

have no other housing alternatives or whose housing alternatives are not conducive to problem gambling recovery are available for problem gamblers at sites in Council Bluffs, Des Moines and Fort Dodge. Clients can also receive help through the phone and email.

Program description: Louisiana

Public Funding: By statute, the lottery, video poker, land-based casinos, riverboat casinos and racinos each contribute a maximum of \$500,000 per year to the Office of Addictive Disorders in the Louisiana Department of Health and Hospitals. The Office contracts with service providers for helpline, assessment, referral, treatment and other services.

Helpline: The state contracts with the not-for-profit Louisiana Association on Compulsive Gambling to operate the Helpline 24-hours-a-day, seven days a week. The operators refer callers to certified compulsive gambling counselors who contract with the state to provide assessments.

Treatment: The level of treatment is based on the assessment. In FY 2008, 686 individuals were treated in outpatient programs, and 57 were treated in a residential inpatient program. The Office for Addictive Disorders operates 10 regional outpatient treatment programs, including five exclusively for problem gamblers. The Association, under contract with the state, operates the Intensive Outpatient Program and the Center of Recovery in Shreveport, which also offers residential in-patient treatment for problem gamblers.

Program description: Massachusetts

Public funding: In the FY 2008 state budget, funds from the Massachusetts State Lottery (\$1 million) and the Massachusetts Racing Commission (\$130,000) were allocated to problem gambling education and treatment services through the Massachusetts Council on Compulsive Gambling, which provides information and referral, public awareness, professional education and advocacy for problem gamblers.

Helpline: The Council offers a toll-free Helpline which provides live confidential caller responses 24-hours a day. Trained specialists staff the Helpline.

Treatment: All treatment funds (\$50,000 in FY 2008) are managed by the Department of Public Health / Bureau of Substance Abuse Services. The Bureau contracts with seven gambling treatment programs to provide specialized outpatient compulsive gambling services for compulsive gamblers and their families. These programs include individual, family and group counseling and case management services. Services are provided on a fee-for-service basis, and the state is the payer-of-last-resort. Indigent clients or those without any health insurance may qualify for state-funding based on a means test. Treatment programs are designed for substance abuse and are not specific to problem gambling.

Program description: Mississippi

Public Funding: The state's program is funded through a voluntary contribution of \$150,000 from the Mississippi Gaming Association and state funding of \$100,000 from the Mississippi Gaming Commission. These funds are allocated to the Mississippi Council on Problem & Compulsive Gambling. The Council provides crisis intervention and referral through

a toll-free Helpline; training and certification of health-care providers; public awareness; and information, research and prevention and education programs for adolescents.

Helpline: The Council contracts with a Louisiana-based service provider to operate the statewide Helpline, which provides information, crisis intervention and referral to 25 GA meetings, 15 regional mental health centers, 21 private treatment providers and 10 consumer credit counseling centers.

Treatment: Out-patient treatment services for problem gambling are not state-funded and are paid for by the individual on a fee-for-service basis. The state mental health centers provide addiction services that are not problem gambling specific. The Council provides free phone-counseling services to five individuals who cannot afford other treatment elsewhere.

Program description: Missouri

Public Funding: Subject to annual appropriation, one penny from the \$2 per person admission fee into Missouri gaming facilities goes to the Missouri Gaming Commission. It is deposited into the Compulsive Gamblers Fund, which is operated by the Missouri Alliance to Curb Problem Gambling. Alliance members include the Missouri Lottery and the Missouri Gaming Commission. The alliance supports public awareness, prevention, education and referral programs.

Helpline: Missouri Gaming Association funds the Helpline, which is managed by Life Crisis Services.

Treatment: The Department of Mental Health, Division of Alcohol and Drug Abuse, oversees treatment programs for compulsive gamblers and their family members. Individuals with gambling problems and their families can receive free counseling services along with referrals for other supportive interventions. Treatment services include individual, group and family therapy. Treatment is offered at 17 state-certified sites. The division also certifies compulsive-gambling counselors.

