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Testimony for the Gaming Oversight Committee concerning House Bill 2121
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Good morning Mr. Chairman and members of the Gaming Oversight Committee.

On behalf of the Mohegan Tribal Gaming Authority and Mohegan Sun at Pocono Downs, I want to thank you for allowing us once again to provide testimony concerning House Bill 2121.

Mohegan Sun at Pocono Downs was the first casino to open in the Commonwealth when we opened our doors on November 14, 2006. Within the next 10 to 12 weeks we will be opening our permanent gaming and entertainment complex which will include 300,000 additional square feet incorporating several full service restaurants, including a Ruth's Chris Steakhouse, a 300-seat buffet and high-end food court, gaming space to accommodate 2,500 slot machines, nightlife amenities, retail shopping, parking to accommodate 4,000 vehicles, enhanced employee accommodations and other amenities.

Since opening, we have hired 425 new employees, almost all of which are full-time. We are now in the process of hiring an additional 700 employees for our new complex. We have paid over \$137 million dollars in taxes to the state, local government and horse racing industry since opening 17 months ago. On average, over 6,000 individuals per day have enjoyed our facility, many of which would otherwise go to Atlantic City, New York or some other gaming jurisdiction. Notwithstanding these volumes, we have seen no appreciable increase in crime or traffic congestion to the area. Of course, a significant number of people from our area and other parts of Pennsylvania still make many visits to other gaming jurisdictions simply because we do not offer table games as an option. As I noted in my testimony last September to this Committee, the number one question we receive from the residents and visitors of Northeast Pennsylvania whether in the casino, or out in the community, is "when are we going to have table games?" This continues to be the case today.

House Bill 2121 would permit the operation of table games at the properties of licensed gaming operators. Clearly, this legislation would have significant positive impacts for our community and the Commonwealth. Aside from the question of political feasibility, the reality is that there simply is no logical or defensible reason to differentiate slots and table games, except for, perhaps, that table games arguably may have a relatively greater economic impact than slot machines. So what is this impact? As I enumerated in the Fall, some of the impacts include the following:

- **Table games will provide significant job creation.** Generally, over three shifts at a 24/7 casino operation, each blackjack game requires on average 4 dealers and 3 floor supervisors; each craps game requires on average 12 dealers, 3 boxpersons and 3 floor supervisors; and each roulette game requires 4 dealers and 3 floor supervisors. To put it

in perspective, at the Mohegan Sun facility in Connecticut where we have over 300 table games, we operate with 2,800 employees dedicated for table game operations. Perhaps what is more impressive are the wages of these positions. Including tips, dealers are paid on average \$22 dollars per hour, Floor Supervisors are paid on average \$25 per hour and Pit Managers are paid on average \$32 per hour. Keep in mind we train all of these positions, so that almost all of these positions will be hired from the local workforce.

Even at a smaller operation where we likely would have closer to 75 table games, we would still need to hire an additional 600 to 700 employees. Again, these would be high-paying jobs hired from the local community. Of course, this does not include the creation of additional jobs in other departments necessary to support a table games operation, including cocktail servers, security and cage operations.

- **Table Games will inject new capital in the host community and surrounding communities.** Because of their size, table games require significant capital infrastructure to house their operation. In addition, it is likely other non-gaming amenities, such as additional restaurants, hotel and retail would be developed alongside a table games offering to accommodate the additional volumes and different demographic of the table games player. This in turn, will have a positive local economic impact, not only through the creation of construction jobs to build this infrastructure, but the additional revenue generated by local suppliers and vendors to support this new development.
- **Table Games will create additional revenue for the local economy.** Economic studies indicate that generally all incremental revenue generated from a casino project has a “multiplier effect” of approximately 1.5, meaning that the revenue created by the facility will be “re-generated” by 150% of the initial revenue generated for the local economy through the incremental disposable income earned and spent by employees, monies paid to local vendors and suppliers, and tax revenue generated for the host community. This multiplier effect is likely even higher and more significant with a table games operation since employee wages are relatively higher and the patron demographic for table games, on average, have a higher disposable income than slot players.
- **Table Games will generate additional tax revenue for the Commonwealth.** Clearly, Table Games will be a significant source for tax revenue. It is important to note, however, that when considering the implementation of table games in the Commonwealth, because of the labor-intensive nature of these games, it is simply not feasible to operate profitably with substantial tax rates such as those imposed for slot revenues. In our view, a fair and equitable tax rate would be at a level imposed by New Jersey, which is approximately 8% to 9% of gross revenues. A tax-rate substantially beyond the Atlantic City rates impact the table game offering, the magnitude of capital investment made to accommodate these new games and the ability of Pennsylvania operators to compete with lower-tax rate jurisdictions such as New Jersey. This is especially true since a majority of Pennsylvania casinos compete with Atlantic City and almost 70 percent of the aggregate projected gross terminal revenue will be generated from casinos competing with Atlantic City

At a 9% tax rate, there will be significant tax revenues generated throughout the Commonwealth. Assuming a reasonable and conservative win per unit of \$2,500 for 1,200 table game units across the 12 category one and category two locations throughout the state, taxes generated from tables would be over \$98 million dollars annually. Perhaps even more significant is the additional tax revenues generated from increased slot play brought upon by the introduction of table games. Simply, by adding table games, operators are able to offer the complete product. Clearly, there are synergies to be gained by having both table games and slot machines. For example, a couple interested in visiting the casino where one spouse prefers table games and one prefers slot machines will likely choose a casino in Atlantic City and West Virginia over one in Pennsylvania simply because they both can enjoy their own preferences.

