian customers (see Figure 17, below), making the St. Regis Mohawk Tribe an exporter of entertainment and benefiting not just a narrow region of New York, but the state as a whole.

³ Defined as Clinton, Essex, Franklin, Hamilton, Herkimer, Jefferson, Lewis, and St. Lawrence Counties.

B. Intergovernmental Relationships

Contemporary tribal sovereignty as it operates within the matrix of federal institutions and laws also has practical implications for how Indian casinos generate regional economic impacts. Following the Supreme Court’s affirmation of tribal powers over regulation of gambling activity ("California v. Cabazon Band of Mission Indians," 1987), Congress responded to state requests for a scheme whereby they could participate in the regulation and oversight of Indian gambling. The Indian Gaming Regulatory Act of 1988 (IGRA, 25 USC §2701, *et seq.*) divides of gambling into three classes, the third of which most resembles the offerings of casinos in Las Vegas and Atlantic City (Figure 6).

Figure 6
The Three Classes of Gambling in the Indian Gaming Regulatory Act

Class I gaming means social games or traditional forms of Indian gaming.

Class II gaming means: (i) bingo (whether or not electronic, computer, or other technologic aids are used in connection therewith)...including (if played in the same location) pull-tabs, lotto, punch boards, tip jars, instant bingo, and other games similar to bingo, and (ii) card games that are explicitly authorized by the laws of the State, or are not explicitly prohibited by the laws of the State and are played at any location in the State...

Class III gaming means all forms of gaming that are not class I gaming or class II gaming.

(25 USC §2703).

IGRA also apportions regulatory oversight between the governments in the federal system (Figure 7). Tribes retain full control of traditional (Class I) games. The tribes and the National Indian Gaming Commission regulate bingo and related games (Class II). And the tribes and the states jointly regulate casino-style gambling (Class III).

Figure 7
Responsibility for Indian Gaming Oversight

	Regulating Government		
	Indian	Federal	State
I	✓		
II	✓	✓	
III	✓		✓

(*Colorado River Indian Tribes v. National Indian Gaming Commission*; 25 USC §2701 *et seq.*).

Class III gambling cannot take place on an Indian reservation unless a number of conditions hold. Among other IGRA requirements, the tribal government in question

must own the casino operation (except for a few rare, grandfathered cases). The state and the tribe must jointly agree to a compact specifying the regulation and scope of games. If the tribe chooses to allocate profits per capita, it must file a gaming revenue allocation plan that specifies how gaming profits will be spent across five allowed categories of expenditure (Figure 8)—all categories that emphasize local spending. And IGRA bars state taxation of Indian gaming. States are not allowed to insist on compensation that would exceed reimbursement for state regulatory oversight.

Figure 8
Federal Law Governs Indian Gaming Profit Expenditure

Under IGRA, Indian governments must spend gaming revenue to:

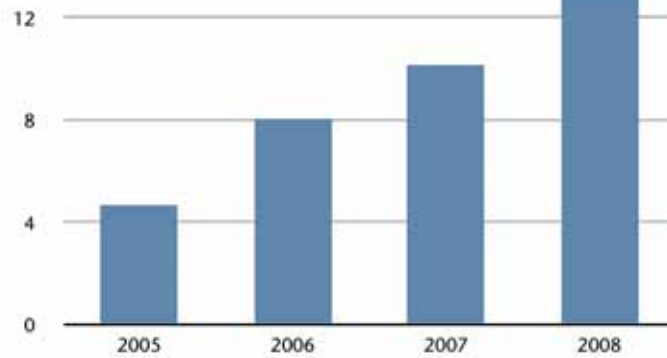
- i. Fund tribal government operations or programs;
- ii. Provide for the general welfare of the Indian tribe and its members;
- iii. Promote tribal economic development;
- iv. Donate to charitable organizations; or
- v. Help fund operations of local government agencies.

(25 USC §2710(b)(2)(B)).

This latter provision of IGRA effectively requires that sharing revenues with the state must entail an exchange—that is, some state contribution to the value of the tribe’s casinos worthy of the revenue shared (see, e.g., Martin, 2003). In numerous cases, such an exchange has entailed a grant of statewide or regional exclusivity in casino-style gambling, and the St. Regis Mohawk Tribe’s compact with New York has such a provision. In exchange for exclusivity, the compact (as amended in 2004) requires that the Tribe pay a rising proportion of the top-line revenues it earns from its slot machines to the New York Treasury. These payments are over and above the amount the Tribe pays to reimburse the New York Racing and Wagering Board for regulatory oversight work conducted with the St. Regis Mohawk Tribal Gaming Commission. For the first four years (2005-8) the Tribe pays eighteen percent. For the subsequent three years (2009-11) the Tribe pays twenty-two percent. Thereafter the Tribe pays a quarter of its slot machine revenue to New York.⁴ Even before the agreed rate escalation, the revenue St. Regis shared with New York grew rapidly, almost tripling from \$4.7 million in 2005 to \$13.0 million in 2008 (Figure 9).

