



OLR RESEARCH REPORT

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OLR BACKGROUNDER: SLOT MACHINE PAYMENTS TO CONNECTICUT

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This report summarizes the process for changing the state's slot machine agreements with the Mashantucket Pequot and Mohegan tribes.

SUMMARY

The slot machine agreements (memoranda of understanding) between the state and the Mashantucket Pequots and Mohegans do not contain any amendment or modification clause. The agreements give the tribes the exclusive right to operate slot machines. In return, each tribe must contribute 25% of gross slot machine revenue to the state monthly. If either tribe's contribution falls below \$80 million in any year, its rate increases to 30% in order to ensure a combined \$160 million minimum annual contribution. In FY 10, the tribes contributed \$359.2 million to the General Fund. The Pequots contributed \$169.4 million and the Mohegans contributed \$189.8 million.

According to the Division of Special Revenue, there is no formal procedure for amending or modifying the slot machine agreements. But the parties to the agreements may negotiate changes.

The Pequot slot machine agreement has been changed twice. The first amendment modified the payments to the state (April 30, 1993); the second amendment allowed the Mohegans to operate casino gaming

(April 25, 1994). According to a June 1, 2009, attorney general's opinion, an amendment to the agreements will require the governor to submit the proposal for legislative approval.

SLOT MACHINE AGREEMENT HISTORY

The original Pequot memorandum was negotiated and designed to suspend the moratorium on slot machines imposed by the federal procedures governing casino gaming at the Foxwoods Casino. Section three of the procedures authorizes slot machines. But Section 15(a) places a moratorium on them until:

1. it is determined by agreement between the Tribe and the State or by a court of competent jurisdiction, that by virtue of the existing laws and regulations of the State the operation of video facsimiles of games of chance would not be unlawful on the ground that the Tribe is not located in a State that permits such gaming. . . or
2. the existing laws or regulations of the State are expressly amended to authorize the operation of any video games of chance for any purpose by any person, organization or entity (Mashantucket Pequot Gaming Procedures, p. 53).

The Pequots negotiated the first memorandum of understanding with the state on January 13, 1993. It gave them the exclusive right to operate slot machines in return for a monthly contribution to the state of 25% of gross slot machine revenue. If the tribe's contribution fell below \$100 million in any year, the rate would increase to 30% in order to reach a minimum \$100 million.

The memorandum was amended on April 30, 1993, changing the amount the tribe would pay in that fiscal year. When the Mohegans won federal recognition and decided to open a casino, the Pequots again renegotiated their agreement with the state on April 25, 1994. The result is that both the Mohegans and Pequots have identical agreements with the state. Each tribe must contribute 25% of its gross slot machine revenue to the state monthly. If either tribe's contribution falls below \$80 million in any year, its rate increases to 30% in order to ensure a combined \$160 million minimum annual contribution. The memorandum also expanded the scope of the original agreement by conditioning the tribes' contribution to the state on not permitting other commercial games, instead of just slot machines.

COMPACT AMENDMENTS

According to a June 1, 2009, attorney general's opinion, an amendment to the memoranda of understanding will require the governor to submit the proposal for legislative approval. [CGS § 3-6c](#) requires the governor to submit a compact or amendment for legislative approval and it appears that this requirement would apply to amendments to a memorandum of understanding.

By law, the governor must file a compact or amendment with the Senate and House clerks within 10 days after it is executed. If filed during a regular session, the legislature has until its adjournment to approve or reject it. If not filed during a regular session, the legislature has until adjournment of (1) the next regular session or (2) a special session convened to take action on the measure. If the legislature does not act by adjournment, the compact or amendment is rejected and cannot be implemented.

If the governor files a compact or amendment within 30 days of the end of a regular session, the legislature can either: (1) convene in a special session and vote within 30 days or (2) vote on it within the first 30 days of its next regular session.

The legislature has until the end of either 30 days to vote before the measure is considered rejected ([CGS § 3-6c](#)).

State law requires both houses of the legislature to approve a state-tribal compact or an amendment to one.

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