

## **PUBLIC SAFETY & SECURITY COMMITTEE**

MARCH 9, 2017 PUBLIC HEARING

### **TESTIMONY OF URI CLINTON, SENIOR VICE PRESIDENT & LEGAL COUNSEL, MGM RESORTS INTERNATIONAL**

Good morning Chair Representative Verrengia, Co-Chairs Senator Larson and Senator Guglielmo, Vice Chairs Senator Witkos, Senator Cassano, and Representative Orange; Ranking Member Sredzinski, and other distinguished members of this Committee.

My name is Uri Clinton and I am a Senior Vice President and Legal Counsel for MGM Resorts International. We appreciate the opportunity to submit testimony in support of Raised Bill 7239 and in opposition to Raised Bill 957.

Raised Bill 7239, the Competitive Bid Bill, would create a process by which the Commissioner of Consumer Protection could award one commercial gaming license to an applicant to establish a new casino. MGM's position is simply this: the State and its citizens deserve the maximum benefits that would flow from an open, transparent, and competitive selection process that adheres to the best practices in the industry.

Although we believe the Competitive Bid Bill is a step in the right direction, the key question for this Committee and the General Assembly to consider is how can the State structure the competitive process in a way that maximizes the number of jobs created and the tax revenue for the State?

We would suggest the following answer to that question: the Legislature should amend the Competitive Bid Bill to include market-based economic drivers, including:

- *\$15 million* Deposit Payable After a Local Referendum;
- *\$500 million* Minimum Total Investment for Commercial Gaming Facility;
- *\$50 million* Non-Refundable License Fee; and
- *30% to 35%* Market Based Gaming Tax to Offset Anticipated Losses to the Pequot Fund.

#### **Both Bills Would Have the Effect of Placing the Current Tribal Payments At Risk**

While the Competitive Bid Bill should include a market tax rate sufficient to offset the loss of the Tribal Payments, there is a substantial financial risk associated with Raised Bill 957, because the approval of the required amendments to the current Compact could result in a downward adjustment of the 25% the Tribes currently pay on their slot revenues.

Raised Bill 957 would grant MMCT Venture LLC — a private commercial entity, owned by the Mashantucket Pequot and Mohegan Tribes — the exclusive right to operate the State’s first commercial, off-reservation casino. As anticipated in Raised Bill 975, the only possible way to accomplish this would be to amend the current Compact with the tribes. However, the Compact amendment process would itself subject the state of Connecticut to a downward adjustment based on the fact that:

- (i) the marketplace has fundamentally and dramatically changed since the Tribes’ 25 percent royalty rate was adopted over 20 years ago; and
- (ii) the Mashantucket Pequot revenue sharing agreement was never reviewed or approved by the Department of the Interior in the first instance. This was only possible because it was entered into before the 2008 regulations issued by the Department of the Interior. Moreover, the proposed amendments are inconsistent with the structure and purpose of current federal law, because they are designed to facilitate expansion of off-reservation, commercial gaming, not on-reservation, tribal gaming.

**If Adopted, Raised Bill 957 Will Not Allow the State to Create Value Through the Issuance of What Would Be its Only Privileged Gaming License.**

There is no reason why Connecticut should settle for less than Massachusetts and Maryland required just a few years ago. Raised Bill 957:

- ***Does Not Create an Equal Playing Field for Negotiations for Connecticut’s Municipalities.*** It would ratify the East Windsor Agreement with an artificially low face value of just \$7 million, as compared to the offer Mohegan made to Palmer of \$60 million.
- ***Requires a Tax Rate That Amounts to a Public Subsidy of the Convenience Casino.*** The 25% Gross Gaming Tax Rate is substantially less than the 49% tax rate Massachusetts has levied upon its Convenience Casino – Plainridge Park. Additionally, as a result of the fact that the East Windsor Agreement does not require any payments to support essential infrastructure, public funds will ultimately be required to subsidize the roadways and utilities required to support the casino.

On the contrary, a Competitive Bid Bill would allow for a market-based tax rate required to offset the loss of the Pequot Fund and mandate millions of dollars in annual payments.

In short, MGM believes Connecticut has a unique opportunity to enter a new industry in a way that can benefit the entire state and all its citizens. We believe Raised Bill 7239 has that potential, while Raised Bill 957 does not. Thank you for your time, and I would be happy to take any questions you might have.