Program description: Nevada

Source of Funds: The Revolving Account to Support Programs for the Prevention and Treatment of Problem Gambling is funded by a portion (\$2 per slot machine) of the quarterly gaming license fees paid by casinos to the Nevada Gaming Commission. The Advisory Committee on Problem Gambling in the Department of Health and Human Services reviews and recommends requests for grants and contracts for services to provide prevention and treatment.

Helpline: The Problem Gamblers Helpline is funded by the Nevada Council on Problem Gambling. The Helpline is staffed by trained specialists who provide confidential assistance, crisis intervention and treatment referrals.

Treatment: The Department, through the awarding and management of grants to contracted service providers, offers individual and group therapy outpatient treatment conducted by certified problem gambling counselors. The state awards grants to two residential facilities that house about 20 residents. All treatment is based on a sliding income scale.

Program description: New Jersey

Public Funding: New Jersey funds problem gambling education and treatment programs through fines and assessments levied against the Atlantic City casinos and forfeited casino winnings from excluded persons and underage patrons (approximately \$600,000 in FY08.) The state's off-track wagering operators are required to contribute \$200,000 annually. The amount varies from year to year depending on fines and assessments.

Helpline: The Council on Compulsive Gambling of New Jersey, Inc. maintains a toll-free, 24 hour Helpline, 1-800-GAMBLER, to assist compulsive gamblers and other callers by providing immediate and confidential assistance, information and education, and referral services. The Helpline refers callers to different services including legal, financial, self-help programs (45 GA meetings in New Jersey every week) and treatment counselors.

Treatment: The Department of Health and Senior Services, in partnership with the Council, administers compulsive gambling treatment funds through certified counseling and outreach programs. Ten counselors statewide provide fee-for-service outpatient treatment to problem gamblers in all 21 counties. Referrals are for up to 21 sessions. The New Hope Foundation in Marlboro operates a residential treatment program for substance abuse. It maintains two beds for problem gamblers.

Program description: New York

Public Funding: The Legislature appropriated \$4.8 million in FY 2008 from the General Fund to the Office of Alcoholism and Substance Abuse Services (“OASAS”), which has statutory authority for the funding and oversight of gambling treatment and prevention services.

Helpline: The Mental Health Association of New York, under contract with OASAS, operates a toll-free Helpline to provide information and referral to community-based prevention and treatment programs located throughout the state.

Treatment: OASAS plans, develops and regulates the state’s system of gambling treatment agencies. It provides aid to counties to support a network of community-based problem gambling outpatient treatment clinics, including 25 stand-alone programs. OASAS contracts with certified service providers, which offer assessments, intervention, screening, family counseling, gambling recovery groups, support group outreach and education, cognitive behavioral therapy and individualized services. It works with 35 community-based problem gambling providers to make available comprehensive education and prevention programs based in schools and communities that operate in a variety of settings, including 2,000 school-based locations throughout the state.

Program description: Oregon

Public Funding: One percent of the Oregon State Lottery's net proceeds are transferred into a Gambling Treatment Fund. The Lottery also provides another \$1.2 million for awareness and education, more than any other state.

Helpline: Problem gamblers can call the Oregon Problem Gambling Helpline or chat live online with a certified gambling counselor. Trained professional staff members are available 24 hours a day to listen, educate, answer questions and refer people to free confidential treatment services. More than 92 percent of Helpline callers were referred to state-funded problem gambling treatment services.

Treatment: The Gambling Treatment Fund is administered by the Oregon Problem Gambling Services in the Department of Human Services. It operates 27 free problem gambling treatment programs. Treatment options include telephone counseling and in-person counseling with a certified gambling counselor (2,065 clients in 2008). Oregon also has a residential program (99 clients in 2008.) The Office of Mental Health and Addiction Services, with the advice of the Problem Gambling Services Advisory Committee, directs funds, oversees the program, sets standards, provides training and monitors program effectiveness.

