



# *The Economic Impact of the Cherokee Nation*

*Τη Εχονομικ Ιμπαχτ οφ τηε Χηεροκεε Νατιον*



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# ECONOMIC IMPACT OF THE CHEROKEE NATION

## I. Introduction

According to the Bureau of Indian Affairs' (BIA), 675,000 individuals in Oklahoma were enrolled members in one of 38 tribal entities in the state in 2003.<sup>1</sup> This was approximately 19 percent of the state's population in that year (3.5 million). In 2007, the Cherokee Nation's citizenship totaled 279,750, making it the largest tribe in Oklahoma and the second largest in the United States. Currently, more than half of these citizens live in a 14-county region in Oklahoma which comprises the Cherokee Nation jurisdictional area. Tribal assets include 66,000 acres of land and 96 miles of the Arkansas Riverbed.

As a sovereign government, the Cherokee Nation is responsible for the provision of public services to Cherokee citizens. These activities, such as child care, career services, elder services, and health care services, have an annual budget of more than \$478 million and are responsible for the employment of approximately 2,400 people—most of them residing in the Cherokee service jurisdiction.

In addition to public service provision, the Cherokee Nation is actively involved in the state's growing gaming and entertainment industry. Cherokee Nation Enterprises (CNE) operates Cherokee Casino and Resort as well as six Cherokee Casinos and Cherokee Will Rogers Downs. CNE employs an additional 3,000 Oklahomans and had an annual Oklahoma payroll of \$113 million in FY 2007. Revenues from these enterprises help the Cherokee Nation fund services such as health care, education, and housing.

Cherokee Nation Industries (CNI) encompasses a variety of enterprises in several industries including manufacturing, distribution, professional services, telecommunication, and construction. For example, CNI's Aerospace and Defense group is a manufacturer of electro-mechanical assemblies that is located in Stillwell, OK. Overall, the CNI facet of the Cherokee Nation employed 956 people (416 in Oklahoma) and had a payroll of \$26.8 million in FY 2007. Profits earned by CNI also help fund public service provision for Cherokee citizens and support job growth and development.

While the ultimate goal of this report is to summarize the economic impact of the Cherokee Nation on the State of Oklahoma in FY 2007, the Cherokee Nation, as a whole, is a complex entity, and, consequently, considerable effort will be taken to describe the scope of the tribe. To that end, the first half of this report will present a description of the Cherokee Nation today—describing both the government sector and its extensive provision of services to Cherokee citizens and the business sector. The business sector of the Cherokee Nation includes both gaming and retail enterprises (Cherokee Nation Enterprises) and industrial enterprises (Cherokee Nation Industries.) These various activities might best be described as the direct economic impacts of the Cherokee Nation.

After identifying these direct economic impacts, the second half of this report will then focus on the spillover economic impacts generated by the activities of the Cherokee Nation. Specific attention will be paid to global impacts, statewide impacts, Cherokee jurisdictional impacts, and countywide impacts. The Cherokee Nation and its various enterprises employ about 5,800 people in Oklahoma—

many are Cherokee citizens and most live in the 14-county jurisdiction; thus, the greatest impact of the Cherokee Nation is on the 14-county region. Even so, any employment activity of this magnitude will have spillover effects on the rest of the state. These statewide spillover, or multiplier, effects will be estimated and quantified, as will economic growth trends in the 14-county region.

Overall, this report finds that the Cherokee Nation is an organization with an impact of more than \$1.3 billion on the state's output level, including \$361 million in state payroll impacts and 8,709 jobs. In other FY 2007 impacts, the Cherokee Nation contributed \$5.8 million to charity, spent \$9.9 million for tuition and professional staff development, spent \$31.9 million for construction projects, and remitted \$20.4 million to the State of Oklahoma in compact fees, most of which supports state public education. Much of the impact of the Cherokee Nation is felt in the 14 counties that make up the Nation's jurisdictional boundaries. In fact, job growth in the Cherokee region has outpaced state jobs gains since 2004 by an average of 1 percent annually and is expected to continue to do so. The greatest job and wage impact is in Cherokee County, which is home to 1,788 Nation employees (26.8 percent of the Cherokee workforce), but Tulsa County, Adair County, Rogers County, and Sequoyah County also receive significant job and wage impacts.



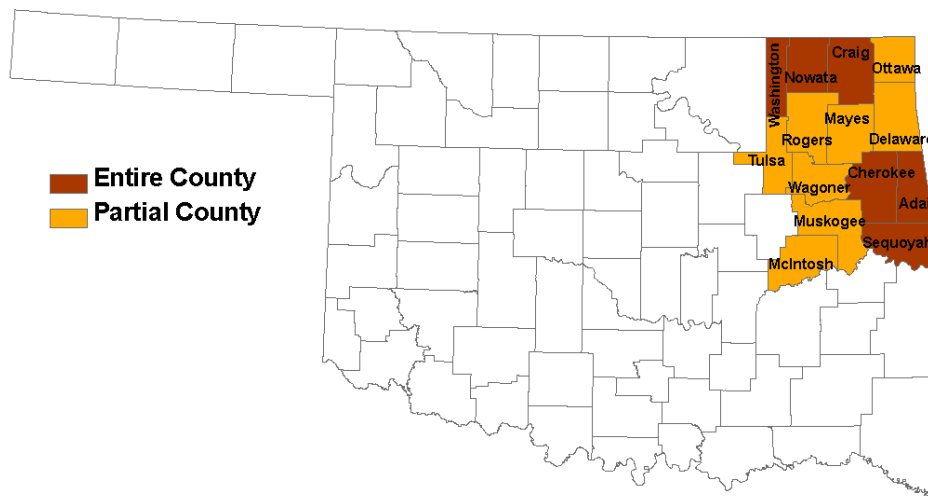
## II. The Cherokee Nation Today – Direct Economic Impacts

This section of the report will describe the complex entity that is the Cherokee Nation and the direct economic impacts generated by Cherokee activities. Attention will be paid to the demographics of the citizenship, to the government and its provision of services, and to the business enterprises of the Nation including gaming and retail (Cherokee Nation Enterprises) and industries (Cherokee Nation Industries.) Because these various activities result in employment, payroll, and local purchases, they represent the direct economic impact of the Cherokee Nation.

### Cherokee Nation Citizenship

In 2007, 279,753 people were enrolled citizens of the Cherokee Nation. Of these, 186,114 live in Oklahoma, and 149,815 live in the 14 counties of the Cherokee Jurisdictional area (Figure 1.) Table 1 lists the 14 Oklahoma counties that comprise the Cherokee service area. Cherokee County is home to Tahlequah and the tribal headquarters. More than 17,000 tribal citizens live in Cherokee County, and together they comprise 38 percent of the county's population. The county with the most tribal citizens is Tulsa County, with nearly 35,000 Cherokee citizens who make up 6 percent of the total county population. Adair County has the greatest percentage of Cherokee citizens at 57 percent. Overall, about 54 percent of all enrolled Cherokee citizens live in the 14-county region in Oklahoma.

**Figure 1. Map of the Cherokee Service Jurisdiction**



**Table 1. Residence of Cherokee  
Citizenship**

Location	2007 Citizenship	2007 County Population*	Percent Cherokee
Adair	12,395	21,902	56.6%
Cherokee	17,168	45,393	37.8%
Craig	4,965	15,195	32.7%
Delaware	10,902	40,406	27.0%
Mayes	11,632	39,627	29.4%
McIntosh	1,728	19,709	8.8%
Muskogee	14,470	71,116	20.3%
Nowata	2,649	10,723	24.7%
Ottawa	5,495	32,474	16.9%
Rogers	10,958	83,105	13.2%
Sequoyah	13,298	41,024	32.4%
Tulsa	34,911	585,068	6.0%
Wagoner	4,055	67,239	6.0%
Washington	5,189	49,888	10.4%
Total in Cherokee Nation	149,815	1,122,869	13.3%
Total elsewhere in OK	36,299	2,494,447	1.5%
Total in Oklahoma	186,114	3,617,316	5.1%
Outside Oklahoma	93,639	---	---
Total Citizenship	279,753	---	---

\*US Bureau of the Census

**Table 2. Cherokee Citizenship by Age and Gender**

Age		Gender	
Under 18	52,688	Female	140,941
18-24	28,819	Male	138,809
25-34	46,791	Total:	279,750
35-44	39,632		
45-54	40,263		
55-59	16,013		
60+	55,544		
Total:	279,750		

Table 2 presents Cherokee tribal citizenship by age and gender. Approximately 19 percent of the citizens are under the age of 18 and approximately 20 percent are over the age of 60. These are two demographics that generally require significant public service provision. In terms of gender, it is nearly an even split: 49.6 percent are male and 50.4 percent are female.

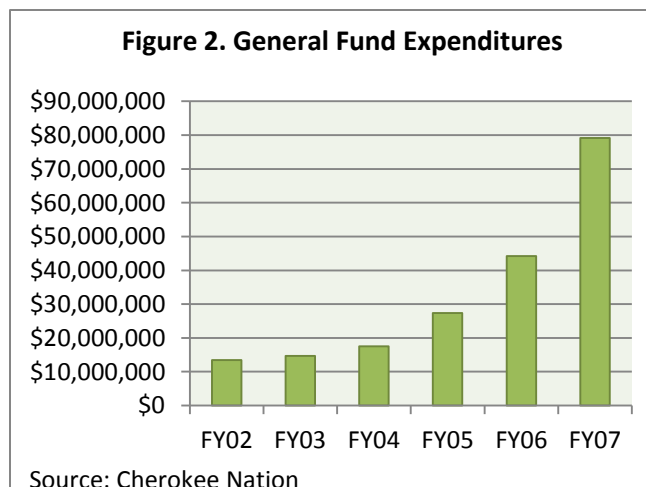
### Cherokee Nation Government Activities

The Cherokee Nation is a sovereign, federally-recognized tribal government that has been headquartered in Tahlequah, OK since 1839 when the last group of Cherokees arrived on the Trail of Tears. There are 562 federally-recognized tribes in the United States and 38 in Oklahoma. The Cherokee Nation is the largest of the tribes located in Oklahoma.

