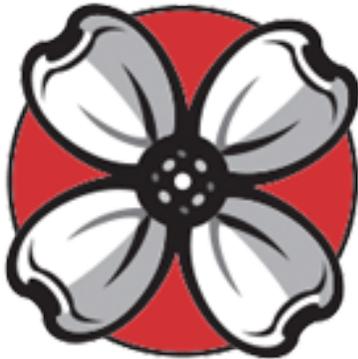


The Economic Impact of



NASKILA
GAMING
LIVINGSTON, TEXAS

Fall 2018

Produced for



by



TXP, Inc.

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Summary

Tribal gaming in the United States has grown rapidly, with 27 states now participating in some form. The most recent figures from the National Indian Gaming Commission indicate total nationwide tribal gaming revenue reached \$32.4 billion in 2017, up from \$31.2 billion the prior year and accounting for 45 percent of the overall U.S. casino market.

The presence of tribal gaming brings significant benefits to Polk County. In terms of its direct impact, Naskila is currently the 3rd largest employer in Polk County with approximately 350 total employees. These are good jobs at good wages; when benefits are included, the average employee compensation is well in excess of \$40,000 per year. In addition, revenues from Naskila provide funding for improvements on the reservation, such as housing and scholarships, as well as supporting a health clinic, day care center, and retail shops that serve the Alabama-Coushatta Tribe and the surrounding community.

When the total impact of Naskila is considered, the benefit to Polk County increases. The capital investment associated with construction and equipping of the facility injected \$18 million into the local economy, a figure that grew to \$22.5 million (and \$6.7 million in wages paid) when the ripple effects are considered. While these impacts ended when the project was finished, they undoubtedly had a positive impact across the community.

Now up and running, Naskila is projected to generate almost \$119 million in operating revenue this year, a figure that climbs to \$139.6 million after the impact of this revenue injection flows through Polk County. A total of 561 permanent local jobs (collectively paying \$15.3 million in annual wages) are attributable to the impact of Naskila, which means this facility alone accounts for about 5 percent of the private sector wages paid in Polk County. Put another way, more than 200 local jobs beyond those on-site depend on the presence of Naskila and its ability to bring dollars to Polk County.

Economic Impact of Naskila

	Output	Value Added	Labor Income	Employment
Total Construction/FF&E	\$22,545,214	\$13,683,080	\$6,742,834	119
2018 Annual Operations	\$139,616,227	\$78,492,753	\$15,324,476	561

Sources: Naskila Gaming, TXP, Inc. Note: See page 4 for definitions of economic impact terms used.

This last point is crucial. The essence of economic development is to draw funds to the local economy, either by selling locally produced goods and services outside the area, or attracting visitors who will spend money once they arrive. Naskila is a prime example of the latter approach, as more than 95 percent of its customers come from outside Polk County. As such, it is responsible for injecting well over \$100 million into the local economy annually, a process that benefits every stakeholder in the area.