This synergistic effect has been empirically reflected in the state of Iowa which has had the experience of adding table games after operating slots-only racetracks. As reflected in the attached illustration, as table games were introduced and greater table game supply was added over time, the percentage of slots growth increased substantially. In fact, with all three tracks operating with table games, this most recent calendar year has seen an increase of 16.87% of slot revenue compared to a growth rate of 1.7% prior to the introduction of table games. Extrapolating similar results in Pennsylvania, where slot taxes are significantly greater, it is not unlikely that the introduction of table games would increase slot taxes by more than \$100 million dollars annually after all properties are operating.

Of course, not only will table games increase the tax revenue of the Commonwealth, they will also help protect the current tax revenue stream. As other states potentially introduce gaming or authorize other forms of gaming, it becomes that much more important to allow Pennsylvania operators to provide the complete gaming product in Pennsylvania. For example, there is much speculation that Maryland will introduce slots and of course, Atlantic city will be introducing a substantial supply of gaming and non-gaming amenities over the next several years with the opening of new multi-billion dollar projects. Table games just went live in West Virginia. It will not only be an opportunity cost to be behind this inevitable growth curve of gaming options, but ultimately could cost the operators and the Commonwealth customer loyalty and substantial revenues.

Notwithstanding the significant positive impacts, there are those who object to introducing table games in the Commonwealth due to the potential of increased or new criminal elements associated with table games. In the modern day of gaming, this, of course, is simply a myth.

As I testified to this Committee in September, we have seen no appreciable increase in crime in our community due to the introduction of slot machines. Any criminal acts that have occurred are minimal and petty, and contained within the premises—not unlike any other commercial establishment. Also, keep in mind that this is the most regulated industry existing—frankly, probably the worst place for any criminal to commit any crime due to the on-site presence of security, police and of course, hundreds of surveillance cameras, along with the newest and best security technology. Introducing table games into the facility simply does not change this. Our experience along with other operators experience proves this. In fact, pointing to Iowa again,

which represents a recent and similarly situated example, crime did not suddenly increase with table games. This is reflected in the crime statistics for the host communities of the tracks. Prior to my testimony in September, I had the opportunity to personally speak to Dennis Anderson, Sheriff for Polk County, Iowa and John Gray, the Police Chief of Altoona, Iowa where the Prairie Meadows casino is located. Both of them confirmed that table games did not introduce any increase in crime to the area.

The reality is that the only logical reason proffered on why not to introduce table games is one of political feasibility. Most common is the assertion that we first need to “fix our current issues prior to expanding gaming in the Commonwealth.” I would make two points in that regard.

First, contrary to this assertion which is often portrayed in the popular media, table games are not an “expansion of gaming in the Commonwealth.” The fact is poker, blackjack, craps and roulette are merely additional choices among many choices in the same locations where gaming is currently permitted, where the offerings include many variations of video and reel slot machines, video poker, electronic blackjack and electronic roulette. These are locations which are very highly regulated and safe. These are controlled environments which prohibit minors from participating and implement comprehensive compulsive gambling programs with training for all employees in the facility.

Second, any “issues” concerning the gaming industry in Pennsylvania that are raised by public officials and discussed in the media are unrelated to the operation itself; rather, they concern licensing matters regarding who should be allowed to own the operations and which regulatory body should have the authority to regulate the operations. Again, introducing table games is merely an additional choice within an existing operation which has no impact or relationship to this debate.

In Northeast Pennsylvania, support of table games is overwhelming, as I am sure a number of Representatives on this panel representing districts within our region would concur. Candidly, it has actually become a real challenge trying to explain to many of your constituents why we are not permitted to offer table games when asked. Answers related to political feasibility and social concerns are always viewed with much skepticism and at minimum, very paternalistic. Perhaps one solution is simply to permit a referendum on table games at the operator’s host municipality similar to what was done in West Virginia?

In summary, the Commonwealth has already begun to see the benefits of slots with six casinos currently operating. As operators, we have been able to help establish a significant source of tax revenues to provide property tax relief, funds for economic development projects and funds to improve the horse racing industry. Also, we have been able to recapture some of the dollars that leave this jurisdiction every day for other gaming jurisdictions such as New Jersey—though the opportunity is much greater with the introduction of table games. Simply, there is no reason to not allow gaming operators to provide more choices to the people of the Commonwealth who are asking for them, but as just enumerated, there are certainly many good reasons to do so.

Once again, thank you for allowing our organization to participate in this process. I would be happy to answer any questions.