Program description: Pennsylvania

Public Funding: The Problem Gambling Treatment Program is funded by \$1.5 million (or 0.001) percent of the total gross terminal revenue tax from the state's licensed slot facilities. It is administered through the Compulsive and Problem Gambling Fund in the Department of Health, Bureau of Drug and Alcohol Programs. The department contracts with service providers for public awareness, prevention, research, assistance and outpatient treatment for problem gamblers. The Gaming Control Board created the Office of Compulsive and Problem Gambling to conduct research, develop outreach efforts, administer the self-exclusion program, work with licensees to implement problem gambling programs and promote problem gambling education programs. A facility cannot open unless it has first developed an acceptable responsible gaming program. The office is the only one of its type in the country.

Helpline: The state's Helpline is funded by the Pennsylvania Lottery, through the Council on Compulsive Gambling of Pennsylvania. It is operated by a Chicago-based provider.

Treatment: The department, through contracted providers, has set up a network of 53 approved-service providers to offer outpatient treatment services. The cost of treatment is based on the client's ability to pay with the state the payer-of-last-resort. Treatment is free to those who meet the income criteria.

Program description: Rhode Island

Public Funding: A legislative budget appropriation of \$74,000 in FY 2008 is used to provide outpatient treatment to state residents with gambling problems. The program offers state-supported assistance for the uninsured. The state does not require any contributions from Twin River and Newport racinos.

Helpline: The Rhode Island Lottery Commission funds the Helpline, which is operated by a contracted service provider, Crossroads.

Treatment: The state contracts with Rhode Island Hospital to operate the Rhode Island Gambling Treatment Program within its Psychiatry Department. The program provides a complete evaluation and comprehensive assessment that is designed to address psychiatric, behavioral, financial and family problems associated with problem gambling. Some people are referred to psychiatrists directly connected to the program who can help with medication, if needed. The program includes individual, group and family therapy with licensed clinical psychologists who are gambling specialists. Patients are contacted every six months to assess their continued progress. Program administrators post success rates and other details concerning demographics on a web site.

Program description: South Dakota

Public Funding: By statute, the South Dakota Lottery (\$214,000) and Deadwood casinos (\$30,000), through the South Dakota Commission on Gaming, fund gambling addiction treatment and counseling grant programs. The grants are administered by the South Dakota Department of Human Services, Division of Alcohol and Drug Abuse, and are disbursed through contracts to community service providers.

Helpline: The toll-free Helpline is funded by the state video lottery trade association and is operated through a contracted service provider. All callers are referred to GA groups near their home town.

Treatment: All providers are accredited by Department of Human Services and treatment is on a fee-for-service basis. State-funded services for gambling treatment include: assessment; individual and group counseling; intensive outpatient treatment (nine-plus hours a week); day treatment (clients stay in a half-way house and go to treatment 20 hours a week for an average of 30 days in duration) and inpatient treatment (clients stay at a residential facility and receive services for a minimum of 30 hours a week for an average of seven-to-30 days in duration). In FY 2008, in-patient client stays totaled 665 days.

Program description: West Virginia

Public Funding: The Problem Gamblers Help Network of West Virginia is a program created by the Legislature to identify and provide services to problem gamblers. It is funded by the West Virginia Lottery (\$1 million per year from limited VLT's in bars and clubs, \$500,000 from racetrack VLT's, and \$500,000 from racetrack table games). It is administered by the West Virginia Department of Health and Human Resources. These funds allowed the program to approve every qualified request for problem gambling treatment in FY 2007.

Helpline: A 24-hour, toll-free Helpline offers a confidential telephone screening intake, intervention and referral. Callers are offered information, self-help materials and a referral for a free two-hour consultation with a trained clinician in their local area.

Treatment: Where indicated, referral for outpatient treatment with one of 90 trained counselors (up to 20 sessions for clients and 10 sessions for family members) will be made, and clients are referred to a local consumer credit counselor for free financial assistance services. The state program is the payer of last resort. For those who cannot afford to pay, clinicians provide a treatment plan and request pre-certification of state-funded treatment.

Section IV: Overall Positive, Negative Impacts of Legalized Gambling

Indian Gaming

Since they opened in the 1990s, the Foxwoods and Mohegan Sun casinos quickly emerged as among the most successful casinos in the world. Today, Connecticut's two Indian casinos are true destination resorts.