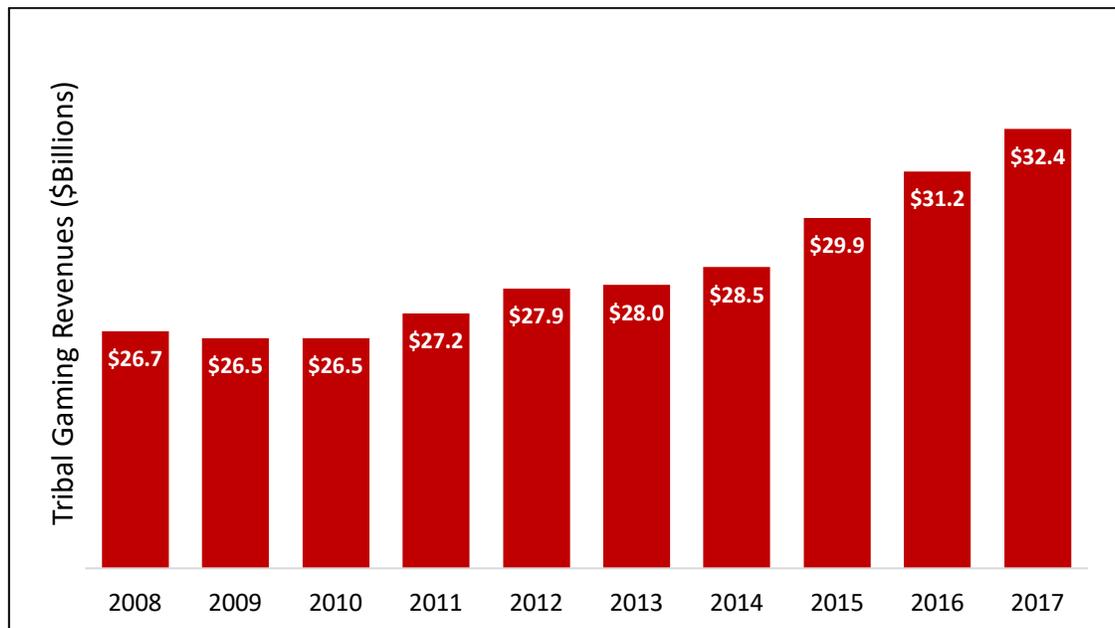
Overview

Gaming in one form or another has been part of the fabric of American life for hundreds of years. Early Native American culture had games and language describing gambling and believed their gods determined fate and chance. In addition, European colonists brought a history of gaming to American soil, with the British colonization of America funded partially by lottery proceeds. Later, institutions of higher learning such as Harvard, Yale, and Dartmouth utilized lotteries to help build dormitories and supply equipment, and a lottery actually helped pay for a portion of the American Revolution.

The first commercial casino in the U.S. opened in Nevada in 1931. For more than forty years, Nevada was the only state where casino gaming was offered. In 1976, New Jersey voters approved legislation to allow gaming in Atlantic City, and the first casino opened two years later. Since then, gaming has proliferated, as 41 states now have some type of casino gaming presence.

Tribal gaming is a significant and growing part of the overall picture, with 27 states now participating in some form. The most recent figures from the National Indian Gaming Commission indicate total nationwide tribal gaming revenue reached \$32.4 billion in 2017, up from \$31.2 billion the prior year and accounting for 45 percent of the overall U.S. casino market.

Figure 1: Tribal Gaming in the United States (\$Billions)



Sources: National Indian Gaming Commission, TXP

Steadily growing revenue is just one marker of tribal gaming's economic footprint. In addition, casino operations have strengthened sovereign tribal governments and helped many tribes achieve economic self-sufficiency, both within and outside the gaming industry. This is the case with the Alabama-Coushatta Tribe, one of only three federally recognized tribes in the State, with roots in East Texas since the late 18th century. Today, the Alabama-Coushatta Reservation comprises approximately 10,200 acres in Polk County, 17 miles east of Livingston, Texas adjacent to Big Thicket National Preserve.

In the summer of 2016, the Alabama-Coushattas opened Naskila Gaming (Naskila) on the reservation. Originally, the facility was 15,000 square feet with 365 Class II electronic bingo machines. In August 2017, Naskila doubled in size, expanding to over 30,000 square feet. The facility now features almost 800 Class II electronic bingo machines, an 88-seat restaurant, a café with an outdoor covered patio, and some retail offerings.

In order to fully understand the impact of Naskila on the local economy, the Texas Forest Country Partnership commissioned TXP to produce the following economic impact report. The analysis is divided into two sections: 1) the impact of capital spending on construction and FF&E to create the facility, and 2) the impact of annual operations.

Economic Impact of Naskila Gaming

Model Inputs & Assumptions

Construction/FF&E

Total construction spending to create Naskila was \$15.8 million. In addition, furniture, fixtures, and equipment (FF&E) spending totaled approximately \$4.3 million, half of which occurred with Texas-based vendors. As a result, total applicable capital spending is estimated at \$18.0 million.

Ongoing Operations and Expenditures

Total estimated Naskila operating revenue for 2018 will be just under \$119.0 million, including gaming revenue (defined as equivalent to the amount wagered minus the amount paid out in prizes, commonly referred to as the "handle"), eating & drinking, retail, and miscellaneous. Naskila has approximately 350 full-time employees, who earn almost \$33,000 per year on average before adding the value of the extensive benefits package that Naskila provides to employees.

Economic Impact Methodology

Economists use a number of statistics to describe regional economic activity. Four common measures are “Output,” which describes total economic activity and is generally equivalent to a firm’s gross sales or top-line; “Value Added,” which equals gross output of an industry or a sector less its intermediate inputs or purchases from other firms used in the production process; “Labor Income,” which corresponds to wages and benefits; and “Employment,” which refers to jobs that have been created in the local economy.

