

Testimony of Fred Allyn, Mayor of the Town of Ledyard on H.B. 5876 and H.B. 5870

Senator Coleman, Representative Sharkey and distinguished members of the Planning and Development Committee, thank you for the opportunity to testify in support of H.B. 5876, a proposed bill to make land taken into trust on behalf of Indian Tribes in Connecticut as of a specified date eligible for State PILOT grants, and H.B. 5870, a proposed bill to increase fines and penalties for companies doing business on federal Indian reservations in Connecticut that fail to pay personal property taxes.

The measures provided for in both bills are necessary to protect the interests of our Town, and we urge the Joint Committee on Planning and Development to act favorably on them as soon as possible. This testimony addresses each contemplated bill separately.

H.B. 5876/PILOT Payments: The Town of Ledyard is the host community to the reservation of the Mashantucket Pequot Tribe. That reservation is home to the massive Foxwoods Casino Resort, including the recently opened MGM Grand Casino, as well as other Tribal businesses, government facilities, and residences. The Tribe's casino resort is among the largest and most successful in the world, and it has transformed the character of the surrounding area, especially the Town of Ledyard, from a rural community into the hub of a large-scale destination resort and tourism district.

We commend the Tribe for its great success in developing Foxwoods and achieving governmental and economic self-sufficiency. The fact remains, however, that the Town of Ledyard has been adversely affected since the opening of the first casino in 1992 as a result of the governmental burdens we must bear to accommodate for Foxwoods and the lack of an adequate source of revenue for that purpose due to the tax-exempt status of Tribal trust land.

As the host community, our local government is required to provide a wide variety of services to support the Tribe, its reservation, and its business enterprises. These services include the education of tribal members in our schools, maintenance of roads leading to the reservation, maintenance of roads on the reservation, emergency services, law enforcement, and maintenance of various utility rights-of-way and facilities. When the administrative costs and burdens on our local government are added to these direct expenditures, the result is a very significant drain on the Town's budget. Although the costs of some of these services are reimbursed by the Tribe, many are not.

The Town of Ledyard has an annual budget of only \$50 million, which is a mere fraction of the annual revenues of the Tribe, estimated to be in excess of \$1.5 billion/year. With such a small budget, the ability to recover *all of the costs* of the governmental services we supply to the Tribe and must provide to our residents to manage the impacts on our community caused by the Tribe's activities is critical. Unfortunately, there is no way to recover these costs beyond existing contractual agreements with the Tribe other than through payments from the "Pequot Fund" (the payments to the State out of the slot machine proceeds from the Mohegan and Mashantucket Pequot casinos) and PILOT payments.

The shortfall in the Town's budget increases every time the federal government takes more land into trust. Currently, the Tribe has approximately 1,095 acres in trust within its existing reservation boundary, which encompasses about twice that amount of land. At present, we do not believe the Tribe seeks to add any trust land outside of its reservation boundaries. As in the past, the Town would vigorously oppose off-reservation trust lands. Since the enactment of the Connecticut Indian Land Claim Settlement Act of 1983, however, the Tribe has gradually and continually expanded the amount of land in trust status inside the reservation.

Consistent with the Town's cooperative working relationship with the Tribe, we have supported on-reservation trust land acquisition, provided all applicable laws are satisfied and the Town is consulted with in advance. By supporting these requests, however, the Town has had to absorb a significant loss in tax revenue every time another acquisition is completed. For example, when the federal government's most recent trust land acquisition for the Tribe cost the Town approximately \$250,000 in annual tax revenue. The Tribe intends to continue to add more trust land within its reservation boundaries, so further losses in tax revenue will occur.

H.B. 5876 would address this problem by making PILOT funds available for lands taken into trust since a specified date. The Town strongly supports this bill, with the earliest date possible. Obtaining such funds would assist Ledyard in maintaining the necessary services to Town residents, the Tribe, and the millions of tourists who travel through Ledyard every year on their way to Foxwoods.

H.B. 5870/Fines for Refusal to Pay Personal Property Tax: In addition to the loss of tax revenues from trust land acquisition, the Town is also facing the loss of potentially significant revenues because certain businesses are refusing to comply with State tax laws that require the payment of personal property taxes to local governments.

In fact, the Town is in the midst of expensive litigation against the Tribe, not because Ledyard has sought to impose any sort of tax on the Tribe, but rather because the Tribe challenges the application of the State tax on non-Indian slot machine companies keeping personal property at Foxwoods. The Tribe argues that such a tax on slot machine vendors interferes with its sovereignty.

In addition to the tax revenues at risk in the case, the Town must pay for its legal expenses. While we greatly appreciate Attorney General Blumenthal's vigorous defense of the case, the Town must provide its own legal representation as well. The costs of such a lawsuit are, by contrast, apparently of little consequence to the Tribe.

Not all businesses operating at Foxwoods have filed personal property information with the Town. Several have ignored their legal obligations. The Town simply cannot afford to leave personal property tax revenues from all non-Tribal companies doing business on the reservation. Of those businesses operating at Foxwoods that have properly filed with the Town, the assessed value of the personal property exceeds \$10.5 million. Those assessments amount to hundreds of thousands of dollars.

Legislation clearly establishing that non-Indian personal property is subject to the State's tax regime, and that would impose substantial penalties for non-compliance, will significantly help

this situation. Although the Tribe can be expected to continue to challenge the assessment of personal property taxes on non-Indian businesses, the proposed legislation would put all businesses on notice that the State takes its personal property tax seriously as a means of generating revenue to support local government, and that no non-Indian business is exempt from meeting this obligation. This will greatly assist the Town in its collection efforts, and force businesses that are either not aware of their tax obligation or are ignoring it to take steps to comply with State law.

In conclusion, the Town strongly supports the concepts for both of these bills. Without assistance from the State, and without the ability to collect personal property taxes from non-tribal businesses, the Town will not be able to continue to meet its governmental obligations at the same levels it has in the past. Thank you for considering this testimony.