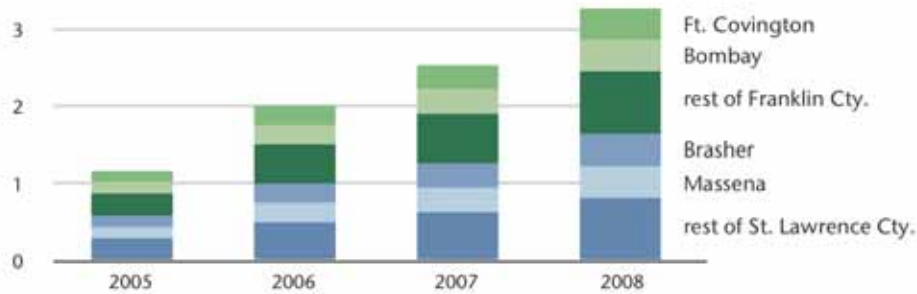
⁴ Amendment to the Tribal-State Compact between the St. Regis Mohawk Tribe and the State of New York, 2004.

Figure 9
Akwesasne Revenue Sharing with the State of New York
 millions of 2008 dollars



Under New York finance law (§99-h), the treasury disburses one-quarter of these revenues to Franklin and St. Lawrence Counties and four towns therein (Figure 10). Notwithstanding the constant contribution rate in the first four years (18%), the local portion of the revenue share almost tripled from \$1.2 million in 2005 to \$3.3 million in 2008 as the Tribe deployed, marketed, and developed its casino.⁵

Figure 10
Akwesasne Slot Revenue Shares to Neighboring Jurisdictions
 millions of 2008 dollars



New York law further splits the local share such that half goes to the two counties directly and the other half is split equally by the towns closest to the reservation in each county:

⁵ The St. Regis Mohawk Tribe recently helped the towns and counties discover a discrepancy between the amounts paid by the Tribe to New York and the actual payments Empire State Development made to the counties. Consequently, ESD corrected the error for 2005 – 2008, increasing the payments by \$1.7 million (Bomyea, 2009). Figure 9 and Figure 10 derive from internal tribal accounting records of the transfers.

Ft. Covington and Bombay in Franklin County and Brasher and Massena in St. Lawrence (see Figure 10). The law further requires that the local revenue shares be spent for:

purposes including but not limited to: reimbursements...to municipal governments that host tribal casinos...for costs incurred in connection with services provided to such casinos or arising as a result thereof, for economic development opportunities and job expansion programs...; and support and services of treatment programs for persons suffering from gambling addictions (§99-h.3).

The towns of Ft. Covington, Bombay, Brasher, and Massena and Franklin and St. Lawrence Counties expend the funds according their own plans as approved by Empire State Development. Franklin County and the Town of Massena, for example, spent compact funds refurbishing roads heavily trafficked by the Akwesasne Mohawk Casino's construction trucks and patrons. Massena invested in emergency services and Franklin County paid for economic development staff time (Livernois, 2008; White, 2007). To govern the expenditure of future funds, Bombay and Fort Covington intend to form a joint Planning, Zoning, and Economic Development Fund. Among other things, the fund would revitalize the Fort Covington downtown area, remove a dam on the Salmon River, leverage money from other funding sources, and upgrade town infrastructure, parks, playfields, and the fire district (Livernois, 2009). These payments more than ensure that the St. Regis Mohawk Tribe does not export costs such as infrastructure burdens to its neighbors in the process of developing its economy. The Brasher Town Supervisor noted of the revenue sharing,

In a small community such as ours with a limited tax base, it's certainly a gift to the people in the town of Brasher. We're going to be able to do some things that we'd be hard pressed to do otherwise. This certainly was a boon to us. (James Dawson per White, 2007)

Thus, contrary to some of the critics of Indian gaming, the St. Regis Mohawk Tribe by its compact contributes top-line revenues to the State of New York and more than defrays the costs it may impose on regulators, police forces, highway departments, and other local government agencies.