Foxwoods opened on February 15, 1992, with 170 table games. On January 16, 1993, it began operating slot machines.¹³⁸ It now features 350,000 square feet of gaming space in a facility with 4.7 million square feet of floor space. It has six gaming floors, more than 7,200 slot and video poker machines, a racebook and 400 table games, including 100 poker tables. It also has the world's largest bingo hall. Nearly 36,000 people visit Foxwoods each day.¹³⁹

Foxwoods has 1,416 hotel rooms and suites in three locations in the resort complex. There are 25 food and beverage outlets, including gourmet restaurants, casual dining outlets, bars, lounges and a buffet. Prominent entertainers perform in their 1,400-seat Fox Theater. Foxwoods operates a 55,000 square-foot ballroom and a 30,000 square-foot junior ballroom. It has 25 conference rooms. It owns the adjacent Lake of Isles, the site of two 18-hole upscale public-golf courses.

The MGM Grand at Foxwoods opened Memorial Day Weekend 2008. The \$700 million development includes an MGM hotel tower with 825 guest rooms and suites, a 4,000-seat MGM Grand Theater, a high-energy nightclub and an additional 115,000 square feet of meeting space. The casino offers 60 table games and more than 1,400 slot machines.

The Mohegan Sun opened on October 12, 1996. It operates a 3-million-square-foot gaming resort on a 240-acre site that features a three-story crystal mountain and a 55-foot indoor waterfall. It has more than 300,000 square feet of gaming space on two gaming floors with more than 6,000 slot machines and 300 table games. It has an 11,000-square foot simulcast racebook, 30 food and beverage outlets and nearly 1,200 guest rooms and suites. The facility includes 100,000 square feet of convention space, a 22,300 square-foot Elemis Spa, 130,000 square feet of retail space with 60 retail shops and three entertainment venues with a 10,000-seat arena.¹⁴⁰

Mohegan Sun and Foxwoods contribute millions of dollars to nonprofit causes every year, funding programs from the Connecticut Special Olympics to local youth organizations. In fact, the two Indian Tribes are one of the state's largest sources of charitable contributions.

In April 2008, Foxwoods celebrated its 15th anniversary by providing \$150,000 to 15 charities with each receiving \$10,000: Alliance for Living, Camp Courant, Centro de la Comunidad, CT Children's Medical Center, Gemma Moran Food Bank, Hasbro Children's

¹³⁸ Connecticut Division of Special Revenue, Foxwoods Slot Machine Data, <http://www.ct.gov/dosr/lib/dosr/Fosltweb.pdf>. (accessed on May 8, 2009).

¹³⁹ Foxwoods.

¹⁴⁰ Mohegan Sun.

Hospital, High Hopes, Hospice, Martin Luther King Scholarship Fund, Rhode Island Indian Council, TVCCA, Ten year Plan to End Homelessness, WARM Shelter, Women's Center of Southeastern Connecticut and Yale Psychiatric Medical Center.

Foxwoods also made a \$5 million donation to the Mystic Marinelife Aquarium.

Mohegan Sun has assisted more than 300 charities and non-profit organizations since its inception, including the 9/11 Widows and Children's Fund, Habitat for Humanity, the Boys and Girls Club of Hartford and the Women's Center for Southeastern Connecticut. Through a charitable partnership with the New York Yankees, it raised \$37,750 toward finding a cure for Muscular Dystrophy by donating \$150 for every double play the Yankees made in 2007. It also helps produce the annual Sun WineFest that raises funds for important charitable organizations such as the American Liver Foundation and The Juvenile Diabetes Research Foundation.

Economic Development

Foxwoods and Mohegan Sun attract money that in turn is redistributed to create new jobs and profits. For example, developers spent millions of dollars to build 24 non-casino hotels in New London County since Foxwoods opened in 1992. The facilities ranged from a small 30-unit motel to a 285-unit Marriott.

We developed a number of assumptions in using computer models to estimate casino-related economic development. Our study assumed that casino employment used as an input was net of any cannibalization or displacement; thus, we based it on any net-market growth. So, for both Foxwoods and Mohegan Sun, we assumed 40 percent of the jobs would come from the displacement of other area businesses.