The Cherokee Nation has been sovereign since time immemorial and has been recognized internationally since signing its first treaty with Great Britain in 1721. The Cherokees have adopted a constitution that calls for a three-pronged government with executive, legislative, and judicial branches. The executive branch of government is led by the Principal Chief who is elected to 4-year terms. The current Principal Chief (most recently elected in 2007) is Chad Smith, and he is assisted by a Deputy Principal Chief, currently Joe Grayson, Jr. As with other three-pronged governments, checks and balances are in place. For example, the Chief may veto actions of the Cherokee Nation Tribal Council, the legislative branch. The Tribal Council consists of 17 individuals, 15 who represent nine districts within the Cherokee Nation and two elected at-large to represent citizens living outside of the Nation’s jurisdictional boundaries. Each council member is elected to serve a 4-year term.

The third branch of government is the judicial branch. A District Court hears civil, criminal, and juvenile cases and may serve all 14 counties in the Cherokee jurisdiction. Five Justices serve on the Supreme Court which hears cases of appeal, and a Chief Justice is elected by the other members of the tribunal. The court system is housed in the Cherokee Capitol building in Tahlequah, OK. This historic building was completed and occupied by the Cherokee Nation in 1870. The building served as the Cherokee County Courthouse from 1907 to 1979, but was returned to the Cherokee Nation in 1979.

It is often overlooked that government entities have a significant direct economic impact on their communities. The Cherokee Nation, for example, employs 2,407 individuals—2,385 in Oklahoma—with a state payroll of \$107 million. These employees work to provide Cherokee citizens with valuable public services. The expenditures made by the Nation in the provision of public services also represent significant direct economic impact of the Nation. Figure 2 shows expenditures from the General Fund, which are earned through tribal



enterprises, for fiscal years 2002-2007. Clearly, such expenditures have risen significantly since FY 2004, reaching nearly \$80 million in FY 2007.

Table 3 shows the budget divisions and their respective budget totals for fiscal years 2005-2007. The dollar values shown for each fiscal year represent all funding sources including general funds and other federal and state funding sources. The Nation's budget for FY 2007 totaled more than \$478 million, having increased by \$131 million (38 percent) from 2005 to 2007. Health Services saw the greatest dollar-value increase of \$59.3 million. Housing rehabilitation had the greatest percentage increase of 671 percent, representing a \$12.0 million increase. Table 3 also shows the portion of each unit's respective budget that was tribally-funded in FY 2007 in terms of dollars and percentages. Note that about 17 percent of the total FY 2007 budget was from tribal sources which include income from gaming and other enterprises owned by the Nation. The remainder of budgeted funds is derived from federal and state government grants and contributions from private entities and represents an injection of external funds to Cherokee and state economies.

**Table 3. Budgets for Units of Cherokee Nation Government - All Funds**

Unit	FY 2005	FY 2006	FY 2007	Change 2005-07	Percent Increase 2005-07	Amount Tribally Funded FY 2007	Percent Tribally Funded FY 2007
Career Services	\$14,244,301	\$1,5563,693	\$16,273,935	\$2,029,634	14.2%	\$692,234	4.3%
Commerce Services	5,447,415	7,463,205	7,784,321	2,336,906	42.9%	1,107,064	14.2%
Commissions/Boards	13,749,958	15,709,898	21,192,905	7,442,947	54.1%	5,027,762	23.7%
Community Services	53,564,050	59,852,152	58,580,115	5,016,065	9.4%	4,687,059	8.0%
Education Services	30,346,913	37,779,407	46,157,595	15,810,682	52.1%	8,902,962	19.3%
Financial Resources	19,559,277	17,165,842	35,846,940	16,287,663	83.3%	6,247,183	17.4%
Government Resources	2,485,576	2,684,966	2,822,312	336,736	13.5%	381,178	13.5%
Housing Auth. Cherokee Nation	30,794,618	19,601,327	27,274,965	-3,519,653	-11.4%	0	0.0%
Housing Auth. Delaware Tribe	0	190,000	1,078,075	1,078,075	na	0	0.0%
Housing Rehabilitation	1,794,739	7,150,289	13,839,740	12,045,001	671.1%	400,000	2.9%
Health Services	95,572,068	131,742,247	154,891,941	59,319,873	62.1%	15,892,277	10.3%
Human Resources	2,048,515	2,142,316	4,673,135	2,624,620	128.1%	2,811,393	60.2%
Human Services	29,753,943	32,004,420	38,206,245	8,452,302	28.4%	2,928,211	7.7%
Legal Resources	6,375,256	6,664,618	7,830,296	1,455,040	22.8%	3,127,614	39.9%
Management Resources	32,488,767	18,840,603	30,337,301	-2,151,466	-6.6%	19,233,603	63.4%
Office of the Chief	4,710,268	5,510,565	6,431,853	1,721,585	36.5%	4,771,035	74.2%
Supreme Court	1,423,193	1,731,435	1,764,536	341,343	24.0%	1,016,386	57.6%
Tribal Council	2,639,302	2,560,412	3,157,390	518,088	19.6%	1,940,216	61.4%
<b>TOTAL</b>	<b>\$346,998,159</b>	<b>\$384,357,395</b>	<b>\$478,143,600</b>	<b>\$131,145,441</b>	<b>37.8%</b>	<b>\$79,166,177</b>	<b>16.6%</b>

Providing more than just a dollar value impact, the services provided by the Nation impact the basic quality of life of Cherokee citizens through the provision of food, clothing, health care, and housing. What follows is a description of some of the primary services offered by the Cherokee Nation to its citizens.

1. **Health Services** is, by far, the largest division in terms of budget with a \$155 million budget for FY 2007. With 792 employees, this division is responsible for the provision of primary care including medical care, dental care, optometry services, substance abuse treatment, and behavioral health services. The Nation operates six primary health care clinics, two satellite clinics and one student/employee health clinic. A total of 318,513 patients were served by the clinics in FY 2007. The Nation also operates three dental clinics that handled 23,003 patient visits. Located in Tahlequah, the Jack Brown Center is a 24-bed residential facility providing chemical dependency treatment to Native American adolescents. The center served 101 clients in FY 2007.

The Health Services division is also involved with preventative treatment, education, and advocacy. For example, the Diabetes Program teaches patients to manage their diabetes. The program has conducted 14 community screenings to help identify the disease. The division also manages the Healthy Nation Program designed to promote physical activity and wellness among tribal members. This emphasis on wellness includes tobacco cessation workshops and summer fitness programs for youth.

2. **Career Services Group:** The published mission of the Career Services Group is “to develop and encourage individuals to achieve and maintain work habits and skills that promote employability and self-sufficiency through programs that encompass education, training, rehabilitation, and supportive services.” This division provides funding assistance for adult vocational training. Actual instruction is provided for on-the-job training, GED preparation, and basic skills (reading and math). Career Technology Education (NACTEP) trains participants for certification as a Microsoft user, as a medical coder, and as a Child Development Associate. Some career service programs are aimed directly at youth such as the Tribal Supplemental Youth Program which provides basic skills instruction as well as work experience with a cooperating business. Nearly 4,000 adults, students, and businesses participated in the services offered by the Career Services group in FY 2007. Its budget was approximately \$16.3 million.

The Career Services group also manages the Tribal Employment Rights Office (TERO). The protection of employment rights was first funded through the Equal Employment Opportunity Commission (EEOC) in 1984. TERO also negotiates for job vacancies with contractors doing business with the Nation and refers qualified Native American workers to fill those jobs. A bank of individuals and their skills is maintained by the TERO and currently has 1,100 entries. In addition, firms may become TERO-Certified and receive preferential treatment in the bid process. Currently 400 firms are TERO-Certified.



3. **Commerce Services** provides financial education to adults and youth, business development assistance, and technical assistance to entrepreneurs. For example in FY 2007, 85 people participated in entrepreneurial and small business assistance workshops, 1,043 participated in financial literacy workshops, and 43 took advantage of business plan assistance. In addition to education and training, the division makes loans to assist with the establishment of businesses and the creation of employment opportunities. For example, eight business loans totaling nearly \$360,000 were made in FY 2007. Commerce Services' FY 2007 budget was \$7.8 million.
4. **Education Services:** The Education Services team states that its purpose is "to cultivate the development of skilled and knowledgeable Cherokees." With a budget of \$46.2 million and 329 employees, this division provides educational opportunities for all age levels through the learning process. Very young children are impacted through the Early Head Start and Head Start programs. The Cherokee Language Immersion program serves children pre-K through 2<sup>nd</sup> grade. Sequoyah Schools currently teaches 389 students in grades 7-12. The higher education program provides scholarships to college-bound students, and adults interested in learning more about the Cherokee language and culture are reached through the Cultural Resource Center.
5. **Human Services** has an annual budget of \$38.2 million and is comprised of four distinct units.
  - a. *Family Assistance:* This unit provides various types of assistance to families including assistance with food, clothing, and household heating and cooling. Assistance is provided during emergencies and following disasters. Burial assistance is also available. General family assistance may also be provided to help address essential living needs for income-qualified families.
  - b. *Elder Services:* This unit is designed to assist the older Cherokee population with problems related to transportation, care-givers, nutrition, and housing. The Office of Veterans Affairs is also managed by this unit.
  - c. *Child Care and Development:* The Nation operates two child care facilities—one in Stilwell and one in Tahlequah. In 2007, 246 children were enrolled in these two facilities which received funding of \$1.4 million. In addition, 201 child care centers, 228 licensed home child care providers, and 372 relative providers contracted with the Nation.
  - d. *Department of Children, Youth, and Family Services:* This unit manages foster care, adoption, and court advocacy in child welfare cases.
6. **Community Services:** The stated mission of this division is "to administer roads, water sanitation and other environmental programs while maintaining cultural sensitivity in services delivery and promoting pride and responsibility of individual tribal members." With a budget of \$58.6 million in FY 2007, the Cherokee Nation paved more than 66 miles of road spending nearly \$1.5 million (both federal and tribal funds) on projects that encompassed nine counties. In addition, \$1.2 million was spent to install more than 390,000 feet of waterline in FY 2007. A total of 93 families were impacted by these waterline projects. The Community Services division also provides funding for community-based projects such as the construction or repair of community buildings, churches, ball fields, cemeteries, walking trails, and playgrounds.