C. Tax Immunity

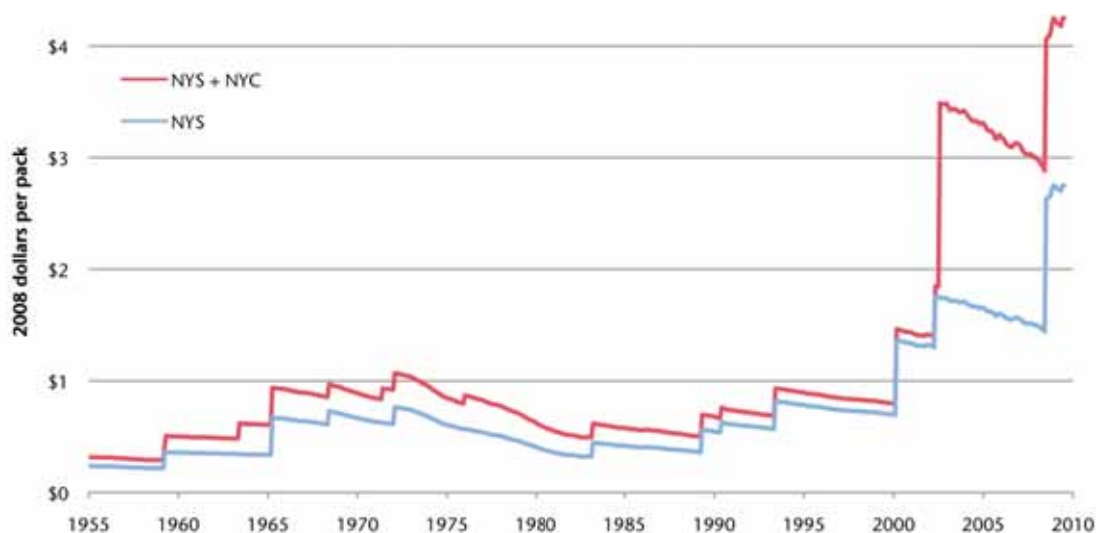
Tribal sovereignty also encompasses the power to set tax rates, including the taxes on cigarettes and gasoline. Over the last three decades and more, the St. Regis Mohawk Tribe and other New York Indians have engaged in heated legal and political battles over this power. The controversy does not inhere within Indian sovereignty; rather, New York's extraordinary policies give root to severe economic distortions, which in turn affect politics and policy. To take just one out-of-state example, the Squaxin Island Tribe in Washington State sells large volumes of cigarettes and cigars to non-Indians in that state without spawning widespread concern about tax evasion. It is not because Squaxin Islanders are more secretive than Mohawks or Senecas; rather Washington State policy better accommodates the economics of Indian sovereignty. New York policymakers have not been able to settle the issue, though it costs New Yorkers directly.

What of the economic fundamentals? To begin with the basics it is important to remember that taxes distort the operation of supply and demand. Consumers and suppliers are worse off by a greater amount than the revenue gains to government, and economics calls such net social losses *deadweight losses* in recognition that they result from inefficient misallocations rather than transfers from one group to another within the economy. It is not that there are simply winners and losers (a commonplace in policy-making), but rather that taxes diminish the losers by more than the winners gain. The greater the taxes, the greater the deadweight losses.

On occasion, taxes can improve the allocation of resources by taxing economic “bads,” such as pollution, which may be overproduced because market failures distort supply and demand in the first place. Appropriators often make the argument that tobacco taxes are such goods—that taxes are necessary to offset harmful social costs of smoking, but the consensus of economic research on smoking indicates “smokers more than pay their way *excluding the influence of excise taxes*” (Viscusi, emphasis added). In other words, tobacco taxes distort the economy as run-of-the-mill taxes do.

Even if economists erred and some level of taxation were justified to correct the functioning of the market, there is another economic fundamental critical to the multi-government taxation of tobacco. New York tobacco tax levels are now so extreme that they introduce Prohibition-like incentives for tax-evading arbitrage across state boundaries—to say nothing of Indian Country—and a number of troublesome and costly spill-overs result. New York’s cigarette taxes are the highest they have ever been by a wide margin (Figure 11). Back in 1989 when statewide cigarette taxes were merely one-fifth the current level, a representative of the Department of Taxation and Finance Tax Enforcement Office, observed “in New York it is literally more profitable to hijack a cigarette delivery truck than an armored truck” (Fleenor). Surely it is more lucrative now.