As a metric to measure the economic impact of the construction projects and the operational phase of the casinos, various basic economic indicators are shown in tables below. These include employment, gross regional product (“GRP”), and personal income, which are all outputs from a model developed by Regional Economic Models Inc. (“REMI”) of Amherst, MA. REMI is the company that developed the model, Policy Insight, Version 9.5.34, that was used in this study. It is an econometric model based on Connecticut, and contains 23 industry sectors.

The fiscal impacts included the generation of state and local government revenue that resulted from construction projects and casino operations. The government revenue is obtained through taxes and fees paid by the casino; from employee-income taxes; and from taxes generated indirectly from the income and sales that the casino induces.

GRP is analogous to the national concept of gross domestic product. Gross regional product, a final-demand concept, is equal to consumption + investment + government + (exports – imports). Changes in demand influence GRP, which is most often used to represent change in net economic impact on a region. In this case, it represents the operation of Foxwoods and Mohegan Sun. In simplified terms, it can be said to represent the net economic value to an economy.

Personal income is income that is received by all persons from all sources.

Foxwoods

In calculating the economic impact of Foxwoods and the fiscal impact on state and local government revenue, we collected various data from the casino. The following detail the data and assumptions:

- Spending on goods and services (outside of payroll) from Connecticut firms was \$213 million in 2007.
- Direct state government revenue from the slot-revenue contribution and the regulatory levy equaled \$164 million in 2007.
- Local government revenue totaled \$90.6 million in 2007. This includes \$42.5 million from the municipal portion of the slot-revenue contribution and \$48.1 million from property taxes paid on non-reservation owned property.
- Additional state government revenue is generated by income tax and induced sales taxes. We used a 4.5 percent effective income tax rate to calculate income tax revenue. For sales taxes, we used the 6 percent sales-tax rate to calculate taxable consumption.
- The construction impact takes into account all construction at Foxwoods during 2007 and 2008. In 2007, there were 1,025 direct construction jobs with estimated wages of \$72.8 million. In 2008, there were 1,175 direct construction jobs and wages of \$86.9 million.

Foxwoods recorded more than 13 million casino visits in 2007. The previous gambling impact study put the figure at 16.1 million in 1996. Mohegan Sun did not open that year until October 12.¹⁴¹

The yearly average direct, indirect and induced employment impact for the 2007 and 2008 totaled 1,911 jobs. The number included 1,100 construction workers. The number of jobs created from the workers' consumption (spending of their wages on goods and services) and the number of jobs created from the spending on construction materials and construction services was 811.

The last two factors are considered to be the indirect and induced jobs. The employment multiplier for the construction workers equates to roughly 1.7 jobs per construction job, according to the models we used. A high multiplier is typical in the construction industry, due to the high wages construction workers earn and the large costs associated with construction material. For example, a construction worker who earns a high wage and spends accordingly can support multiple jobs in the lower-paying retail and service sectors.

Foxwoods generated a total construction GRP for 2007 and 2008 of \$268.8 million.¹⁴² The largest contributor to GRP among industry sectors, as expected, was construction. Other large contributors to GRP included real estate services, professional services and retail trade. This was directly related to the increased demand for real estate and construction service professionals (commercial leasing services, engineers, architects, etc.) within the real estate and professional services sectors and from the induced spending in retail goods generated from the construction wages paid to workers.

¹⁴¹ WEFA study, June 1997, Foxwoods.

¹⁴² REMI Policy Insight Model (Calculated from wages paid to construction workers).

Personal income generated during 2007 and 2008 totaled \$261.5 million. The majority of the personal income encompassed the direct wages paid to the construction workers at Foxwoods. The remaining personal income was primarily made up of the wages earned by the workers in the indirect and induced jobs, created as a result of both the purchase of goods and services and the creation of jobs in the retail and service sectors (resulting from increased demand).

The fiscal impact of the construction projects at Foxwoods in 2007 and 2008 included the revenue collected by the state from the income tax and sales tax (direct, indirect and induced). Over the two-year construction period, state tax revenue generated was estimated to be roughly \$15.1 million. Of this total, \$11.8 million consisted of income tax revenue, and the remainder (\$3.3 million) consisted of sales tax.