In an input-output analysis of new economic activity, it is useful to distinguish three types of expenditure effects: direct, indirect, and induced.

Direct effects are changes associated with the immediate effects or final demand changes. Spending by patrons for gaming, clothing, food, etc. while they at Naskila are examples of direct effects.

Indirect effects are changes in backward-linked industries caused by the changing input needs of directly affected industries – typically, additional purchases to produce additional output. Satisfying the demand from customers means that restaurants must purchase food, supplies, and other services. These downstream purchases affect the economic output of other local merchants.

Induced effects are the changes in regional household spending patterns caused by changes in household income generated from the direct and indirect effects. The restaurant owner experiences increased income from visitor spending, as does the cleaning supplies outlet. Induced effects capture the way in which increased income is spent in the economy.

A multiplier reflects the interaction between different sectors of the economy. An output multiplier of 1.4, for example, means that for every \$1,000 injected into the economy, all other sectors produce an additional \$400 in output. The larger the multiplier, the greater the economic impact. Since Naskila is located in the Polk County, TXP used the RIMS II input-output multipliers produced by the U.S. Bureau of Economic Analysis for that area..

Figure 2: The Flow of Economic Impacts



Economic Impact Results

Naskila Construction/FF&E Spending

As articulated above, the Alabama-Coushatta Tribe invested \$18 million in building and equipping Naskila. The estimated total economic output impact related to this investment was approximately \$22.5 million, with \$13.7 million in value-added. The increase in regional economic activity supported an estimated 119 total jobs with labor income of more than \$6.7 million. The economic impacts associated with capital investment are finite; once the facility is built and equipped, these impacts come to an end. See Table 1 for more detail.

Table 1: Naskila Total Construction/FF&E Economic Impact in Polk County

Industry Sector	Output	Value Added	Labor Income	Employment
Agriculture	\$71,714	\$38,804	\$14,444	1
Mining	\$1,796	\$1,581	N.A.	0
Utilities	\$10,775	\$7,184	\$1,796	0
Construction	\$15,872,462	\$9,570,881	\$5,286,200	85
Durable Mfg.	\$502,187	\$144,949	\$54,185	1
Non-Durable Mfg.	\$28,949	\$12,571	\$3,592	0
Wholesale trade	\$2,335,815	\$1,584,099	\$491,449	7
Retail trade	\$793,842	\$527,862	\$227,253	8
Trans./Warehouse	\$317,106	\$158,283	\$63,254	1
Information	\$188,968	\$112,404	\$31,098	0
Finance/Insurance	\$252,132	\$139,067	\$38,573	1
Real Estate	\$1,003,681	\$712,391	\$163,213	5
Prof./Tech. Services	\$71,038	\$43,884	\$28,228	0
Mgmt. of Companies	\$77,204	\$46,998	\$32,432	0
Admin. Services	\$81,521	\$44,099	\$21,259	1
Educational Services	\$31,252	\$20,691	\$10,346	0
Health Care, etc.	\$409,300	\$246,931	\$120,986	3
Arts/Recreation	\$10,561	\$5,388	\$1,796	0
Accommodation	\$20,906	\$12,356	\$5,173	0
Eating/Drinking	\$189,875	\$102,014	\$52,588	3
Other services	\$274,129	\$142,091	\$86,418	2
Households	N.A.	N.A.	\$8,550	1
Total	\$22,545,214	\$13,683,080	\$6,742,834	119

Source: TXP, Inc.

Note: See page 4 for definitions of economic impact terms used.

Naskila Annual Operations Economic Impact

Based on estimated direct Naskila revenue this year of just under \$119.0 million, the aggregate economic impact of operations at Naskila is \$139.6 million in economic activity/output, with \$78.5 million in value-added. This increase in regional economic activity supported 561 total jobs with labor income of approximately \$15.3 million. See Table 2 for more detail.

