



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
URI CLINTON / MGM RESORTS INTERNATIONAL

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

My name is Uri Clinton and I am Vice President and Deputy General Counsel of 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.

I am the lead attorney for all of MGM's global development activities. I would like to talk to you today about some of the complex legal and regulatory matters that states need to deal with when they decide to introduce commercial casino gaming. I would also like to talk about some of the special legal matters concerning Native American gaming in Connecticut and its interaction with the state's potential new commercial gaming industry. My comments will reveal that many issues need to be studied before the State should move forward with commercial gaming, the most significant of which is to initiate a study such as that proposed by HB-5577.

I would like to start by indicating that last year's Special Act 15-7 promotes commercial gaming through a no-bid procurement process that allows only two specific Connecticut tribes to take steps to open a commercial casino without consideration of any other operators. To block competition is unconstitutional and goes against what the state has established as fair practice in contracting, which requires a process that "must be open, honest, fair and accessible at all times." This competition is key to ensuring municipalities and taxpayers get the best possible deal, rather than simply ratifying that which is best for the preferred tribes.

Also, under Special Act 15-7 the State has no role in the selection process. The State is simply required to sit as a passive observer, no matter how disadvantaged the towns are during the selection process.

As you may be aware, MGM Resorts has a constitutional challenge to Special Act 15-7 pending in federal court in Connecticut. Furthermore, Connecticut Attorney General Jepsen has also raised constitutional questions never addressed by the Special Act.

Although this legal matter remains undecided, the legislature should take a step back and study the impact of new commercial gaming on Connecticut and its taxpayers before it commits to a specific operator, location, or deal. This reset would ensure that the process is "open, honest, fair and accessible."

I want to stress again 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.

I would recommend therefore that the study should examine the regulatory framework that the State would need to have in place before entering into 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 and a report on the costs these states have incurred.

There are other significant and complex issues that the study should consider, including:

1. What happens to the State's guaranteed minimum payments?

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

2. What are the legal and legislative implications of "opening up" the existing compacts, both from a state and federal perspective?

Allowing a new commercial gaming industry will likely require amendments to the compacts. The study should analyze how this amendment would be done and the risks to all parties of doing so.

Furthermore, when there is new commercial gaming in any state in addition to Native American gaming, the federal government is likely to want to determine whether or not the existing tribal gaming is being treated fairly. It may unilaterally make determinations about reducing the Mashantucket Pequot and Mohegan funds.

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

Each of the MMCT 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, they proposed millions in additional fees to offset local community impacts. The study should consider what tax rate Connecticut should impose on the tribes to ensure that the State receives a fair share of this revenue and how the impacts on local communities will be funded.

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

Creating Connecticut's first commercial casino will have an impact on 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.

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

As independent, federally and state recognized sovereign nations, the Mashantucket Pequot Tribal Nation and the Mohegan Tribe 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, casino guests, and tax payers?

I believe that a full review of the many legal and regulatory issues, including an analysis of the costs associated with regulation of starting commercial gaming, is critical.

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