7. **The Housing Authority of the Cherokee Nation (HACN)** seeks “to provide decent, safe, and sanitary housing to low income residents living within the boundaries of the Cherokee Nation who cannot otherwise afford such housing.” For example, HACN maintains 987 rental units within the jurisdiction. Rent payments are based on 30% of monthly adjusted total household income. For prospective home-owners, a home-buyer’s education course is offered, and the Mortgage Assistance Program is available to assist with down payment and closing costs (up to \$15,000) for qualified buyers. The FY 2007 budget for HACN was \$27.3 million.

Most of the remaining budget units listed in Table 3 are related to tribal government administration, such as the Tribal Council, the Office of the Chief, and the Supreme Court. Commissions and Boards include the Cherokee Tax Commission, Constitutional Convention Commission, Election Commission, Gaming Commission, and Environmental Protection Group. As with other large organizations, Human Resources is concerned with the management of personnel.

The overall budget increase for the Cherokee Nation has also allowed for increased involvement in their local communities through charitable donations. In FY 2007, the Nation invested \$4.7 million in their communities by donating funds to organizations such as rural fire departments and Boys and Girls Club of America. Other charitable donations by Cherokee businesses bring the total up to \$5.8 million for FY 2007. In particular, CNE was active in supporting area chambers of commerce including those in Vinita, Jay, Tulsa Metro, Fort Gibson, Sallisaw, Tahlequah, and Claremore Visitor’s Bureau. These local expenditures represent another portion of the Nation’s direct economic impact on the region.

Clearly, the Cherokee Nation has a fully functioning government, offering services to its citizens that range from health to education to housing. The impact of such government services on Cherokee communities is substantial. Impacts derive from the employment of government workers as well as from expenditures on crucial social services. The improvements in the quality of life for Cherokee citizens are immeasurable, yet fully recognizable. A fully functioning government is a necessary ingredient for a vibrant economy.

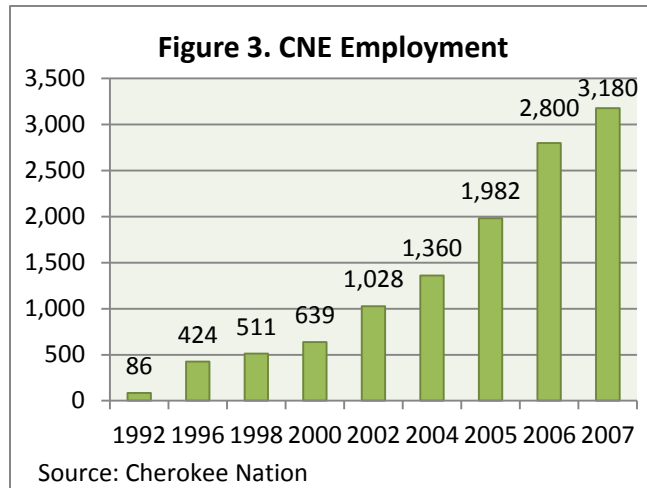
#### Cherokee Non-Governmental Operations

Besides having a well-developed government with the capacity to provide significant public services to its citizens and to invest in local communities, the Cherokee Nation also has a for-profit branch, referred to as Cherokee Nation Businesses (CNB). CNB is more easily thought of as a group of business entities, led by Cherokee Nation Enterprises (CNE) which is responsible for the gaming, hospitality, and retail businesses of the Nation and Cherokee Nation Industries (CNI) which oversees a portfolio of businesses involved in manufacturing, distribution, and other industries. Other smaller CNB entities included Cherokee CRC, a Tulsa-based environmental services company providing consulting, engineering, and laboratory analysis services, and Tulsa-based Cherokee Services Group, a management consulting firm with expertise in human resources management, health care administration, IT management, public relations, and other areas.

This section will discuss CNE and CNI, the two largest entities within CNB, in more detail. CNE and CNI both are under the umbrella of CNB; both are owned by the Cherokee Nation; both earn profits; and both must use their profits to support the growth of the Nation. Both directly impact the state and regional economy through jobs, payroll, and local spending.

### *Cherokee Nation Enterprises*

Cherokee Nation Enterprises has been in existence since 1992 when the Bingo Casino in Roland opened with 86 employees. Oklahoma's State Tribal Gaming Act (State Question 712) opened the door for expansion in the gaming industry following its passage in 2004. However, the number of CNE employees was already growing steadily and had reached 1,360 by 2004. The number has more than doubled since 2004 and today is about 3,180 (Figure 3), with most employees living in Oklahoma.



Oklahoma voters passed State Question 712 in November of 2004, which created the framework for state-tribal gaming compacts. The compacts provide tribes with an increased level of certainty in the state's unique gaming regulatory environment and allow additional forms of card games and electronic gaming machines that had not been allowed previously. The compacts also allow the state to share in gaming revenues and to assume regulatory control over the newly allowed games. The compact establishes a monthly payment by the tribe to the state in exchange for gaming exclusivity, which basically means that no other entity can open a casino in the tribal jurisdiction. The amount of exclusivity fees paid depends on the gaming revenues earned (different percentages for different revenue levels), but the average percentage paid by Oklahoma tribes is about 5.3 percent.<sup>2</sup> CNE was uniquely poised to capitalize on the new compacts, having just opened an \$80 million expansion of its flagship Catoosa Casino just months prior to the November vote.

State revenues from tribal exclusivity fees are appropriated to educational uses. Specifically, 88 percent goes to the Educational Reform Revolving Fund, and 12 percent goes to the Oklahoma Higher Learning Access Trust Fund (OHLAP) to improve higher education access.<sup>3</sup> In addition to supporting state education initiatives, tribal citizens also benefit from profits earned by the casinos. Specifically, according to the text of the state compact, tribal revenues from gaming must go to one of the following uses:

1. To fund tribal government operations or programs;
2. To provide for the general welfare of the tribe and its members;
3. To promote tribal economic development;
4. To donate to charitable organizations; or
5. To help fund operations of local government agencies.

The Cherokee Nation executed a gaming compact with the State of Oklahoma in December 2004. Since that time, the tribe has been a highly visible part of the state's growing gaming industry. CNE owns and operates several casinos and resorts, and, unlike some other tribes, CNE operates its own casinos, as opposed to allowing outside companies such as those that operate casinos in Las Vegas to operate their facilities.

The largest of the CNE casinos is the Cherokee Casino Resort located in Tulsa (technically Catoosa). A \$125 million expansion to the casino will make it the largest in the state by early 2009. The facility will boast a 19-story hotel tower, a convention center, a 2,000 seat concert arena, and "Toby Keith's I Love This Bar and Grill." The site already offers the Cherokee Resort Hotel, 1,500 gaming machines, Cherokee Hills Golf Club, and numerous restaurants. It employs more than 1,700 people and has jumpstarted growth at the Interstate 44 interchange.

In addition to the Tulsa resort, the CNE owns 5 more casinos—most with amenities close by—plus the Will Rogers Downs Racino. These facilities are located in the following Oklahoma communities:

1. Roland (Sequoyah County): a 614-machine facility with a travel plaza and a Cherokee Casino Inn that employs more than 350.
2. Tahlequah (Cherokee County): a new \$7.5 million facility with 400 machines that employs 160. The site also is home to the Cherokee Trails Golf Course.
3. West Siloam Springs (Delaware County): another casino undergoing a major renovation. The new \$83 million facility will feature 600 machines and an 8-story Cherokee Casino and Hotel. It currently employs 450, but a larger workforce will be needed when the renovations are complete.
4. Fort Gibson (Muskogee County): employing about 80 workers, this casino features 300-machines. Adjoining the casino is a convenience store and gas station.
5. Sallisaw (Sequoyah County): a \$6.6 million facility with 256 Vegas-style games that employs more than 150. "The Back 40 Bar & Grill" doubles as an entertainment venue.
6. Claremore (Rogers County): Will Rogers Downs is a racino that features live horse racing from February to May. Simulcast racing from across the country is featured all year. The racino employs more than 160.

In addition to casinos, CNE also owns and operates several retail establishments including three hotels (mentioned above), two convenience stores, six tobacco retailers, and the Cherokee Nation Gift Shop. CNE is also responsible for the operation and management of the Cherokee Heritage Center. Unlike the retail enterprises, the Cherokee Heritage Center (museum) is non-profit, but is considered a draw for tourists.

