



Summary of Key Forecasts From “Healing Tribal Economies”

by James M. Klas

KlasRobinson Q.E.D. has completed a white paper on the effects of the pandemic and associated mitigation efforts on tribal economies entitled: “Healing Tribal Economies.” This article provides a summary of key forecasts from the white paper.

The current COVID-19 pandemic has resulted in unprecedented upheavals in economic conditions in the U.S. and around the globe. Indian Country is uniquely vulnerable, both to the disease itself and to the public health measures required to contain its spread. Tribal populations have higher rates of obesity, heart disease, diabetes and other health conditions that are known to increase the risk for more severe cases of COVID-19 and even death. Most tribes are located in rural areas and served by healthcare systems that are ill equipped to handle massive case surges and more complex treatment requirements. In the face of the public health crisis, tribal leaders, like leaders at all levels, have focused their efforts primarily on mitigation of the spread of the virus. Every Indian casino in the country has closed for extended periods. Along with casino closings, closures of other tourist attractions and cancellation or postponement of events have decimated the tribal tourism industry, one of the key economic drivers for tribal economies and sources of funding for tribal governments. Other key funding sources have also been hit, including mining and extraction industries and agriculture. While government funding has remained in place and is being supplemented by specific funding from the CARES act, the magnitude of the deficits being created at federal and state levels causes real concern for future funding levels.

In anticipation of the point in time when the health crisis will have passed, but with little certainty of when that will occur, tribes are already formulating plans and taking steps to mitigate and recover from the economic devastation caused by the pandemic and steps to fight it. One of the greatest challenges for tribal leaders in dealing with the current crisis and planning for future physical and economic recovery is the lack of clear, consistent and timely information and analysis. There is no statistic (not cases, deaths, tests, death rates, recovery rates, demographic profiles, GDP declines, unemployment rates, or any projections of future levels thereof) that provides the level of clarity and consistency needed. The numbers change daily and are often contradictory, alternately lending support to or undermining otherwise credible, plausible and well-meaning projections and recommendations. This is not meant as a criticism of any particular reporting mechanism, measurement or forecast. While legitimate weaknesses and outright errors exist, the primary problem is in the nature of the crisis

itself and of our length of experience with it. It is simply too soon and the conditions remain too vulnerable to the caprices of the virus and to the decisions by everyone from leaders at the highest level to individual tribal members. It is literally not possible at this point to have a clear and consistent picture of either the health or the economic impacts of the pandemic and the mitigation efforts to contain it.

Unfortunately, that does not change the need for leaders to make decisions right now and to plan for the future, however unclear. It also does not change the need for experts in the relevant fields to apply their skills, experience and best judgment to advise those leaders and the general populace to the best of their abilities. This problem is not new and is not without methods for approaching solutions. Forecasting and decision making with imperfect information, even in volatile periods, has been a subject of intense study for a long time, and great advances have been made at the theoretical and practical levels that make possible useful frameworks for analysis, prediction, planning and direct action.

The severe disruptions from the global pandemic and from necessary efforts to mitigate its spread are already impacting the economies of Indian Country and of the U.S. as a whole. Based upon assumptions about the length and severity of the pandemic and analyses of current and past economic conditions in crisis and recessionary circumstances, negative impacts across all sectors are expected for 2020 with varying but generally major degrees of severity. Negative impacts are forecast to continue in nearly all sectors in 2021, although recovery will begin in most cases. By the end of 2022 most sectors will be approaching full recovery or may have already reached it in some cases. However, certain sectors will not reach full recovery until 2023 or even later.

The table at right presents a listing of our forecasts for various sectors of tribal economies across the country. The experience of individual tribes will vary depending upon local circumstances and actions that their leaders and the leaders in their surrounding counties and states take. The figure that follows presents a specific forecast for Indian gaming revenue through 2022. (Gaming revenue figures from 2017 and 2018 are taken from published NIGC data. All other figures are estimates or forecasts by KlasRobinson Q.E.D.)

For the purposes of this analysis, a continuation of significant

caseloads and deaths directly attributable to COVID-19 through the Spring of 2021 is assumed, with an approximate total number of infections of 5.6 million in the U.S. with approximately 224,000 deaths, plus or minus a margin of error. Following that time, it is assumed that COVID-19 will cease to be a major determining factor in the economy, although recovery from the economic effects of its ravages will extend far beyond that date. The recovery process will occur in phases that will overlap and shift back and forth to some degree with differing start dates and end dates depending upon region, industry and pandemic conditions. The three phases characterized are Initial, Transitional, and Recovery.