In addition, the Tribe itself created a nationwide pharmaceutical business, the Pequot Pharmaceutical Network (“PRxN”), which has gross annual revenues of more than \$20 million -- money that flows throughout the community.

Figure 50: Economic Impact (Foxwoods Construction, 2007 and 2008)

2007 figures have been adjusted to reflect 2008 dollars

	2007	2008	Total	Average
Gross Regional Product	\$124,137,170	\$144,684,100	\$268,821,270	\$134,410,635
Personal Income (by place of resident)	\$116,300,000	\$145,200,000	\$261,500,000	\$130,750,000
State Tax Revenue (from income & sales tax only)	\$ 6,741,057	\$ 8,372,373	\$ 15,113,430	\$ 7,556,715

Source: Spectrum research

We also assumed there was \$125.5 million of general state government spending and \$63.4 million in local government spending. This spending was a result of increases in the slot-revenue contribution, regulatory levy and income tax that casino workers paid. Seventy percent of the total direct tax revenue generation was assumed to be spent by state and local governments on various public services, programs and functions in the state; the remaining 30 percent was assumed to be spent on non-payroll-related government expenditures and, thus, was not factored into the economic impact.

In addition, the direct taxes and fees paid by the casino to the state and local government, and the indirect and induced taxes paid by the new workers (income and sales taxes), created new government jobs. The additional taxes collected, as a result of the casino and its impact on the state economy was used to hire new employees to support new public services and programs or enhance existing ones.

Foxwoods generated a total GRP of roughly \$974 million.¹⁴³ As explained above, GRP can be considered the net impact in monetary value on the economy. The impact of the casino on all sectors of the economy showed a positive contribution to the total GRP. A large contributor to GRP is the entertainment sector –a direct impact of the casino. Other sectors that show large contributions include real estate, professional services, retail trade, finance, construction, and administrative support services. This is the result of indirect and induced casino-employee spending and by the casino itself as it flows through the Connecticut economy.¹⁴⁴

Foxwoods generated \$611.1 million of personal income for the residents of Connecticut in 2007. The direct casino wages paid by Foxwoods to its employees, roughly \$337 million, was the largest component of the total personal income. Much of the remaining personal income was represented by wage and salary disbursements for the indirect and induced jobs created by the casino's operation.

The fiscal impact of Foxwoods consisted of state and local government revenue generated by the casino's operation in 2007. Our model outputs were used to determine indirect and induced fiscal impacts, while direct casino tax payments and estimated income tax generation from casino employees were used to determine the direct impacts.

The direct taxes that were applied to the operation included a state slot-revenue contribution of \$201.4 million (of which \$158.8 million is the state government share and \$42.5

¹⁴³ REMI Policy Insight Model (Based on inputs such as employment, wages, non-payroll spending and government spending.)

¹⁴⁴ Spectrum research.

million is the local government share), a state regulatory levy of \$5.2 million, local property tax revenue of \$48.1 million and estimated direct state income tax revenue of \$15.2 million.

In determining the direct state income tax revenue, the casino payroll of \$336.8 million was applied to an estimated effective income tax rate of 4.5 percent. Foxwoods or the state provided all other direct tax revenue figures.

The indirect and induced taxes, which resulted from the indirect and induced jobs and the subsequent spending by the workers, consisted of the personal income tax and the state sales tax. These were calculated using model output figures for personal income and consumption.

The next table displays the results of the fiscal impact of Foxwoods on state and local governments and breaks out the direct tax revenue and indirect and induced tax revenue. The state collected a total of \$198 million in total tax revenue as a result of the Foxwoods casino in 2007. Of the total state revenue collection, \$179 million came directly from the casino and \$19 million was from the indirect and induced effects.

Municipalities throughout Connecticut received \$90.6 million from Foxwoods in 2007 – \$42.5 million from the casino slot contribution, and \$48.1 million from property taxes. The study assumed there were no indirect or induced taxes collected by local governments, since the personal income and sales taxes (the only two taxes measured indirectly) are collected at the state level.