As shown in Table 4, the profitability of CNE has increased since FY 2005 when profit was about \$69.7 million. In FY 2007, profit equaled \$111.5 million—an increase of 60 percent. Per Cherokee law, 30 percent of profit earned by Cherokee businesses is returned to the general fund of the Cherokee Nation to be used for social service provision such as education and health care. The remaining 70 percent goes

into the Jobs Growth Fund which is used specifically for job creation, job expansion, and business diversification.<sup>4</sup>

**Table 4. Cherokee Nation Enterprises - Summary of Revenues and Profit**

	FY 2005	FY 2006	FY 2007
Total Revenue	\$275,400,000	\$353,000,000	\$418,563,548
Less: CNE Expenses	205,700,000	266,000,000	307,041,372
Compensation	75,400,000	101,000,000	119,385,397
Operating Costs	128,300,000	148,700,000	167,259,051
State Fees	2,041,704	16,281,432	20,396,924
Equals: CNE Profit	69,700,000	87,000,000	111,522,176
Portion of Profit to Cherokee Nation for Social Services	17,100,000	26,100,000	33,700,000
Portion of Profit to Jobs Growth Fund	\$52,600,000	\$60,900,000	\$77,900,000

Thus, in FY 2007, CNE remitted \$33.7 million to the general fund of the Cherokee Nation. As discussed in a previous section, the Cherokee Nation's governmental expenditures increased dramatically from 2005 through 2007. Health services, for example, increased by more than \$59 million, and earnings transferred from CNE helped to make that possible. In addition to CNE's contribution to the general fund, \$77.9 million went to the Jobs Growth Fund to pursue activities that expand job opportunities for Cherokee citizens. Past projects of the Jobs Growth Fund have included construction of a new travel plaza in Roland (12 new jobs), expansion of Cherokee Casino Resort in Catoosa (500 new jobs), purchase of Cherokee Casino Inns in Roland and Catoosa (40 new jobs), and expansion of Cherokee Casino West Siloam Springs (500 new jobs). These construction projects totaled \$31.9 million in FY 2007.

Table 4 also summarizes expenditures by CNE for FY 2005 through FY 2007.<sup>5</sup> For FY 2007, the largest expense is operating costs at \$167 million. This includes utilities, food supplies for casino restaurants, promotions, computer equipment, rental fees, etc. Compensation of employees is another important expenditure. The \$119 million compensation figure includes both salaries and fringe benefits. Furthermore, as previously mentioned, CNE has also been willing to expend funds on charitable donations to local organizations including many local chambers of commerce and visitor bureaus. While these are not specifically listed in Table 4, they totaled \$1.1 million for FY 2007.

Table 4 also indicates that CNE paid more than \$20 million to the state in FY 2007. These fees would include state compact fees for gaming exclusivity as well as horse racing fees. In fact, the Cherokee Nation has executed several compacts with the State of Oklahoma, including the following:

1. Gaming compact, signed December 2004, grants the Nation exclusive gaming rights in exchange for a percentage of adjusted gross revenue from gaming to be paid to the state.
2. Tobacco compact, implemented in the fall of 1992, exempts sales of tobacco products to and by the Nation, but the Nation agrees to make payments in lieu of state taxes. This tax collection for the Nation totaled \$1.4 million in 2006 and \$2.9 million in 2007 and is earmarked for cancer and diabetes prevention and treatment. The Nation recently entered a partnership with OU for \$1.5 million for a cancer/diabetes project using some of these funds.

3. Motor fuel compact, in place since 1996, agrees that the Nation will collect taxes on motor fuel and use the revenues to fund tribal government programs, such as road and bridge construction, law enforcement, and social services.
4. Cross-Deputization, instituted in 1992, allows cross-deputization of Cherokee Nation Marshals with personnel from other state and local law enforcement agencies.
5. Motor vehicle license compact, effective September 2002, recognizes the sale of license tags by the Cherokee Nation to its members. While 26 tribes issue license tags to their citizens, the Cherokee Nation is the only tribe with a signed compact. Approximately 38 percent of license tag revenue goes to local public schools (\$2.7 million in FY 2006), 20 percent to area roads, and 20 percent to the Cherokee Nation Marshal Service and area law enforcement agencies.

### *Cherokee Nation Industries*

Cherokee Nation Industries, which has been in existence more than two decades longer than CNE, began in 1969 as a single small assembly firm (electronic parts.) Today, CNI encompasses a broad spectrum of economic activity. Then and now, one of CNI's primary goals is to provide employment opportunities to Cherokee citizens. It is doing so with a diverse portfolio of businesses.

In 2007, CNI employed 956 individuals with 416 of those jobs in Oklahoma. The number of Oklahoma jobs has more than doubled since 2005 when the total was 192. Obviously, CNI has a significant out-of-state workforce which includes Cherokee Medical Services (CMS)—a personnel recruitment and placement service for the medical service industry—located in Garden Ridge, TX. CMS also has a significant number of professional employees living in California and working at the Naval Medical Center in San Diego. Furthermore, CMS provides medical personnel to military bases and government agencies in 26 states as well as Germany and Italy. The visibility of CMS across the United States and Europe has helped CNI and the Cherokee Nation develop its image as a globally-connected entity. Specifically, some other businesses that are associated with CNI include:

1. *Aerospace and Defense Group*: Located in Stilwell since 1969, this manufacturer of cable assemblies, electric panels and enclosures, and build-to-print products (among other things) employs 150 skilled workers. The group has subcontracted manufacturing for such organizations as Boeing and Lockheed Martin, but Department of Defense contracts continue to be the backbone of the business. Sales revenues totaled \$100 million in 2006.
2. *Cherokee Nation Distributors*: Located in Stilwell since 1988, this company provides warehousing and distribution services. The need for Cherokee Nation Distributors grew from the growing activity of the Aerospace and Defense Group. Its 2006 revenues totaled nearly \$36 million.
3. *Cherokee Construction Management*: Located in Tahlequah, this firm provides assistance with the bidding process, project design, supervision of sub-contractors, and management of construction documents. It is a spin-off of Cherokee Nation Distributors.
4. *Cherokee Telecommunications*: Established in 1995 in Tahlequah, this enterprise is a value added "reseller" of telecommunications products such as fiber optic, and a distributor of voice,

network and wireless products. Customers have included AT&T, Sprint, and SBC, and profit was nearly \$2.5 million in 2006.

5. *Cherokee Medical Services*: Located in Garden Ridge, TX, this firm has been in business since 1998 and is known for recruiting and placing people in the medical services industries (physicians, nurses, dentists, etc.), but is also active in placing engineers, administrative personnel, and housekeeping staff. Professionals were most often placed on military bases and in government agencies. Sales revenues totaled \$26 million in 2006.
6. *Cherokee Nation Office Products*: Located in Tahlequah, this tribal-owned business distributes office products, promotional items, and facility supplies.

The revenues and profits in 2007 for Cherokee Nation Industries are presented in Table 5. Data were reported for a 15-month period (due to a change in the fiscal year reporting time frame), so were annualized to estimate a 12-month value. Annual profit was approximately \$903,200 in FY 2007.

**Table 5. CNI Revenues FY 2007**

	<b>Reported 15 Months</b>	<b>Annualized 12 Months</b>
Revenues	\$136,678,000	\$109,342,400
Net Income	\$1,129,000	\$903,200

Clearly, CNI is an important employer in northeast Oklahoma. So important, in fact, that Oklahoma’s Lieutenant Governor Jari Askins toured the Stilwell facility early in 2008 in order to better understand how the Cherokee Nation is contributing to economic development in the state. CNI also earned national recognition recently when DiversityBusiness.com named it the top “8a” Business in America, the 5<sup>th</sup> ranked Native American Owned Business in America, and the 48<sup>th</sup> ranked Diversity Owned Business in America (5<sup>th</sup> in Oklahoma.)<sup>6</sup>

*Summary of Direct Economic Impacts*

The Cherokee Nation today is a sovereign tribal nation that is working hard to improve the lives of its citizens through the provision of public services. Its ability to do so has improved significantly over the last few years as profits from its manufacturing plant, medical staffing service, distributing business, tobacco shops, and casinos have increased steadily. Partnerships with local school districts, local law enforcement agencies, and municipalities have impacted more than just the Cherokee citizens in these communities. CNE and CNI have contributed to the positive impacts of the Nation by creating job opportunities for Cherokee citizens and by contributing earnings to the General Fund.

Table 6 presents the direct economic impacts of the Cherokee Nation for FY 2007 including government, CNE and CNI. For example, total Nation employment was 6,543, with 5,816 jobs in Oklahoma. Currently, the Oklahoma Department of Commerce ranks the Cherokee Nation as the state’s 25<sup>th</sup> largest employer. After including CNE and CNI employment numbers, the Cherokee Nation moves into the top ten. As a result of this employment, total direct payroll to Oklahomans totaled \$227.9

million. Total output—often measured by total revenue—is also shown in Table 6. Of \$893.6 million in total output, \$700.7 million is assumed to represent Oklahoma output.

While it is true that the activities of the Cherokee Nation have the greatest impact on people in their service jurisdiction, direct economic activity of this magnitude will also have spillover effects on the entire state. The second half of this paper will focus on these spillover, or multiplier, impacts. Attention will be paid to global impacts, statewide impacts, Cherokee jurisdictional impacts, and county-level impacts.

**Table 6. Direct Economic Impacts for Cherokee Nation of Oklahoma FY 2007**

<b>FY 2007</b>	<b>Cherokee Nation</b>	<b>CNE</b>	<b>CNI</b>	<b>Total</b>
Direct Total Employment	2,407	3,180	956	6,543
Direct OK Employment	2,385	3,015	416	5,816
Direct Total Payroll	\$109,646,207	\$119,385,397	\$26,784,097	\$255,815,701
Direct OK Payroll	\$107,343,637	\$113,350,731	\$7,189,294	\$227,883,662
Direct Total Output (Revenues)	\$365,718,224 <sup>a</sup>	\$418,563,548	\$109,342,400	\$893,624,172
Direct OK Output	\$324,977,021	\$342,895,923	\$32,806,825	\$700,679,769

<sup>a</sup> Profits for CNE and CNI have been subtracted from the Cherokee Nation’s total budget to avoid double-counting.





### III. Spillover Economic Impacts of the Cherokee Nation

#### Global Impact of the Cherokee Nation

While the measurable economic impacts (both direct and spillover) of the Cherokee Nation are largely confined to the United States and the State of Oklahoma, the Cherokee name is well-recognized across the country and even across the globe. On a global scale, the impact of the Nation is better described in terms of social, cultural, and political influences. Nonetheless, the economic contributions of the Cherokee Nation are beginning to catch up with its other impacts.