The initial phase has already begun with the first tentative steps toward partial lifting of restrictions and reopening of shuttered businesses. This phase is expected to extend through the remainder of this year. The actions taken during the initial phase will be ad hoc, quickly applied with varying degrees of success and in need of frequent adjustment or revision. The initial phase will continue to be a period of experiment and adjustment, as government, industry associations, unions and individual operators attempt to find some means of increasing economic activity without triggering a return to exponential viral growth in their areas. For that reason, more severe restrictions will remain in place during this time and even be strengthened at times in some areas as outbreaks are renewed.

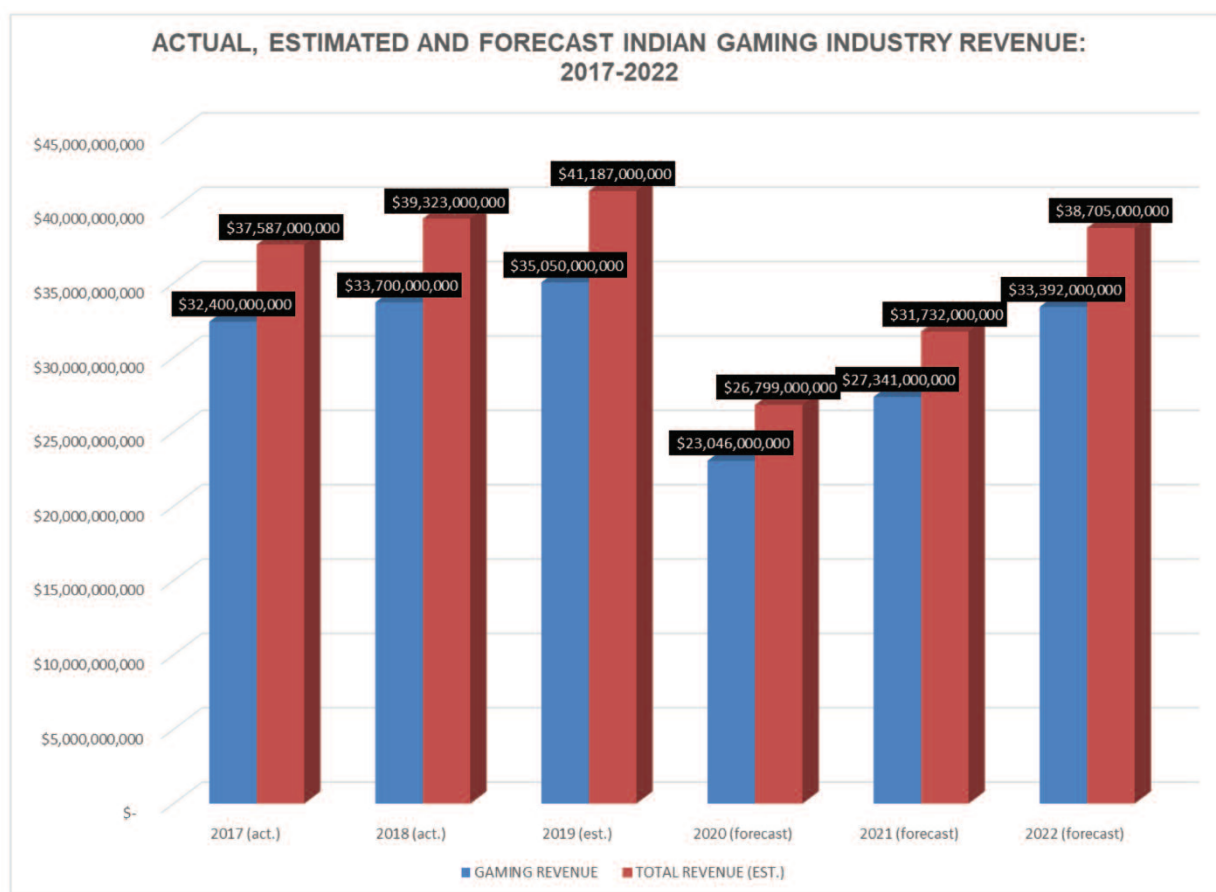
The exact timing of the transitional phase will depend heavily on the timing of the anticipated secondary peak in COVID-19 cases, widely assumed to be coming in the fall, but with the potential to happen earlier or later. That timing will vary by region. However, at some point after September of this year and extending through September of next year, the transition will begin from more intensive restrictions to a resumption of general business activity in modified form. Although wider reopenings in some parts of the country are getting considerable press already, they do not really constitute the degree of loosening that will occur during the transition phase. The main difference will be a shift from regulations focused on crisis intervention to those focused on maintaining progress and restructuring the economy for improved long-term protection, not only from COVID-19, but from any future similar problem.