Figure 11
New York Cigarette Taxes, 1955-2009
2008 dollars per pack



(Fleenor, 2003; Lindblom, 2009)

If current New York cigarette taxes are higher than ever, they are also high relative to other states. New York's statewide taxes of \$2.75/pack rank second highest in the United States (Figure 12), twice the average level of taxation in the states that are not major tobacco producers (@ \$1.38/pack per Lindblom), and twice neighboring Pennsylvania's tax of \$1.35. No jurisdiction in the US levies taxes greater than the City of New York, whose \$1.50 add-on to the state's \$2.75 makes tobacco one-sixth again more heavily taxed than in Chicago—the next highest jurisdiction and itself an outlier.

Figure 12
Cigarette Excise Taxes per Pack, 2009
 state + maximum municipal / county rates



(Boonn, 2009; Lindblom, 2009)

The incentive for evasion is extreme. A New York City bootlegger could rent a van, drive to Virginia (where taxes are 30¢/pack) or South Carolina (7¢), split the difference with city customers, and clear hundreds of dollars per hour for his trouble. It is a short step from this calculus to armed turf protection and other criminality that has nothing to do with Indians or tribal sovereignty. New York has added tobacco to the War on Drugs via fiscal policy, and neither the social costs of counterfeiting, bootlegging, and racketeering nor the fiscal costs of forgone revenues and of monitoring and enforcing state law arise from Indian sovereignty any more than from Virginian sovereignty.

Meantime the St. Regis Mohawk Tribe has promulgated policies that regularize and restrict the sales of tobacco and gasoline on the reservation. Among other things, the Tribe licenses wholesalers, retailers, and transporters of petroleum fuel products, and it levies a two-cent per gallon administrative fee (TCR 91-50). It also licenses sellers of tobacco products and imposes a stamping requirement on all tobacco products sold to retailers on the St. Regis Mohawk Reservation. All tobacco sellers on the reservation must pay a Tribal Tobacco Fee to obtain the stamp. The fee is \$4.00/carton for national brands, \$3.00/carton for non-Mohawk Native brands, and \$2.00/carton for Mohawk brands. The Tribe also passed legislation requiring a \$4.00 retail markup over invoiced cost per carton (TCR 2000-30), legislation enforcing a minimum retail price (TCR 2006-08), and numerous other regulations including a prohibition on tobacco sales to minors and on Internet sales (TCR 2004-40). Thus, contrary to popular perception, gasoline and tobacco sales do

not take place in a Wild West market in which anything goes; the Tribe restricts sellers, monitors prices, and enforces fees.

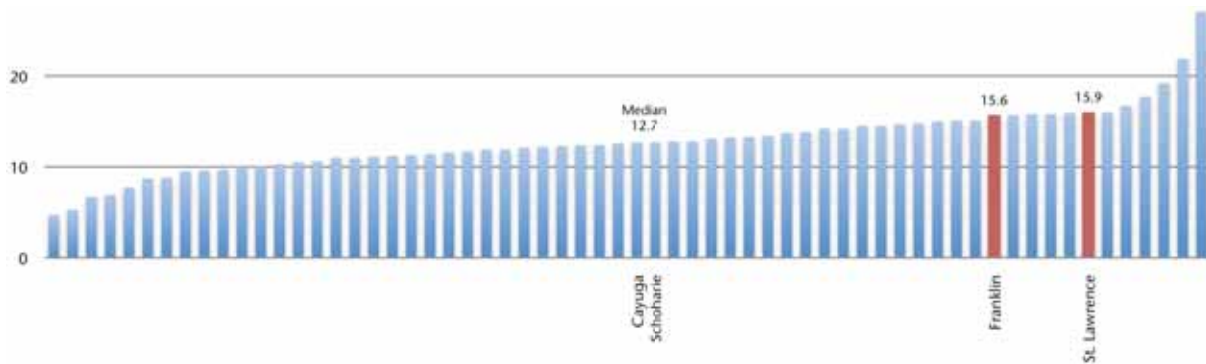
Mohawk tax-immune sales benefit the regional economy substantially. The St. Regis Mohawk Tribe spends the fees it collects—\$2.5 million in 2008—administering this system and performing essential government services in Mohawk Territory. Mohawk retailers reap the markup revenues, which then go to employee households in the region, to input suppliers, and to the owners’ households as profits. Among 141 registered businesses on the St. Regis Mohawk Reservation employing Indians and non-Indians there are thirty businesses that sell cigarettes retail, employing at least four hundred and seventeen local residents, most of whom would be out of work without St. Regis tax immunity. Customers who purchase tax-immune cigarettes and gasoline retain more disposable income for other consumption than they would under New York taxation.