Table 2: Naskila 2018 Operations Economic Impact in Polk County

Industry Sector	Output	Value Added	Labor Income	Employment
Agriculture	\$42,551	\$27,453	\$12,809	0
Mining	\$472	N.A.	N.A.	0
Utilities	\$74,648	\$38,023	\$12,371	0
Construction	\$285,971	\$167,973	\$65,176	1
Durable Mfg.	\$103,354	\$32,487	\$15,099	0
Non-Durable Mfg.	\$222,880	\$85,604	\$24,725	1
Wholesale trade	\$393,546	\$266,633	\$88,400	1
Retail trade	\$1,998,644	\$1,338,443	\$576,792	19
Trans./Warehouse	\$940,037	\$479,543	\$203,848	4
Information	\$1,900,828	\$1,117,068	\$355,255	6
Finance/Insurance	\$3,309,469	\$1,858,581	\$560,467	10
Real Estate	\$4,370,330	\$3,081,613	\$681,254	25
Prof./Tech. Services	\$1,416,820	\$1,032,609	\$615,092	9
Mgmt. of Companies	\$655,657	\$393,307	\$276,540	3
Admin. Services	\$2,156,851	\$1,234,833	\$570,779	21
Educational Services	\$77,513	\$51,372	\$25,686	1
Health Care, etc.	\$925,358	\$560,331	\$273,761	6
Arts/Recreation	\$114,361,407	\$63,346,243	\$8,914,164	371
Accommodation	\$97,521	\$61,350	\$24,271	1
Eating/Drinking	\$5,142,572	\$2,693,497	\$1,640,420	70
Other services	\$1,139,796	\$612,018	\$373,798	9
Households	\$0	\$13,769	\$13,769	2
Total	\$139,616,227	\$78,492,753	\$15,324,476	561

Source: TXP, Inc.

Note: See page 4 for definitions of economic impact terms used.

Discussion

The presence of tribal gaming brings significant benefits to Polk County. In terms of its direct impact, Naskila is currently the 3rd largest employer in Polk County with approximately 350 total employees. Only 43% of these employees come from the Alabama-Coushatta Tribe, with the majority coming from surrounding areas. These direct jobs pay an average of \$32,750; when benefits such as 401(k) plans and health insurance are included, the average employee compensation is well in excess of \$40,000 per year.

Beyond the benefits to those directly employed, revenues from Naskila provide funding for improvements on the reservation, such as housing and scholarships, as well as supporting a health clinic, day care center, and retail shops that serve the Tribe and the surrounding community.

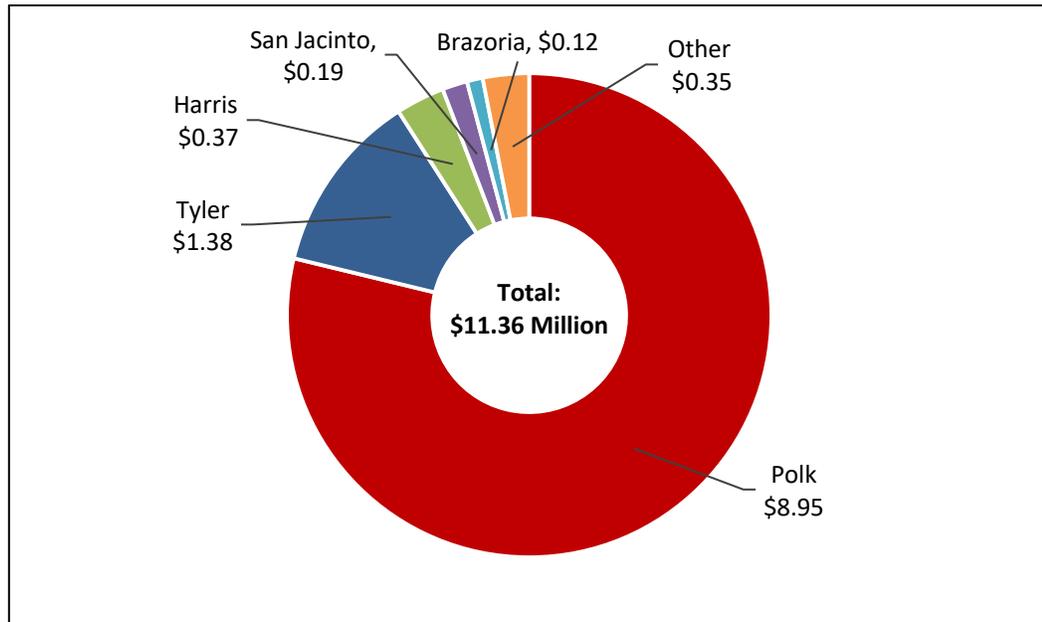
The direct benefits extend beyond Polk County across the region and the State. While the majority of Naskila employees live in the area, more than \$2 million in annual payroll flows to other Texas counties. By the same token, Naskila has vendors located in 30 counties across southeast Texas and elsewhere in the state.

