



COMMERCE COMMITTEE- PUBLIC HEARING ON MARCH 10, 2016
TESTIMONY ON HOUSE BILL 5577 - AN ACT REQUIRING THE EVALUATION OF THE COSTS AND BENEFITS OF
ESTABLISHING CERTAIN COMMERCIAL GAMING WITHIN THE STATE OF CONNECTICUT
ED BOWERS / MGM RESORTS INTERNATIONAL

Co-Chairs Representative Perone, Senator Hartley, and members of the Committee,

My name is Ed Bowers and I am Senior Vice President of Global Gaming Development for MGM Resorts International. Today I am here to offer testimony on House Bill 5577 - An Act Requiring the Evaluation of the Costs and Benefits of Establishing Certain Commercial Gaming Within the State of Connecticut. Thank you for the opportunity to speak with you today about this issue.

Because other colleagues from MGM will also be speaking at this hearing I intend to limit myself to comments about the process of gaming development and the economic impacts of gaming development projects.

First, I would like to state that I have been involved in gaming development for more than twenty years: first, working for the accounting firm Arthur Andersen, I advised a wide range of regional, national and sovereign governments, industry associations and interested businesses; and since 2003, I have worked exclusively on MGM's gaming development activities.

Good gaming development opportunities that optimize benefits such as jobs and tax revenues to the public and best mitigate any negative consequences such as increased traffic or infrastructure needs are the result of good public policy decisions that originate from a well-informed legislature.

What I see in Connecticut so far is an opaque process that to date has surrendered complete control of the process to a single developer, MMCT. It is unheard of in our industry to allow one special business entity to be pre-selected via a no-bid procurement process and then to allow that entity to decide what is in the State's best interests without any independent verification from the State. In short, this amounts to a trust, but not verify process.

My colleagues will deal at greater length with the significant public policy and legal issues that we believe Special Act 15-7's no-bid development scheme raises. I will focus my comments on what I think is at the heart of any good gaming development initiative: does it optimize jobs and economic development for its host jurisdiction?

We have heard loudly from MMCT that their exclusive process is about saving Connecticut jobs. We agree that recapturing jobs is a meaningful goal of permitting commercial gaming; it should be. So, why then is MMCT recommending an option that results in far fewer net recaptured jobs than could be secured from a different location?

MMCT commissioned twin studies last year and it is our contention that some of the conclusions of these studies are being used to misinform the public.

Let's start with the first study commissioned by MMCT. Prepared by Clyde Barrow, it is a 110-page long analysis of the potential future impacts of new Massachusetts and New York competition on the existing Connecticut casinos. We believe it is a perfectly decent piece of research.

However, the second study commissioned by MMCT and also prepared by Clyde Barrow, which evaluates the feasibility and job impacts of a new commercial casino in Connecticut, is somewhat problematic. Indeed, we believe that the conclusions of this study are at best being grossly misinterpreted and at worst are fundamentally flawed.

This second study has two shortcomings:

1. It fails to calculate recaptured jobs on a NET basis, which would take account of the fact that any new commercial casino in Connecticut will also result in some job cuts at the existing tribal casinos.
2. Its scope was limited to analyzing only one "single casino" scenario – a "satellite" casino in a north central Connecticut location.

The Oxford Economics study commissioned by MGM concludes that a new casino in north central Hartford will recapture only approximately 2,100 net jobs. Note that unlike the second MMCT study this figure is a NET figure, after subtracting the jobs that will be lost at the existing Connecticut tribal facilities because of the new facility.

The Oxford Economics study concludes that locating a casino somewhere in southwest Connecticut will result in approximately three times this number of jobs (5,700) and three times the economic impact.

With this kind of discrepancy between the Oxford Economics study, which studied a single new casino in multiple locations, versus MMCT's commissioned study, which in its single casino scenario only looked at the GROSS recapture of jobs in one location, it is hard not to conclude that an independent state-commissioned study is absolutely essential.

We would encourage that, as a starting point, the study proposed in HB 5577 conduct a review of existing research and explore the scenarios laid out in those studies.

The primary questions to be addressed by the proposed study should be whether there is a market for Connecticut's first commercial casino in the state, and, if so, which region in the state would provide the most significant economic opportunity for the state.

There are also questions relating to dealing with potential host communities, which it would be appropriate for HB 5577 to include in its study.

1. How will the host community secure the best deal? Typically the state provides a set of rules that developers must adhere to in their discussions with host communities. Connecticut's Special Act unusually allows the developers to be in charge and, further, includes no minimum payments or fees from MMCT.
2. Should the State require a potential host municipality to have a referendum approving a new commercial casino?
3. Should the State require host municipalities to negotiate in a transparent way and not through closed-door executive sessions?
4. Who will pay for local impacts, such as infrastructure and emergency services? For example, in Massachusetts, the developer applicants were required to enter into agreements with all host and surrounding communities before being able to win a license. One such applicant was Mohegan Sun, who committed millions annually to its proposed host community.

Thank you for your consideration of this testimony, and I ask you to support House Bill 5577.