All these flows concentrate in the Northern New York region, whereas in the absence of the Tribe, its policies, and its immunity, the money would flow to Albany where it would return (or not) according to the politics of state appropriation and the efficiency of state service delivery. More importantly, a substantial portion of such regional benefits are net benefits to the New York economy not transfers within it due to the deadweight losses of the state’s exorbitant taxes. Research conducted on the Tribe’s behalf in 2003 estimated that very modest tax increases in Mohawk Territory (56¢ on tobacco and 8¢ on gasoline) would cost the state economy \$13 to \$20 million in lost gross domestic product (GDP) over subsequent years (REMI, 2003).

D. Regional Context

The St. Regis Mohawk Reservation is located on the western side of Franklin County and abuts St. Lawrence County on the northern end of the county line. These two counties are among the poorest in New York (Figure 13). One in six persons living in these two counties lives in poverty, making them nearly one-third again more poor than the median New York counties in 2007 (Cayuga and Schoharie). Consequently the inten-

Figure 13
Poverty in New York Counties
 percent of all persons living in poverty in 2007



(US Census, 2008)

sification of economic impacts created by the structure, policy, and context of the St. Regis Mohawk economy are particularly valuable to New Yorkers who care about the regional distribution of income. Because tribal sovereignty is the only policy to reverse centuries of privation and its ills on the Reservation, these counties contain within their midst a community that is not only becoming less reliant on taxpayers, but now employing as many county residents as the top employers in the region. Because tribal sovereignty over gaming accommodates intergovernmental cooperation on gaming regulation, revenue sharing and impact mitigation, the taxpayers of New York gain millions and the surrounding counties are more than compensated for the infrastructure costs they bear. And because Mohawk tax immunity helps attract and retain income in the Northern New York region, it contributes to the local economic base. The next section quantifies how much the St. Regis Mohawk Tribe contributes to the two counties and the state economy.



IV. GROSS ECONOMIC IMPACTS ON THE NEW YORK AND REGIONAL ECONOMY

Any given economic activity induces additional purchasing and hiring that themselves require other inputs and hiring through the economy. Paving a runway requires cement delivery, which in turn requires truck drivers, diesel fuel, and liquid concrete, which in turn requires crushed stone, cement, water, fuel, plant operators, electricity, and so on. The foregoing sections described the segments of the St. Regis economy, and this section estimates the consequences of that activity—governmental, government-owned, and private—for the regional economy and for New York State.

A. Direct, Indirect, and Induced Impacts

Like most Indian reservation economies, St. Regis Mohawk economy cannot supply all requisite goods, services, and labor. Firms and the government must hire accountants, attendants, card dealers, chefs, carpet installers, teachers, nurses, and security officers (to name a few) from in and around St. Lawrence and Franklin counties. The Tribe's activities also require IT specialists, equipment lessors, management consultants, bankers, and others to provide services. And of course, quite a few physical inputs are required, ranging from electricity and fountain drinks to gasoline and trucks. Such purchasing and hiring extends through the economy's household consumption, trade, and production relationships until "leakages" to savings, profits, and imports dampen the effects.

To estimate and understand these linkages, economists regularly rely upon input-output models. Developed by Nobel laureate Wassily Leontief, such models are used by agencies, treasuries, and advocates to estimate the effects of investment and policy

changes. The US Forest Service developed one of the common models, IMPLAN, which is now under private development and maintenance by the Minnesota IMPLAN Group, Inc. The company uses data from the Bureau of Economic Analysis and other federal agencies to update production, trade, and consumption relationships in the model. IMPLAN then can be used to model a policy intervention, in this case the hypothetical removal of the St. Regis Mohawk economy from Franklin/St. Lawrence and New York economies.

IMPLAN estimates three classes of effects: direct, indirect and induced. Direct effects capture the within-region changes associated with an activity. It is the local component after the out-of-region purchasing is subtracted. The indirect effects arise from all the iterated purchasing that results from the studied activity extending through subsequent input industries. As a casino is built, for example, a cement company sells more cement and in turn, a gravel company must mine more gravel and a gasoline wholesaler must deliver more truck fuel, and so on through the economy. Induced effects capture the changes in local industry caused by household income expenditure arising from the direct and indirect spending. In this example, induced effects reflect the change in appliance and food sales made possible by the earnings of casino workers, cement truck drivers, gravel miners and gasoline wholesalers. Altogether, the total direct, indirect and induced value-added effects give an estimate of the portion of regional GDP that is associated with the activity in question (IMPLAN).