The Recovery Phase is expected to begin in or around September of 2021 and continue into early 2023. During the recovery phase, the transitional steps taken in preceding months will be further

TRIBAL ECONOMIC PROGNOSIS SUMMARY

<u>YEAR:</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
U.S. GDP:			
YEAR-TO-YEAR CHANGE	-10.5%	7.7%	4.2%
PERCENT OF 2019 TOTAL	89.5%	96.5%	100.5%
U.S. UNEMPLOYMENT RATE	10.2%	8.2%	6.7%
U.S. INFLATION RATE	0.5%	2.5%	3.1%
TRIBAL ECONOMIC OUTPUT BY SECTOR:			
INDIAN GAMING:			
YEAR-TO-YEAR CHANGE	-34.2%	18.6%	22.1%
PERCENT OF 2019 TOTAL	65.8%	78.0%	95.3%
OTHER TRIBAL TOURISM & LEISURE:			
YEAR-TO-YEAR CHANGE	-38.5%	22.6%	27.6%
PERCENT OF 2019 TOTAL	61.5%	75.3%	96.1%
AGRICULTURE:			
YEAR-TO-YEAR CHANGE	-18.0%	17.6%	4.5%
PERCENT OF 2019 TOTAL	82.0%	96.5%	100.8%
MINING:			
YEAR-TO-YEAR CHANGE	-24.7%	16.4%	8.0%
PERCENT OF 2019 TOTAL	75.3%	87.6%	94.6%
CONSTRUCTION:			
YEAR-TO-YEAR CHANGE	-5.0%	-4.2%	1.0%
PERCENT OF 2019 TOTAL	95.0%	91.0%	91.9%
MANUFACTURING:			
YEAR-TO-YEAR CHANGE	-11.3%	11.0%	4.2%
PERCENT OF 2019 TOTAL	88.7%	98.4%	102.6%
WHOLESALE TRADE:			
YEAR-TO-YEAR CHANGE	-17.0%	9.9%	7.0%
PERCENT OF 2019 TOTAL	83.0%	91.2%	97.6%
RETAIL TRADE:			
YEAR-TO-YEAR CHANGE	-21.0%	8.8%	6.0%
PERCENT OF 2019 TOTAL	79.0%	86.0%	91.1%
TRANSPORTATION & WAREHOUSING:			
YEAR-TO-YEAR CHANGE	-2.0%	9.9%	2.0%
PERCENT OF 2019 TOTAL	98.0%	107.7%	109.8%
OTHER ECONOMIC SECTORS:			
YEAR-TO-YEAR CHANGE	-7.1%	6.3%	2.8%
PERCENT OF 2019 TOTAL	92.9%	98.8%	101.6%

SOURCE: KlasRobinson Q.E.D.



refined and made permanent. The most important aspect of this phase will be the end of direct unpredictable and rapidly changing governmental intervention in exchange for stabilized and permanent policies upon which operators can rely for future planning.

As the pandemic is brought to a manageable level on a long-term basis, either through a vaccine, treatment improvements or other steps, government action will return to the normal pattern of slow, legislatively-driven regulations rather than rapid emergency edicts. Although the post-pandemic regulatory environment is expected to include permanent changes in operating rules to protect public health, those changes will be less onerous and stable, allowing for business to evolve within that environment and move forward. Again, the changes in airport security provide a good example.

As government actions become less frequent, less intrusive and more predictable and as the virus itself becomes less of a threat to suddenly overturn the economy, standard economic forces and principles will once again be the primary drivers of markets and financial performance, making long-range planning and business evolution easier. This does not mean that the recovery will be complete. It means, however, that it will be on a more predictable and stable path and that actual new growth will be in reach.

During this period, new procedures, designs, products, pricing levels, staffing levels and market positioning developed during the transitional phase will stabilize and become a permanent part of each industry sector throughout Indian country and the U.S. as a whole. Also during this period, new business ventures will begin to appear and grow, replacing lost businesses that were unable to survive the crisis and seeded in many cases by the very staff and investors of those same businesses. Not unlike a forest floor sprouting new growth after a fire, the economy will be boosted by new versions of old businesses and business models and by some new growth that is entirely different in character and focus. The new growth, and the many businesses that did survive, will form the backbone of tribal economies in a more prosperous and stable future. ♣

A complimentary copy of KlasRobinson's complete white paper can be downloaded at www.klasrobinson.com.

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