The Cherokee name is well-recognized around the world. In fact, society at large has latched on to it. Cherokee citizens have a variety of opinions on the appropriateness of the use of the word “Cherokee” by non-Cherokee citizens, but it is hard to deny the popularity of the name. One reason that people around the world recognize the Cherokee name is because Cherokee citizens *live* around the world. As mentioned in an earlier section, nearly 94,000 citizens of the Cherokee Nation live outside of the state of Oklahoma. Furthermore, there are two other federally recognized Cherokee tribes in the United States. The United Keetoowah Band of Cherokee Indians is also located in Oklahoma, and the Eastern Band of Cherokee Indians is headquartered in North Carolina.

Nationwide, individuals claim to be of Cherokee descent although many are not enrolled members of the Cherokee Nation of Oklahoma. The Cherokees of California, for example, indicate that they are a non-profit organization that is not related to the Cherokee Nation of Oklahoma; yet, the members are still interested in passing on the history and language of the Cherokee people.

Clearly, the Cherokee Nation has had an impact on society, but, more specifically, the Nation’s global influence extends to art and culture. For example, influential Cherokee citizens include Wes Studi (Dances with Wolves and Last of the Mohicans) and Wilma Mankiller, the first woman to serve as the Principal Chief of the Cherokee Nation and serves as a role model for women. One of the most famous Cherokee citizens was Will Rogers—a man with many roles including actor, author, humorist, philosopher, and philanthropist.

This view of the Cherokee influence on the world’s culture is well accepted. A more non-traditional view of the Nation as an important economic entity is just beginning to emerge. This view will gain more prevalence as the Cherokee Nation continues to expand—creating more jobs and more income for Cherokee citizens in Oklahoma and around the world. The Nation is already making headway in this direction. Cherokee Nation Industries, as already discussed, employs individuals in 26 states and two foreign countries.

While the global impact of the Cherokee Nation may be difficult to quantify, it is not difficult to recognize. In addition to providing tangible jobs and income in the U.S. and abroad, the Cherokee Nation has impacted (and continues to impact) American art, movies, and literature. The Cherokee

Nation says that the name Cherokee means “real people.” American society has latched on to this name making the word “Cherokee” well-recognized among “real people” of many cultures.

### State Spillover Impacts of the Cherokee Nation

#### *Direct versus Indirect and Induced Impacts*

The Cherokee Nation and its various enterprises employed more than 6,500 people with a payroll of \$255.8 million in FY 2007. More than 5,800 of these employees reside in Oklahoma and take home earnings of \$227.9 million (salary and benefits.) The economic impact of such activity is, of course, greatest in the area where the activity occurs, but economic activity of this magnitude most certainly will have spillover economic effects on the overall state economy.

In most impact analyses, economic impacts are formally categorized as direct, indirect, or induced.

- A *direct impact* refers to actual activity by the entity under study. The first half of this study documented the direct impacts of the Cherokee Nation. For example, the Nation paid \$228 million in direct payroll to employees in Oklahoma in FY 2007.
- *Indirect impacts*, on the other hand, occur when the activity of the Nation leads to additional purchases in the economy. This includes purchases by the Nation from its vendors and even additional purchases by those vendors from their own vendors.
- *Induced impacts* occur when people and businesses have higher incomes due to the activities of the Nation and increase their spending.
- *Total economic impact* is defined as the sum of direct plus indirect plus induced impacts.

Indirect and induced impacts are sometimes referred to as spillover effects or multiplier effects. Using the example of payroll paid by the Nation to its employees, multiplier effects begin to occur as these wage-earners spend their income within the state economy. Their wages become income for other businesses and households who will also re-spend a portion of it in Oklahoma.<sup>7</sup> As this process takes place over and over again, the income is multiplied throughout the economy. Obviously, the multiplier process would be difficult to measure first hand; however, there are numerous tools available to help researchers quantify the multiplier effect in an economy.<sup>8</sup>

#### *Employment Impacts*

In order to estimate the spillover employment impacts generated by the activities of the Cherokee Nation, an employment multiplier was calculated based on an input-output model of the state’s economy. The multiplier reflects the industries in which the various segments of the Nation participate. Table 7 shows the direct, indirect and induced, and total employment impacts of the Nation (including CNE and CNI) in FY 2007. Total direct employment by the Nation was 6,543; however, 5,816 of these employees were in Oklahoma. Multipliers suggest that an additional 2,893 indirect and induced

jobs were supported across the state as a result of direct Cherokee Nation employment. Total employment impacts of the Cherokee Nation are therefore estimated to equal 8,709 jobs. In other words, each Cherokee job supports 0.5 additional jobs statewide.

It might be argued that the full impact of the Nation, particularly CNE, the gaming arm, is somewhat less than what is shown in Table 7. This line of reasoning suggests that economic activity by the gaming and retail branches of the Nation occurs at the expense of other entertainment venues and retail establishments in the state; thus, not all revenues earned by casinos will reflect net new economic activity, but may instead represent a partial shift in spending away from existing businesses. Undoubtedly, such substitutions did occur during the time frame when the casinos in the state were developing. The objective of this study, however, is not to measure the changes to the state economy associated with a pre-casino state versus a post-casino state but to measure the scope of the Cherokee Nation as it existed at the end of FY 2007. At that time, the Cherokee Nation directly employed a total of 5,816 Oklahomans, and, in addition, economic theory suggests that nearly 2,900 jobs in the form of spillover employment resulted from that direct employment.

**Table 7. Employment Impacts for Cherokee Nation of Oklahoma FY 2007**

<b>FY 2007</b>	<b>Cherokee Nation</b>	<b>CNE</b>	<b>CNI</b>	<b>Total</b>
Total Direct Employment	2,407	3,180	956	6,543
OK Direct Employment	2,385	3,015	416	5,816
Indirect and Induced Employment	1,359	1,176	358	2,893
Total OK Employment Impact	3,744	4,191	774	8,709

Thus, the total employment impact of the Cherokee Nation is not adjusted in Table 7 to reflect this substitution by gaming activity, but may best be viewed as an upper limit on the potential scope of the Nation in FY 2007. It is recognized however, that any future expansions of the Cherokee Nation, particularly with regard to casinos, would not have this degree of new or “net” impact. However, not all casino revenue comes at the expense of existing state businesses. CNE reports that approximately 40 percent of casino visitors are from out-of-state which suggests that at least 40 percent of expanded casino revenues can be considered new economic activity to the state.

In practice, 40 percent of spending from out-of-state visitors likely understates the true impact because it ignores two other likely economic events. First, many Oklahomans who spend their gaming dollars in new Cherokee casinos might have been in the habit of taking those dollars out-of-state. Any gaming dollars that are now kept in Oklahoma can be considered new impact. A second offset to the substitution away from local expenditures is the fact that new out-of-state visitors to the Cherokee communities will spend additional dollars at local motels, restaurants, gas stations, and shopping centers. This would also represent new economic impact for the community. Thus, it is reasonable to assume that the multiplier for *new* casino expansions would be about half what is indicated in Table 7, which suggests that at least 50 percent of gaming and entertainment revenue generated by CNE represents net new business activity.

To summarize, the direct Oklahoma employment impact of the Cherokee Nation in FY 2007 was 5,816 jobs. Economic theory suggests that some spillover employment was supported by this direct activity. This study estimates that the upper limit for such indirect and induced effects is about 2,893 jobs. Thus, it is estimated that the Cherokee Nation supported at total of 8,709 jobs across the state in FY 2007.

*Payroll Impacts*

The Cherokee Nation reports a direct payroll impact of \$255.8 million for FY 2007. This represents both salaries and benefits. Of that amount, \$227.9 million was paid to employees in Oklahoma. Multiplier analysis suggests that this direct Oklahoma payroll supported an additional \$132.2 million in indirect and induced payroll across the state in FY 2007 (Table 8). Thus, the total payroll impact of the Cherokee Nation was approximately \$360.1 million. For the individual components, the Cherokee Nation government supported \$149.2 million in payroll across the state; CNE supported \$198.4 million; and CNI supported \$12.5 million.

**Table 8. Payroll Impacts for Cherokee Nation of Oklahoma FY 2007**

<b>FY 2007</b>	<b>Cherokee Nation</b>	<b>CNE</b>	<b>CNI</b>	<b>Total</b>
Total Direct Payroll	\$109,646,207	\$119,385,397	\$26,784,097	\$255,815,701
OK Direct Payroll	107,343,637	113,350,731	7,189,294	227,883,662
Indirect and Induced Payroll	41,864,018	85,013,048	5,320,078	132,197,144
Total OK Payroll Impact	\$149,207,655	\$198,363,779	\$12,509,372	\$360,080,806
State Fiscal Impacts:				
State Sales Taxes from Total Payroll	1,678,586	2,231,593	140,730	4,050,909
State Personal Income Taxes from Total Payroll	\$3,096,059	\$4,116,048	\$259,569	\$7,471,677

The last two rows of Table 8 show estimates of state taxes paid by recipients of this income. For example, Oklahoma’s state sales tax rate is .045 percent, and if 25 percent of income is spent on taxable items, then total payroll impacts supported by Cherokee Nation activities also supported about \$4.1 million in state sales tax collections for FY 2007. Similarly, Cherokee Nation activities also supported \$7.5 million in state personal income tax collections. These are taxes paid both by Cherokee employees as well as workers whose jobs are indirectly supported by Cherokee Nation activities.

### Output Impacts

*Output* is defined by economists as the value of goods and services produced, and is generally measured by total revenue for most industries. Total revenue is available for CNE and CNI for FY 2007 and is shown in Table 9. Total expenditures will be used as a proxy for total revenue for Cherokee Nation governmental activity.

One significant adjustment must be made to the Nation's output value. Recall from an earlier section that total Nation expenditures were about \$478 million for FY 007. This spending was supported, in part, by revenues—specifically profits—earned by CNE and CNI; therefore, the profits of CNE and CNI must be subtracted from Nation expenditures in order to avoid double-counting. The result is that Table 9 lists total output for the Cherokee Nation as \$365.7 million.