When the total impact of Naskila is considered, the benefit to Polk County increases. The capital investment associated with construction and equipping of the facility injected \$18 million into the local economy, a figure that grew to \$22.5 million (and \$6.7 million in wages paid) when the ripple effects are considered. While these impacts ended when the project was finished, they undoubtedly had a positive impact across Polk County and the region.

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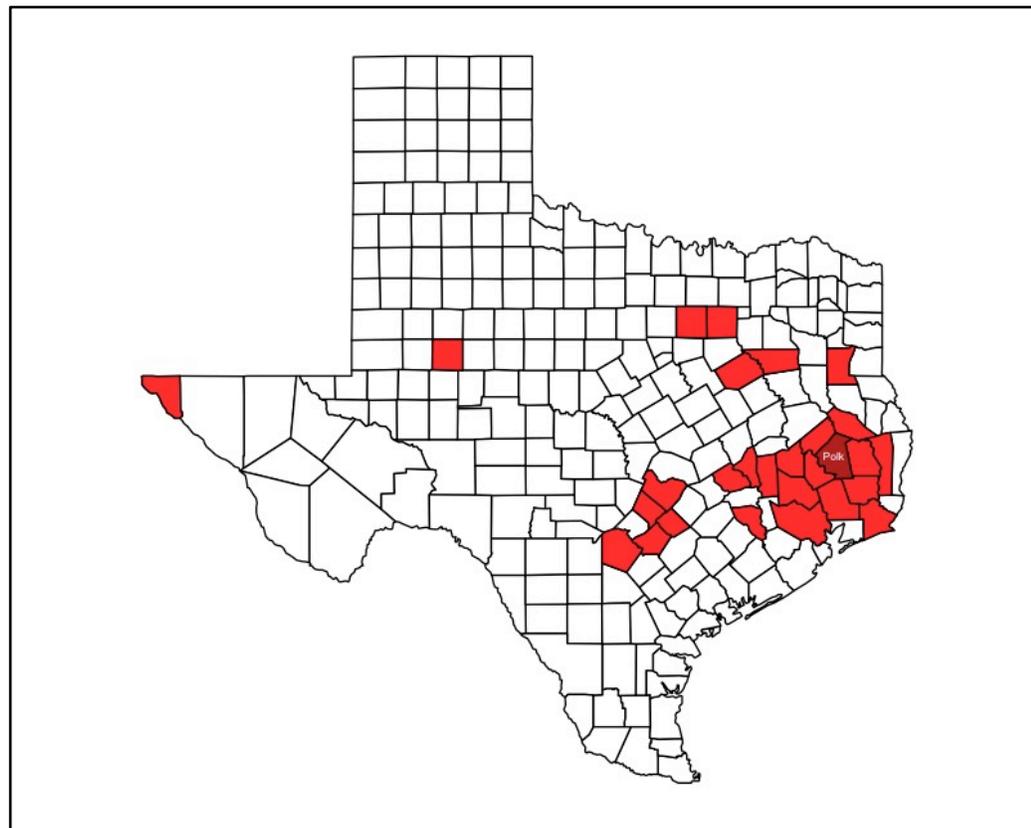
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Figure 3: Naskila Payroll by County (\$Millions)



Sources: Naskila Gaming, TXP

Figure 4: Location of Naskila Vendors



Sources: Naskila Gaming, TXP

About Texas Forest Country Partnership

The Texas Forest Country Partnership (TFCP), formerly known as the Pineywoods Economic Partnership and the Deep East Texas Development Association, was founded in 1960 as a non-profit economic development organization. The TFCP is the leader of all economic development efforts across the East Texas region. Its primary mission is to enrich the economic prosperity of the region through marketing, business development and advocacy.

TFCP goals are to strengthen regional involvement and decision-making to support economic growth, promote a highly qualified, well-trained workforce, support rural diversification and the regeneration of the East Texas region.

These goals are based on a landscape where jurisdictions can build upon shared strengths and cost effectively provide business attraction and retention services that bring greater prosperity. The 12 counties that the TFCP serves are Angelina, Houston, Jasper, Nacogdoches, Newton, Polk, Sabine, San Augustine, San Jacinto, Shelby, Tyler, and Trinity.

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