



COMMERCE COMMITTEE- PUBLIC HEARING ON MARCH 10, 2016
TESTIMONY ON HB 5577 - AN ACT REQUIRING THE EVALUATION OF THE COSTS AND BENEFITS OF
ESTABLISHING CERTAIN COMMERCIAL GAMING WITHIN THE STATE OF CONNECTICUT

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

This testimony is on behalf of MGM Resorts International. We thank you for the opportunity to submit testimony today on House Bill 5577 - An Act Requiring the Evaluation of the Costs and Benefits of Establishing Certain Commercial Gaming Within the State of Connecticut. We are grateful to this committee for proposing this bill, and for demonstrating leadership in ensuring that any attempt by the State of Connecticut to create a new commercial gaming industry be done with the appropriate data and research. We support HB 5577, as many unanswered questions remain about what the impact would be on the State if it authorizes commercial gaming for the first time.

It is important to stress that what Special Act 15-7 approves is commercial gaming. Commercial gaming is not and cannot be considered just as an "add-on" to Connecticut's existing gaming activities that are conducted by sovereign nations on sovereign land and overseen by sovereign nation and federal regulatory agencies via the federal Indian Gaming Regulatory Act. The gaming contemplated by Special Act 15-7 is something entirely different: a new industry that will be owned and managed by commercial entities and for which the State will need to establish and fund a new special regulatory structure that will oversee these gaming operations on a daily basis. As a result, one of the first questions that a study should ask is what is the State's public policy objective for a new commercial casino industry?

The issue of instituting commercial casino gaming in Connecticut is an important one, and some research has already been done on the issue. Just last week, MGM released an economic analysis we commissioned from Oxford Economics, that looks at a wide variety of potential sites and scenarios for the location of a third casino. The Mashantucket and Mohegan tribes also issued their own studies several months ago. 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 materials. For your reference, we've included some of the Oxford's study's findings with this testimony.

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

We would recommend that this study should also examine the regulatory framework that the State would need to have in place before allowing commercial gaming, including consideration of the costs of establishing a new, statewide regulatory body or agency. Also included should be a thorough review of research and analysis of the regulatory processes utilized by similar states with commercial gaming (such as Massachusetts), and a report on the costs these states have incurred.

A thorough economic review of the introduction of commercial gaming should also include consideration of the following points:

What happens to the State's guaranteed minimum payments?

- The State's compacts with the Mashantucket Pequot and Mohegan tribes include a provision that any commercial gaming approved by the State would violate the compacts, jeopardizing the minimum annual payments made by the tribes (known as the Pequot Fund). How would the State offset this potential loss of at least \$180 million each year?

How will commercial gaming be taxed and who will pay for local impacts?

- The Mashantucket Pequot and Mohegan tribes waged unsuccessful bids to enter the Massachusetts market. In those instances, in addition to the Massachusetts state tax of 25% on both slots and table games, the tribes proposed millions in additional fees to offset local community impacts. What tax rate will Connecticut impose on a new commercial casino to ensure that the State receives a fair share of this revenue and how will impacts on local communities be funded?

How will this new casino affect current Connecticut Lottery sales and tax revenues?

- Creating Connecticut's first commercial casino will affect other aspects of gaming that provide important revenue to the State, including the Lottery. The State should study these effects and include provisions in any law authorizing commercial casinos to ensure that these lost revenues are made up by the casino.

What type of regulatory structure is required to oversee Connecticut's first commercial casino and how much will it cost the State?

- Connecticut would need to set up an entire regulatory system to oversee commercial gaming within the Department of Consumer Protection. This would be costly to create and administer. Before authorizing commercial gaming, the State should investigate these costs.

What are the implications of the proposed commercial casino being run by sovereign nations?

- As independent, federally and state recognized sovereign nations, the Mohegan and Mashantucket Pequot Tribes are subject to different rules and regulations and have what's called sovereign immunity. For the tribes to operate as normal commercial enterprises, will they waive their sovereign immunity rights? If not, what are the potential legal implications on host towns, guests of the casino, and taxpayers?

By thoroughly studying the issue of expanding casino gaming in Connecticut, you can ensure that the State bases its public policy decisions on the very best information. Too much is at stake in the State to make significant decisions like creating a brand new commercial gaming industry without serious thought and deliberation. It is critical that any new casino be the absolute best possible deal for the State and its taxpayers.

Thank you for your consideration of this testimony. We ask you to support HB 5577. We believe that a full review of the casino market in Connecticut and the region, combined with analysis of the costs associated with regulation of starting commercial gaming, and any potential issues resulting from sovereign immunity, are critical steps the legislature should take at this time. Connecticut cannot afford to get this wrong.