**Table 9. Output Impacts for Cherokee Nation of Oklahoma FY 2007**

FY 2007	Cherokee Nation	CNE	CNI	Total
Total Direct Output	\$365,718,224	\$418,563,548	\$109,342,400	\$893,624,172
OK Direct Output	324,977,021	342,895,923	32,806,825	700,679,769
Indirect and Induced Output	295,729,089	284,603,616	31,166,484	611,499,189
Total OK Output Impacts	\$620,706,111	\$627,499,538	\$63,973,309	\$1,312,178,958

Given this adjustment, the direct output of the Cherokee Nation is estimated to be \$893.6 million. Of that amount, about \$700.7 million is estimated to represent Oklahoma output. This direct amount supported an additional \$611.5 million in indirect and induced output across the state in FY 2007. Thus, the total output impacts for the Cherokee Nation on the State of Oklahoma totaled \$1.3 billion in FY 2007.<sup>9</sup> This is equal to nearly 1 percent of Oklahoma's gross state product in 2007 (about \$144 billion)

### Other Impacts

While any expenditure impacts of the Cherokee Nation would be captured by the total output impact value presented in Table 8, it is still useful to understand how some of those revenues were spent. For example, the Cherokee Nation donated \$5.8 million to charitable causes including various chambers of commerce, rural fire departments, American Cancer Society, etc. CNE reports construction projects in FY 2007 totaling \$31.9 million. This includes expansions to the West Siloam Springs casino, a parking garage at the Catoosa casino, and the Roland Travel Plaza. The Nation also spent more than \$9.9 million on education in FY 2007. This includes spending on professional development opportunities for staff as well as clients. It also includes tuition reimbursements for employees. These are important to emphasize because education is an impact that stays with the recipient—even if he or she leaves employment with the Nation and decides to work somewhere else in Oklahoma. The Cherokee Nation also supported state public education by submitting \$20.4 million to the state in compact fees in FY 2007.

**Table 10. Other Impacts of the Cherokee Nation of Oklahoma FY 2007**

<b>FY 2007</b>	<b>Cherokee Nation</b>	<b>CNE</b>	<b>CNI</b>	<b>Total</b>
Charitable Contributions	\$4,734,328	\$1,084,681	\$1,667	\$5,820,676
Construction Projects	---	31,935,888	---	31,935,888
Education/Tuition/Professional Development	9,798,198	102,163	31,587	9,931,948
Federal Withholding Tax	7,206,454	15,716,395	3,885,549	26,808,398
Oklahoma Withholding Tax	2,682,407	10,979,321	295,960	13,957,688
Property Taxes	68,585	257,044	0	325,629
State Compact Fees	---	20,396,924	---	20,396,924

It is a common misperception that Native American workers are generally exempt from federal and state income taxes; they do, in fact, pay both federal and state income taxes and pay property taxes on their real and personal property when living on non-tribal land. The Cherokee Nation forwarded federal withholding tax payments of \$26.8 million and Oklahoma withholding tax payments of about \$14.0 million on behalf of Cherokee Nation employees (many of whom are citizens) in FY 2007, along with local property taxes totaling \$325,629 in FY 2007.<sup>10</sup>

In conclusion, the Cherokee Nation had a significant impact on the state's economy in FY 2007. The total output impact of the Nation totaled more than \$1.3 billion representing nearly 1 percent of Oklahoma's gross state product for 2007. The payroll impact portion totaled \$360.1 million dollars and the total employment impact was 8,709 jobs. Notable expenditure impacts include \$31.9 million spent in construction projects, \$9.9 million on tuition reimbursements and staff and client training, \$5.8 million in charitable contributions, and \$20.4 million in state compact fees.

#### County Level Impacts

The previous sections described the direct impacts plus the spillover economic impacts of the Cherokee Nation on the State of Oklahoma. While these spillover impacts are significant, it is reasonable to assume the greatest impacts of the Cherokee Nation are felt close to home. For instance, the service district of the Nation encompasses some or all of 14 counties in northeast Oklahoma, and, more specifically, much of the governmental and business activity takes place in seven of these counties.

As Table 11 illustrates, employment activities are highly concentrated in the City of Tahlequah in Cherokee County. There is also significant activity in Rogers and Sequoyah Counties. Adair, Delaware, Muskogee, and Tulsa Counties are also hubs of Cherokee business activity. This section of the report will present county-level data in order to show the degree of impact of the Nation on the counties in the service area. Particular attention will be paid to employment, wages, and vendor purchases in the counties that are home to the governmental and business enterprises of the Nation.

**Table 11. Cherokee Nation Economic Activity by County**

<b>County</b>	<b>City</b>	<b>Enterprise</b>
Adair	Stilwell	Cherokee Nation Industries Cherokee Nation Distributors Wilma P. Mankiller Health Center
Cherokee	Tahlequah	Cherokee Casino Tahlequah Cherokee Nation Telecommunications Cherokee Nation Capitol Building Cherokee Nation Office Products Cherokee Nation Construction Management Cherokee Trails Golf Course Cherokee Heritage Center Cherokee Nation Gift Shop Sequoyah Schools Cherokee Outpost (#1) W.W. Hastings Indian Hospital
Craig	Vinita	Vinita Health Clinic
Delaware	West Siloam Springs	Cherokee Casino West Siloam Springs Cherokee Smoke Shop
	Jay	Sam Hider Community Clinic
Muskogee	Fort Gibson	Cherokee Casino Fort Gibson Cherokee Outpost (#2)
	Muskogee	Three Rivers Health Center
Nowata	Nowata	Nowata Primary Health Care
Rogers	Claremore	Cherokee Casino Will Rogers Downs Claremore Indian Hospital
	Catoosa	Cherokee Nation Businesses Cherokee Casino Resort Cherokee Inn Cherokee Hills Golf Club Catoosa Smoke Shop
Sequoyah	Roland	Cherokee Casino Cherokee Casino Inn Cherokee Travel Plaza Cherokee Smoke Shop
	Sallisaw	Cherokee Casino Sallisaw Redbird Smith Health Center
Tulsa	Tulsa	Cherokee CRC Cherokee Services Group Cherokee Nation Industries

## Employment

In order to pinpoint where the employment impacts of Cherokee enterprises are strongest, employment data at the county level are shown by county of residence. In other words, the data describes the counties where the Nation’s employees live and spend the bulk of their disposable income as opposed to where they work. As shown in Table 12, the greatest concentration of employees is in Cherokee County—1,788 employees or 26.8 percent of the Nation’s total work force. This is not surprising given that most of the Nation’s governmental activities, including the Cherokee Capitol Building, are headquartered in Tahlequah. Two other individual counties, Tulsa and Adair, are also home to more than 10 percent of the total workforce.

In total, 83.4 percent of Cherokee Nation employees live in the 14 counties that make up the Cherokee service area. Furthermore, 75.3 percent live in the 7 counties listed in Table 11. CNE has the highest percentage of employees in the region at 91.7 percent, but Cherokee Nation government also has a large local impact with 88.1 percent of employees living in the 14-county region, including 44.6 percent in Cherokee County alone. Of the three branches, CNI has the smallest local impact with 43.3 percent of their employees living in the region.

**Table 12. Cherokee Nation Employment by County of Residence**

County	Cherokee Nation		CNE		CNI		Total	
	Jobs	%	Jobs	%	Jobs	%	Jobs	%
Adair	284	11.8%	76	2.3%	318	33.3%	678	10.2%
Cherokee	1,074	44.6%	661	20.0%	53	5.5%	1,788	26.8%
Craig	13	0.5%	16	0.5%	0	0.0%	29	0.4%
Delaware	133	5.5%	72	2.2%	0	0.0%	205	3.1%
Mayes	126	5.2%	142	4.3%	1	0.1%	269	4.0%
McIntosh	3	0.1%	2	0.1%	0	0.0%	5	0.1%
Muskogee	179	7.4%	52	1.6%	3	0.3%	234	3.5%
Nowata	23	1.0%	3	0.1%	0	0.0%	26	0.4%
Ottawa	7	0.3%	2	0.1%	0	0.0%	9	0.1%
Rogers	31	1.3%	569	17.2%	1	0.1%	601	9.0%
Sequoyah	169	7.0%	389	11.8%	23	2.4%	581	8.7%
Tulsa	38	1.6%	883	26.7%	10	1.0%	931	14.0%
Wagoner	21	0.9%	151	4.6%	5	0.5%	177	2.7%
Washington	19	0.8%	13	0.4%	0	0.0%	32	0.5%
Other Oklahoma	265	11.0%	126	3.8%	2	0.2%	393	5.9%
Out-of-State	22	0.9%	150	4.5%	540	56.5%	712	10.7%
Total in Cherokee Nation Counties	2,120	88.1%	3,031	91.7%	414	43.3%	5,565	83.4%
GRAND TOTAL	2,407	100.0%	3,307 <sup>a</sup>	100.0%	956	100.0%	6,670	100.0%

<sup>a</sup> CNE employment numbers in this table do not match other CNE employment totals in this report due to a different time frame for reporting by county.



## Wages

Strong wages indicate the wage-earners' ability to purchase goods and services for their own families, which, in turn, support other businesses in the community. This discussion will consider wages paid by the Cherokee Nation to its workers in order to identify which counties have experienced the greatest wage impact as a result of Cherokee Nation employment.

Nation wage data by county of employee residence are shown in Table 13. The data by county does not include benefits, so the values in Table 12 represent wages only. Overall, 85.0 percent of wages paid by the Cherokee Nation are paid to employees in the 14-county region. Cherokee Nation government has the highest percentage at 96.8 percent. Nearly half (47.5 percent) of government wages are paid to residents of Cherokee County alone. The next largest percentage for government wages is Adair County at 12.6 percent. At 91.9 percent, CNE also pays a large percentage of its total wages to residents in the 14-county region. Tulsa County is the largest single county recipient of this income (29.6 percent); Cherokee County is the second largest recipient (18.7 percent.) CNI has the lowest percentage of local wage payments to local workers at 26.8 percent. This reflects the fact that over half of CNI's employees live out of state and that many of these out-of-state workers are highly-paid (relatively) professionals in the medical and engineering fields who work for Cherokee Medical Services.