For many industries, one of IMPLAN's 440 economic sectors captures the structure and behavior of the modeled sector well. A number of features of Indian gaming, however, make IMPLAN's category encompassing casinos—"Amusement parks, arcades, and gambling industries"—inappropriate. For one, that sector encompasses indoor play areas, amusement parks, video game arcades, lottery corporations, gambling cruises, and other varieties of firms whose production relationships and purchasing patterns differ dramatically from Indian casinos. More importantly, Indian casinos are government-owned, making the disposition of profits categorically different from what happens generally in the private sector. For these reasons and to carefully address the potential for double-counting across the government and the casino, detailed expenditure data from the casino and government define the IMPLAN input model for all but the private sector, rather than top-line revenues. The private sector is modeled on the basis of employment since that data is readily available from companies.

B. SRMT Impacts on St. Lawrence and Franklin Counties

Figure 14 shows the estimated impacts of St. Regis Mohawk government, government-owned enterprise, and the private sector on the two-county economy. An estimated \$95 million dollars of gross regional product (GRP) can be attributed to the territorial economy of St. Regis. As usual, labor income constitutes the preponderance of the total value added (78%), but interestingly, because New York taxes employment and purchasing off the reservation, the reservation economy is also associated with \$3.8 million in local and state excise taxes.

Figure 14
Estimated Impacts of the St. Regis Mohawk Tribe
on St. Lawrence and Franklin Counties in 2008
 millions of 2008 dollars

	Direct	Indirect	Induced	Total
Labor Income	61.3	4.0	8.5	73.8
Other Property Income	10.4	1.7	5.4	17.5
Indirect Business Taxes	1.6	0.4	1.7	3.8
Total Value Added	73.3	6.1	15.6	95.0

Labor income is employee compensation and self-employment income. Other property income includes interest, rents, royalties, dividends and profits. Indirect business taxes are taxes other than taxes on profit or income, mostly sales and excise taxes. (IMPLAN, 2007)

C. Statewide Impacts

Figure 15 shows the estimated impacts of St. Regis on the New York economy. An estimated \$119.6 million dollars of gross state product (GSP) can be attributed to the economic activity underway in 2007 at St. Regis. Again, labor income constitutes the preponderance of the total value added (75%), and the reservation economy is also associated with \$5.8 million in local and state excise taxes. New York impacts exceed the two-county impacts because New York is more capable of self-supply in the relevant goods and services than the two counties are.

Figure 15
Estimated Impacts of the St. Regis Mohawk Tribe
on New York in 2008
 millions of 2008 dollars

	Direct	Indirect	Induced	Total
Labor Income	65.6	9.0	15.2	89.8
Other Property Income	11.6	3.8	8.6	23.9
Indirect Business Taxes	2.0	1.1	2.7	5.8
Total Value Added	79.2	13.9	26.5	119.6

Labor income is employee compensation and self-employment income. Other property income includes interest, rents, royalties, dividends and profits. Indirect business taxes are taxes other than taxes on profit or income, mostly sales and excise taxes. (IMPLAN, 2007)

To put these numbers in context, consider that Clarkson University, Paul Smith's College of Arts and Sciences, and St. Lawrence University have an estimated combined economic impact of \$521 million on Northern New York (CICU, 2009). Comparing this number with the estimates of total value added in Figure 14 and Figure 15 presents a set of confounding methodological problems not least of which is that those three academic institutions represent an industry segment (private colleges in Northern New York) whereas the St. Regis Mohawk Tribe is a single governing jurisdiction. Nonetheless, this rough comparison makes clear (as does the ranking of employment described on p. 8) that the St. Regis Mohawk Tribe plays a significant role in the region.



V. NET IMPACTS

The previous section estimated how the St. Regis Mohawk Tribe precipitates purchases, sales, and tax collections elsewhere in the economy as its direct purchases give rise to demand for goods and services up the production chain and through employees' household purchasing. The section estimated the effect on GRP and GSP of hypothetically removing the St. Regis Mohawk Tribe as if nothing replaced the departing economic activities. Such a scenario estimates the *gross* economic impacts of the Tribe. But because economic actors face alternative choices when their options for purchasing, employment, or sales disappear, the gross impacts may not be the final analysis. On the one hand, the economy without the St. Regis Mohawk Tribe might not be very different. A foregone night at the casino might be replaced by a movie and dinner out. A lost job at the black jack tables might be replaced by a job at a call center, and so on. On the other hand, the relative rarity of casino entertainment implies that at least across some distances, casinos demonstrate destination effects exceeding their substitution effects. That is to say, they attract customers from sufficiently far away as to contribute net new economic activity to a region that more than offsets the within-region shifts of economic activity from sector to sector. Determining whether the economies of St. Lawrence and Franklin counties or New York benefit in the end from the St. Regis Mohawk economy requires determining whether the impacts on GRP or GSP are net positive once these substitution and destination effects are taken into account. This section weighs the evidence from Northern New York and elsewhere and concludes on balance that the benefits to the region in particular and the State of New York in general are net positive. The St. Regis Mohawk Tribe clearly creates economic benefits that would not otherwise be available—benefits, not just for itself, but also for Saint Lawrence and Franklin Counties and New York.