In total, our models estimated that state and local governments in Connecticut received about \$289 million in tax revenue (direct, indirect, and induced) in 2007.

Figure 51: Fiscal Impact of Foxwoods in 2007

Taxes / Slot Contribution	Revenue to State of Connecticut	Revenue to Local Govt.	Total Govt. Revenue
Slot-revenue contribution	\$158,846,160	\$42,534,097	\$201,380,257
Regulatory Levy	\$5,236,335		\$5,236,335
Personal Income tax (Direct)	\$15,159,255		\$15,159,255
Local Property Tax		\$48,100,000	\$48,100,000
Indirect & Induced			
Personal Income tax (indirect & induced)	\$12,340,225		\$12,340,225
Sales tax (indirect & induced)	\$6,799,389		\$6,799,389
TOTAL DIRECT	\$179,241,750	\$90,634,097	\$269,875,847

Source: Spectrum research

We did not include the Mashantucket-Pequot Tribal Nation in our models because the Tribe declined to provide us with a breakdown of spending, other than a list of non-gaming projects funded since the Tribe was federally recognized in 1983. The \$326 million worth of construction included:

- Mashantucket Pequot Museum & Research Center, \$193 million
- Museum parking lot, \$2 million
- Pequot Trail and two phases (five and six) of housing, \$28 million
- Community Center, \$22 million
- Public Safety Building \$18 million
- Housing units, \$5.7 million

- Child Development Center, \$12 million
- Connector Road to casino, \$10 million
- Public Works Complex, plus addition, \$8.5 million
- PRxN (pharmacy building, plus additions), \$5.5 million
- Modular trailer complex (planning and building code departments) \$3 million
- Elizabeth George Road, \$1.5 million
- Post office construction and renovation, \$1 million
- Water storage tank, \$800,000
- Baseball field, \$200,000

Like the Mohegan Tribe, the Mashantucket Pequot Tribe has never disclosed the amount of annual payments made to tribal members. The figure may be as high as \$100,000 for each of the 800 tribal members;¹⁴⁵ more than triple what the Mohegan Tribe members reportedly receive. The Mashantucket Tribe also pays for medical care, college tuition and day care for tribal members.¹⁴⁶

The Tribe’s welfare-to-work program, Work ETC (Work, Education, Transportation and Childcare), was developed to return people on welfare to the workforce. It offers financial support, administrative and government support and entry-level positions to some of its participants. Since its inception in 1997, the program has trained and employed more than 150 people.

The program reduces state welfare payments, generates tax revenue and induces new spending for consumer goods.¹⁴⁷

Figure 52: Economic Impact of Casino Operations for Foxwoods, 2007

2007 figure was adjusted to reflect 2008 dollars

	Connecticut
Employment (direct, indirect and Induced)	16,490
Private Sector Employment	14,015
State and Local Government Employment	2,475
Gross Regional Product	974,351,000
Personal Income (by place of residence)	\$611,100,000

Source: Spectrum research

Mohegan Sun

In calculating the economic and fiscal impact of Mohegan Sun in 2007, we used the following data and assumptions for our economic models:

- Spending on goods and services in-state was \$123.8 million in 2007.
- Direct state government revenue from the casino slots contribution and the regulatory levy equaled \$185.4 million in 2007.

¹⁴⁵ Media reports, confidential Mashantucket Pequot Tribal sources, as of the year 2008.

¹⁴⁶ Ibid.

¹⁴⁷ University of Connecticut, Economic Impact of Mashantucket Tribal Nation, November 28, 2000.