**Table 13. Cherokee Nation Wages Paid by County of Residence**

County	Cherokee Nation		CNE		CNI		Total	
	Wages	%	Wages	%	Wages	%	Wages	%
Adair	\$10,217,070	12.6%	\$1,935,596	2.2%	\$5,007,675	18.7%	\$16,980,817	8.7%
Cherokee	38,610,935	47.5%	16,112,082	18.7%	1,103,996	4.1%	55,827,013	28.7%
Craig	\$715,106	0.9%	401,147	0.5%	0	0.0%	1,116,253	0.6%
Delaware	5,578,324	6.9%	1,880,102	2.2%	0	0.0%	7,458,426	3.8%
Mayes	5,292,526	6.5%	3,409,015	3.9%	15,164	0.1%	8,716,705	4.5%
McIntosh	80,991	0.1%	29,252	0.0%	0	0.0%	110,243	0.1%
Muskogee	5,919,664	7.3%	1,353,769	1.6%	114,885	0.4%	7,388,318	3.8%
Nowata	828,219	1.0%	96,761	0.1%	0	0.0%	924,980	0.5%
Ottawa	255,711	0.3%	2,251	0.0%	0	0.0%	257,962	0.1%
Rogers	1,479,996	1.8%	13,989,738	16.2%	4,148	0.0%	15,473,882	8.0%
Sequoyah	6,015,958	7.4%	9,314,494	10.8%	156,509	0.6%	15,666,484	8.1%
Tulsa	1,946,263	2.4%	25,547,825	29.6%	630,218	2.4%	28,124,306	14.5%
Wagoner	1,042,654	1.3%	4,934,862	5.7%	138,221	0.5%	6,115,737	3.1%
Washington	805,198	1.0%	371,319	0.4%	0	0.0%	1,176,517	0.6%
Other Oklahoma	870,629	1.1%	3,201,865	3.7%	18,480	0.1%	4,090,974	2.1%
Out-of-State	1,707,303	2.1%	3,779,861	4.4%	19,594,802	73.2%	25,081,966	12.9%
Total in Cherokee Nation Counties	78,788,615	96.8%	79,378,215	91.9%	7,170,814	26.8%	165,337,645	85.0%
GRAND TOTAL	\$81,366,546	100.0%	\$86,359,939	100.0%	\$26,784,097	100.0%	\$194,510,582	100.0%

## Vendor Purchases

Large businesses and organizations must purchase many goods and services in order to operate. These vendor purchases become income for the individual vendors and thus have an impact on the vendors' local economies. Table 14 shows vendor purchases by the governmental branch, by Cherokee Nation Enterprises, and by Cherokee Nation Industries. Such purchases include raw materials, paper products, computer equipment, marketing services, legal services, food products, etc. In general, vendor purchases do not include payments to the general fund or other intra-tribal transfers or employee expenses.

The data in Table 14 are presented by county of vendor in order to demonstrate the distribution of impacts resulting from Cherokee Nation expenditures. The government of the Nation, for example, made 27.1 percent of its purchases from vendors in Cherokee County. No other single county approaches that percentage; the next highest is Tulsa County at 8.5 percent. In general, Cherokee government purchased 53.4 percent of its inputs from counties in the Nation's service area and 82.9 percent from vendors in Oklahoma.

**Table 14. Cherokee Nation Vendor Purchases by County FY 2007**

County	Cherokee Nation		CNE		CNI		Total	
	Purchases	%	Purchases	%	Purchases	%	Purchases	%
Adair	\$3,013,393	1.8%	\$64,976	0.1%	\$298,150	0.5%	\$3,376,519	1.0%
Cherokee	44,564,720	27.1%	1,828,760	1.5%	1,505	0.0%	46,394,985	13.4%
Craig	903,955	0.5%	86,035	0.1%	1,155,686	1.8%	2,145,676	0.6%
Delaware	2,176,387	1.3%	140,564	0.1%	45,536	0.1%	2,362,487	0.7%
Mayes	2,569,541	1.6%	3,741,690	3.1%	45	0.0%	6,311,276	1.8%
McIntosh	70,530	0.0%	0	0.0%	743,234	1.2%	813,764	0.2%
Muskogee	10,177,630	6.2%	1,186,036	1.0%	4,081,625	6.5%	15,445,291	4.5%
Nowata	252,458	0.2%	8,996	0.0%	138	0.0%	261,592	0.1%
Ottawa	395,558	0.2%	322,213	0.3%	13,485	0.0%	731,256	0.2%
Rogers	3,112,423	1.9%	2,551,664	2.1%	1,650,024	2.6%	7,314,111	2.1%
Sequoyah	4,275,833	2.6%	503,565	0.4%	17,653	0.0%	4,797,051	1.4%
Tulsa	13,985,835	8.5%	52,516,137	44.1%	7,237,975	11.5%	73,739,947	21.3%
Wagoner	417,343	0.3%	120,014	0.1%	21,423	0.0%	558,780	0.2%
Washington	1,873,523	1.1%	417,586	0.4%	3,985	0.0%	2,295,094	0.7%
Other Oklahoma	48,556,370	29.5%	18,552,300	15.6%	4,385,956	7.0%	71,494,626	20.6%
Out-of-State	28,187,005	17.1%	37,082,770	31.1%	43,033,999	68.6%	108,303,774	31.3%
Total in Cherokee Nation Counties	87,789,129	53.4%	63,488,234	53.3%	15,270,463	24.4%	166,547,826	48.1%
GRAND TOTAL	\$164,532,504	100.0%	\$119,123,304	100.0%	\$62,690,418	100.0%	\$346,346,226	100.0%

CNE reports total vendor purchases of \$119.1 million, and 44.1 percent of those purchases took place with vendors in Tulsa County. Overall, 53.3 percent of CNE purchases took place within the 14 Cherokee Nation counties. That percentage is similar to the value for Cherokee government purchases.

CNE does, however, purchase relatively more out-of-state with 31.1 percent of purchases going to out-of-state vendors. Of the three entities, CNI makes the most out-of-state purchases, with 68.6 percent of vendor purchases going to out-of-state vendors. The high percentage of out-of-state-purchases reflects that the majority of the operations and employment of CNI are located outside of Oklahoma. Nevertheless, CNI purchases 24.4 percent of its vendor goods and services from within the 14 Cherokee counties.

Looking at all three entities combined, the Cherokee Nation purchased \$346.3 million from their vendors in FY 2007. Of that amount, 48.1 percent was from vendors located in the Cherokee region, and 68.7 percent was from vendors in Oklahoma. Of the 14 Cherokee region counties, Tulsa County received the greatest percentage at 21.3 percent, followed by Cherokee County at 13.4 percent.

To summarize the county-level impacts, 83.4 percent of all Cherokee Nation employees reside in the 14-county Cherokee service area and 85.0 percent of all wages are paid to workers who reside in the 14 counties. Cherokee County is the single greatest recipient of wages, as well as employment. In terms of vendor purchases, 48.1 percent of vendor purchases are made within the 14-county service area and Tulsa County is the single largest recipient of such purchases.

#### Cherokee Jurisdictional Impact

Part of the mission of the Cherokee Nation is to create more jobs for Cherokee citizens and to build industries in Cherokee communities so Cherokees don't have to leave for better jobs. The mission calls for the creation of an economic climate within the Nation that is at least as robust as that enjoyed statewide and that generates comparable levels of job and income gains. In particular, the Nation will have made progress in accomplishing this mission if the Nation's activities in recent years have successfully stimulated the overall economy within the 14-county Cherokee region and generated improved job and business opportunities for citizens and non-citizens alike.

Earlier sections of this report documented the ongoing economic development success and expansion of Cherokee governmental and for-profit entities, particularly since 2004. As of 2007, the Nation directly employed 5,816 workers in Oklahoma earning nearly \$230 million in wages and producing goods and services totaling \$700 million. Spillover economic impacts extend the impact of these activities statewide.

However, while the success of the Cherokee Nation suggests that the mission is being accomplished, it is nevertheless possible that the Nation can succeed as an governmental entity without fundamentally improving the economic performance of the overall Cherokee region relative to the state. In short, the question addressed in this section is whether the rapid expansion of Cherokee Nation activities has produced a fundamental shift in economic conditions in the Cherokee region economy.

#### *Cherokee Region Economic Forecasting Model*

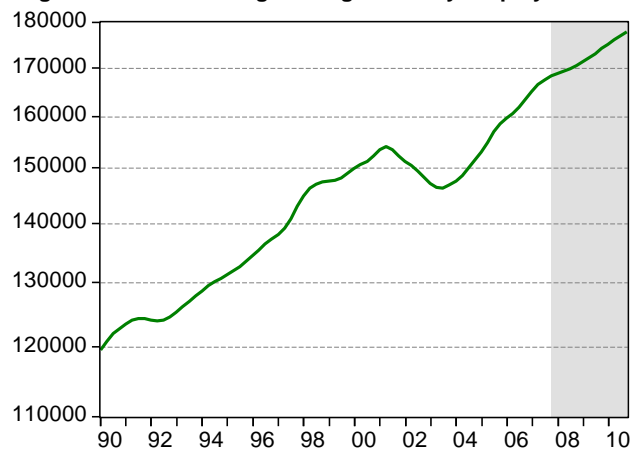
In order to evaluate the impact of the Nation on overall economic activity in the Cherokee region, an economic forecasting model of the Cherokee jurisdictional area was constructed and linked to the Oklahoma State Econometric Model.<sup>11</sup> The Cherokee Nation model is used both to examine the

recent economic performance of the region and to form a job forecast through 2010. The model also provides a platform for evaluating the performance of the Cherokee region relative to the state economy while controlling for the influence of other factors driving economic activity in the Cherokee region.