A. Casino Trade Flows and Substitution

A congressionally chartered bi-partisan commission consisting of gambling industry representatives, labor unions, and casino opponents—the National Gambling Impact Study Commission—conducted a meta-analysis of gaming economic studies. That review of more than one hundred studies concluded:

Economic theory and the preponderance of evidence indicate that the aggregate direct and indirect impacts of the construction, operation, and taxation of casinos are significantly positive. Broader economic costs relating to such factors as the use of government services and changes in property values are not insignificant, but they do not come close to canceling out the more conventional output, income, and employment gains (Rose, 1998).

A study by the University of Chicago’s National Opinion Research Center also conducted at the behest of the Commission found correlation between casino introductions and economic vitality. That statistical analysis of one hundred communities over sixteen years found that places within fifty miles of a casino introduction experienced more positive economic outcomes and no discernible social harms, relative to average communities (Figure 16). The study found some change in the sectoral distribution of earnings—increases in construction and hotel earnings, declines in restaurant earnings—but no overall change in income. More importantly, net economic benefits were statistically significant, positive, and substantial: unemployment declined, as did reliance on welfare.

Figure 16
On Average, Communities Near Casino Introductions Experienced...

- A 12% net decline in unemployment (approx. a one-point decline);
- A 13% net decline in income from income maintenance programs;
- A 17% net decline in income from unemployment insurance programs;
- A 3% net decline in income from other transfer payment programs
- No discernible net change in total incomes despite the decline in income from income maintenance and transfer programs; and
- No discernible change in business or non-business bankruptcy filings, in seven crime indicators, or in infant mortality

...relative to communities that did not witness casino introductions.

(Gerstein, Volberg, Harwood, & Christiansen, 1999, 71).

A reexamination of this data focusing on the cross-jurisdictional effects of Indian casinos on non-Indian communities found greater positive effects (Taylor, Krepps, & Wang, 2000). Non-Indian communities that experienced nearby Indian casino openings started the period of analysis worse off and their fortunes improved by more than comparable communities. Much of the effect found in the original study and in this reexamination arises from unremarkable economic geography: a geographically rare but desired service (casino gambling entertainment) will tend to attract visitation from a greater range than something more readily available.

The question arises whether the communities around the casinos owned by the St. Regis Mohawk Tribe experience social and economic effects that parallel the impacts described by Gerstein *et al.* (1999) and Taylor *et al.* (2000) or the Tribe is an outlier in some way. A sample of one does not permit easy measurement of St. Regis influence on local conditions in the presence of confounding influences such as nearby plant closings or macroeconomic contractions (as the US began to experience in 2007). Data exists, however, documenting the financial flows precipitated by the casino and pointing to very substantial net regional economic benefits.

Figure 17 shows the geographic sources and destinations of casino dollars as recorded in the casino's player loyalty card data and accounting ledgers. Roughly one-third of players and player dollars come into the Akwesasne Mohawk Casino from Franklin and Saint Lawrence county residents but a higher proportion of the outlays return to those counties and virtually all of the wage bill for the two gaming facilities is paid within the two counties. A disproportionate share of the two-county outlays are in Franklin County, as one would expect, given that the profits are transferred to the St. Regis Mohawk Tribe in that county. The Tribe spends some of that government revenue outside the region, say on ambulances or police cruisers not produced in the region, but since the bulk of government cost generally consists of personnel, few of whom can or do commute from outside the two counties, most of government spending can be considered "domestic" spending within the two-county region. In addition, Figure 17 conservatively understates the regional impact to a degree because it considers the host county impact funds (\$3.3 million in 2008) to be outlays to the New York Treasury, though all of that money is ultimately distributed in the counties.