Controlling for the impact of the energy sector is vitally important in the period since 2004 because state economic performance has been historically strong due to the influence of high energy prices. Job and income growth statewide have exceeded national growth rates during the ongoing surge in energy prices. Evaluating the role played by the Cherokee Nation is complicated by the fact that the surge in energy prices coincides with a period of rapid expansion for the Cherokee Nation. Hence, it is difficult to determine if the performance of the state is boosting Cherokee Nation economic activity, or vice versa.

The results from the model suggest that the economic impact generated by the Cherokee Nation is having a visible and important influence on the overall level of economic activity in the Cherokee Nation region. The region has far outperformed the state in job growth since the last state recession ended in late 2003. Most importantly, a sharp upward shift in the rate of job formation in the Cherokee region occurred in 2004 that continues today and coincides with the rapid expansion in Cherokee Nation economic activity in the period. The performance of the region is all the more impressive considering the relatively small oil and gas presence in the region relative to the rest of the state.

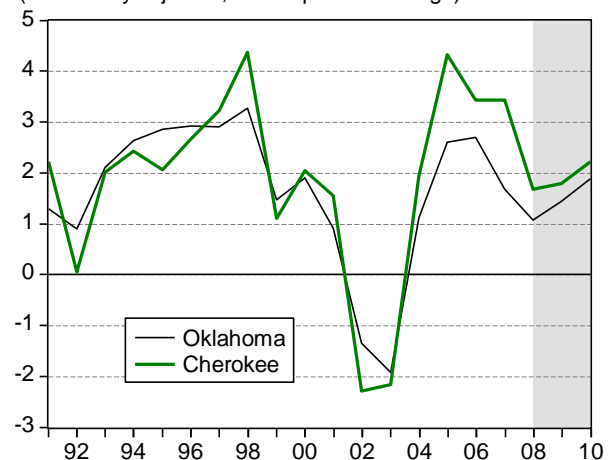
**Figure 4. Cherokee Region Wage & Salary Employment**



Since 2004, the Cherokee region has added approximately 21,500 jobs, a nearly 15 percent increase in the period (see Figure 4). The overall workforce increased from around 146,000 in early 2004 to nearly 168,000 jobs by year-end 2007. Based on a forecast through 2010, the total number of workers in the Cherokee region is expected to exceed 175,000 by 2010.

As shown in Figure 5 though, the Cherokee region has historically moved in lockstep with the state economy in terms of job growth. Between 1990 and 2003, the two regions rarely deviated in any significant manner. However, since 2004, the model results suggest that the Cherokee region has become the stronger partner and has consistently outperformed the state in job growth, a period in which the state enjoyed well above long-run average job gains and outpaced the nation by a substantial margin.

**Figure 5. Growth in Wage & Salary Employment**  
(Seasonally adjusted, annual percent change)



The Cherokee region is currently outperforming the state to roughly the same degree that the state is outperforming the nation. In comparison to the 15 percent job gain in the Cherokee region in the 2004-2007 period, state job growth totaled only 9 percent in the period. In other words, since 2004, the Cherokee Nation has outpaced state job growth by an average of 1 percent annually.

In short, the model-based forecast suggests that the Cherokee region has enjoyed a shift in the overall economic fundamentals of the region and that the activity of the Cherokee Nation is a major factor behind the accelerated growth in the region. The economic outlook for the Cherokee Nation region remains strong for 2009 and 2010 as the U.S. and state economies continue to slow. The region is expected to slow along with the state but continue to add jobs at a more rapid pace through 2010.



#### IV. Summary

The Cherokee Nation is a sovereign, federally recognized tribe with nearly 280,000 enrolled citizens—more than half of whom live in the 14 counties that encompass the Cherokee service area in Northeast Oklahoma. As with most governments, the Cherokee Nation is committed to safeguarding the well-being of its citizens. It does so through comprehensive tribal administration and through the provision of public services funded, in part, by the profits of various Cherokee enterprises.

The for-profit side of the Cherokee Nation is referred to as Cherokee Nation Businesses (CNB), which is more easily thought of in terms of two separate entities, Cherokee Nation Enterprises (CNE) and Cherokee Nation Industries (CNI). CNE is responsible for the gaming, hospitality, and retail businesses of the Nation, and CNI is responsible for a portfolio of businesses involved in manufacturing, distributing, and other industries.

The various agencies and enterprises of the Cherokee Nation have had a global impact based, partly, on international name recognition. The Cherokee Nation has also had a global impact as a result of providing employment opportunities around the country and overseas. Many of these employees work for Cherokee Medical Services (CMS) which is a subsidiary of CNI. Finally, the Cherokee Nation has long had a global impact on art and culture through fine arts, stage, and screen.

The economic impact of the Nation is largely felt in Oklahoma and the 14-county service area. Even so, any organization that spends \$169 million per year in state payroll and \$238 million per year with state vendors is going to produce an important spillover effect on the greater state economy. Based on multiplier analysis, it is estimated that in FY 2007 the Cherokee Nation supported 8,907 state jobs, \$360.1 million in payroll, and \$1.3 billion in total output. This level of output represents nearly 1 percent of gross state product for 2007.

At the individual county level, Cherokee County is home to significant Cherokee Nation business and governmental activity. The Cherokee Nation Capitol Building is located in Cherokee County, as is Cherokee Nation Telecommunications, Sequoyah High School, the Cherokee Heritage Center, and more. In all, 1,788 Cherokee Nation workers, or 26.8 percent of the Cherokee work force, live in Cherokee County. An additional 14 percent live in Tulsa County, and 10.2 percent live in Adair County. Similarly, 28.7 percent of Cherokee wages are paid to workers in Cherokee County, 14.5 percent are paid to workers in Tulsa County, and 8.7 percent are paid to workers in Adair County. Vendor purchases by the Cherokee Nation are a little less concentrated, but 68.7 percent (\$238 million) take place in Oklahoma, 21.3 percent (\$74 million) take place in Tulsa County, and 13.4 percent (\$46 million) take place in Cherokee County.

Despite having a general spillover impact on the State of Oklahoma, a primary goal of the Cherokee Nation is to provide employment opportunities to its citizens—most of whom live in the 14 counties that make up the Cherokee jurisdictional area. By design, the impact of the Cherokee Nation will be the greatest in these 14 counties. The evidence from a forecasting model of the Cherokee region suggests that the economic development efforts of the Nation are having an important economic impact on the overall Cherokee region economy. After matching the state in job growth in the 1990-2003

period, the Cherokee region began to outperform the state in job growth by nearly 1 percent annually in 2004 and is expected to continue to add jobs at a faster pace than the state through 2010. The Cherokee region has also managed to outperform the state economy in a period of high energy prices despite limited energy resources in the region.

In conclusion, the Cherokee Nation had a significant impact on the state in 2007 that totaled more than \$1.3 billion in total output. The various money-making enterprises of the Cherokee Nation provide employment and payroll benefits to employees, but also help fund the provision of services by Nation government. Nation government is also a major employer and is growing in its ability to offer these services. The Cherokee Nation is currently using the phrase "Common Values, Common Ground" in media outlets. The impact from plentiful jobs, strong public services, and local community development is valued in common by all Oklahomans.

## Endnotes

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<sup>1</sup> Bureau of Indian Affairs, *American Indian Population and Labor Force Report: 2003*, <http://www.doi.gov/bia/laborforce/2003LaborForceReportFinalAll.pdf>

<sup>2</sup> The monthly fee is 4% of first \$10 million in a calendar year, 5% of next \$10 million, 6% for all revenues above \$20 million in a calendar year, plus 10% of monthly net win from covered card games. The 5.3% estimate is from Meister, Alan. "The Potential Economic Impact of the October 2007 Proposed Class II Gaming Regulations, February 1, 2008: <http://www.nigc.gov/LinkClick.aspx?fileticket=ZkRmjru5%2FqM%3D&tabid=85&mid=345>.

<sup>3</sup> The Educational Reform Revolving Fund was created by HB 1017, passed in 1990. Revenues such as those from specific income, sales, and use taxes are deposited in this fund to pay for educational legislative reforms. This Fund was separated from the General Revenue fund in 1996.

<sup>4</sup> This law was passed by the Cherokee Nation in November 2005 and went into effect January 2006. In FY 2005, for example, CNE put 75 percent of its profits into the Jobs Growth Fund instead of the 70 percent that would be required for half of FY 2006 and all of FY 2007.

<sup>5</sup> Cherokee Nation: Where the Casino Money Goes: <http://www.cherokee.org/docs/WTMGWeb.pdf>, [http://www.cherokee.org/docs/CNE\\_MoneyGoes\\_Mag2008.pdf](http://www.cherokee.org/docs/CNE_MoneyGoes_Mag2008.pdf)

<sup>6</sup> The Small Business Administration's "8a" program provides assistance to certified small businesses that are owned by a "disadvantaged" individual and demonstrate potential for success.

<sup>7</sup> Caution must be exercised when using input-output multipliers to estimate the total economic activity "supported" by an existing industry or firm. Input-output multipliers are intended to predict the change in region-wide economic activity that results from an incremental change in a given industry within a regional economy.

<sup>8</sup> IMPLAN, for example, by the Minnesota IMPLAN Group, 2006

<sup>9</sup> A cautionary note is in order here. It is often tempting to add total output impacts and total payroll impacts to arrive at some larger dollar impact value. This is not appropriate. Payroll impacts are better thought of as a subcategory of total output impacts. To add output impacts and payroll impacts would result in double-counting.

<sup>10</sup> Native Americans who both *live and work* on the reservation, however, are exempt from paying state income taxes.

<sup>11</sup> The Oklahoma State Econometric Model, developed and maintained by the Center for Applied Economic Research in the Spears School of Business at Oklahoma State University, is in its 28th year of development and provides information on the probable performance of the Oklahoma economy in upcoming years.