Figure 17
Sources and Destinations of St. Regis Casino Funds
2007

	Akwesasne Mohawk Casino			All Gaming
	players	revenues	outlays	payroll
Franklin Cty.	10%	17%	33%	50%
St. Lawrence Cty.	16%	20%	6%	48%
SUBTOTAL	27%	38%	39%	98%
Rest of NY	22%	16%	20%	1%
Rest of US	16%	10%	40%	1%
Canada	35%	36%	1%	0%
TOTAL	100%	100%	100%	100%

The data in Figure 17 demonstrate that the St. Regis Mohawk Tribe is unequivocally a regional net exporter when it comes to the two main government-owned enterprises: Akwesasne Mohawk Casino and Mohawk Bingo Palace. The language of exportation may seem counterintuitive, given that the customers move onto Mohawk Territory to consume gaming, entertainment, and dining services, but the terminology is economically valid. For the services it provides, the casino earns revenues from residents of

other New York counties (16%), other states (10%), and other countries (36%). Such exportation is consistent with the patterns of economic vitality described in systematic research described in Figure 16. The St. Regis Mohawk Tribe provides services that customers from well outside the region, state, and nation find attractive, thereby more than making up for substitution effects within the two-county region. Indian gaming in this case is a net contributor to the regional and state economies.

B. The Tax-Immune Private Sector

As noted in Section III, economic features of the tax-immune private sector at St. Regis tend to make it a net contributor to the regional and state economies. Tobacco buyers and sellers are unencumbered by the deadweight losses associated with New York’s extreme tobacco tax levels—a net positive for the regional economy. Those gains accrue to tobacco sellers who pocket the mandatory markup required under Mohawk law. But surplus accrues to New York customers as well, or they would refuse to buy Mohawk product. That retained surplus equates with discretionary spending that can be turned to other household goods and services purchased in the Northern New York economy.

Another important feature of this sector, one not discussed in Section III—international trade—also brings net benefits to the New York economy. A study conducted more than a decade ago found that “the bulk of [Mohawk tobacco] sales are to Canadians (the sale of Canadian brands are said to be more than double those of US brands), not New Yorkers” (Stringer, 1997). Since that time, border restrictions have added to the costs facing Canadian purchasers in Mohawk Territory, yet on the other hand the strengthening Canadian dollar has made it more attractive to cross the border; over the past few years the Canadian dollar has been trading in a range not seen in nearly two decades (Bank of Canada, 2009). Retailers estimate that Canadian purchasers account for about thirty percent of the tobacco sales volume in St. Regis Mohawk stores. Canadian customers also buy gasoline, meals, and other products on the Territory, further helping to employ Northern New Yorkers and other Americans.

C. Government Spending

Were the government of the St. Regis Mohawk Tribe somehow “removed,” a replacement government would presumably have to step into the vacuum to fight fires, teach children, and plow roads. Across some domains such as busing children to school or paving roads, the net effect of such a replacement might be positive, negative, or a wash. If so, it would be difficult to predict in advance whether a hypothetical replacement government would be more efficient than the Tribe.

However across a range of programs and services—especially those addressing recovery from poverty and its associated ills—the Tribe is uniquely qualified. Around Indian Country tribes are demonstrating that self-determined and culturally conscious Native government vastly improves upon the track record of federal programs, state and county efforts, and private philanthropy. Native-designed foster care at Fond du Lac helps Indian children so well that Minnesota emulates the program. The Sisseton-Wahpeton Oyate’s award-winning professional empowerment program envelops dismissed tribal employees in training and services to a degree not available anywhere else

in America. The Northwest Indian Treatment Center tops the United States' accredited drug treatment programs because it integrates culture, religion, and psychology to reduce recidivism. Closer to the story at hand, the Akwesasne Freedom School offers a bilingual education founded in Mohawk philosophy and cosmology. Its graduates have gone on to non-Indian high schools where some have become National Honor Society members, valedictorians, and even a Gates Millennium Scholar (HPAIED, 1999, 2005). In case after case, programs designed and operated by tribal governments do work that no other government can (see also Figure 2).

The fact that tribal governments excel in comparison to others when addressing the causes and consequences of Indian poverty has monumental implications net economic impacts. When Indians enter the workforce, graduate from college, return to the reservation to work, or recover from substance abuse, the economy benefits. A person outside the labor force landing a job ceases to rely on others for sustenance and everyone from the non-Indian taxpayer to the local grocer benefits. The economy has more productive members and accomplishes more with the same resources. Thus, to the extent that a Native government excels beyond what other governments have been able to accomplish in reducing Indian poverty, Native governments do vastly more than just plow streets at lower cost. They restart economic engines.

When considered together with the economic vitality brought by gaming tourism and the retention of Northern New Yorker's discretionary income by the tax-immune sector, St. Regis Mohawk Tribe unequivocally brings net benefits to Northern New York and the state generally. New York's economy would be much diminished without the contributions of the St. Regis Mohawk Tribe.

ABOUT THE AUTHOR

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