- Local government revenue totaled \$49.1 million in 2007. This included \$48.4 million from the municipal portion of the slot-revenue contribution and a \$750,000 payment made to the Town of Montville in lieu of property taxes.
- Additional state government revenue is generated by the income tax and by induced sales taxes. We use a 4.5 percent effective income tax rate applied to personal income to calculate income tax revenue. For sales taxes, we use the 6 percent Connecticut sales tax rate applied to the induced taxable consumption.
- The construction impact takes into account all construction at Mohegan Sun during the 2007 and 2008 period. In 2007, there were 620 direct construction jobs with an estimated total wages paid of \$44 million. In 2008, there were 1,245 direct construction jobs, and wages paid were estimated at \$92.1 million.
- The fiscal impact of the construction projects at Mohegan Sun in 2007 and 2008 included revenue collected by the state from the income tax and sales tax (direct, indirect, and induced). Over the two-year period, state tax revenue generated was estimated at \$12.8 million. Of this total, roughly \$10 million consisted of income tax revenue and the remainder (\$2.8 million) consisted of sales tax.
- Construction activity in 2007 and 2008 involved the expenditure of nearly \$60 million on capital items, another \$200 million on casino construction of Phase III (which has been indefinitely postponed due to market conditions), \$5.3 million on hotel renovations and \$17 million on casino floor renovations.

Figure 53: Economic Impact of Construction in 2007 and 2008 at Mohegan Sun

2007 figures have been adjusted to reflect 2008 dollars

	2007	2008	Total	Average
Employment Total	1,075	2,163		1,619
Direct (Construction)	620	1,245		933
Indirect & Induced	455	918		687
Gross Regional Product	\$75,113,140	\$153,495,400	\$228,608,540	\$114,304,270
Personal Income (by place of resident)	\$70,390,000	\$151,200,000	\$221,590,000	\$110,795,000
State Tax Revenue (from income & sales tax only)	\$ 4,079,064	\$ 8,736,014	\$ 12,815,078	\$ 6,407,539

Source: Spectrum research

In addition to impacts of the Mohegan Sun, the Mohegan Tribe generates a significant positive impact on the Connecticut economy. Mohegan Sun profits provide its members with annual dividend payments. Members receive free counseling, college tuition, health care and day care. The elderly can live in subsidized housing. Casino revenues have been used to maintain the Mohegan culture, operate its own government and purchase a burial ground. All of this, according to senior tribe officials, has significantly improved the quality of life for Mohegans.

Additionally, the Tribe uses casino profits to employ workers, both members of the Tribe and non-members. For example, the Mohegan Tribal Gaming Authority in January 2003 created a subsidiary, Mohegan Sun Basketball Club LLC, to operate the Connecticut Sun, a team that competes in the WNBA. The team plays its home games in the Mohegan Sun Arena.

Through MTIC Acquisitions, Mohegan Tribe controls property assessed at \$7.5 million in Montville that is outside the reservation boundary. Only two other Montville entities pay more in property taxes than MTIC.¹⁴⁸ It should be remembered that the tribes must pay property taxes on land it owns outside the reservations. For example, the Tribe purchased a golf course, the Pautipaug Country Club in Sprague and Franklin, Connecticut.¹⁴⁹ It reopened it in June 2007 as the Mohegan Sun Country Club at Pautipaug. In 2007, the golf course paid \$59,155 to Sprague in real estate taxes and \$39,260 to Franklin, according to tax offices in those two communities.

The Mohegan Tribe purchases goods and services to carry out its functions. The following are assumptions and data inputs used to measure economic and fiscal impact of the Mohegan Tribe:

- Total dividend payments to Mohegan Tribe members were estimated to equal \$56 million in 2007 and 2008. This is based on 2,000 Tribe members receiving an annual average payment of \$28,000 per member.¹⁵⁰
- Mohegan Sun profits are used to fund the salaries of 425 Mohegan Tribal employees (in both 2007 and 2008). The total salary of the workers equaled \$29.3 million in 2007 and \$30.1 million in 2008. In addition, fringe benefits for the workers totaled \$7.2 million in 2007 and \$7 million in 2008.
- Based in data provided to us by the Mohegan Tribe, it spent \$43.2 million in 2007 and \$58 million in 2008 on goods and services purchased from Connecticut firms (this is based on total spending by the Tribe of \$48.6 million in 2007 and \$58 million in 2008). Of that amount, the Tribe spent \$22 million and \$23 million on Connecticut utilities, and \$4.9 million and \$6.2 million was spent on real estate service firms in the state, in 2007 and 2008 respectively. Additionally, the Tribe spent \$16.3 million in 2007 and \$21.5 million in 2008 on various other goods and services (construction, insurance, professional services, health care, and other sectors). Three-quarters of the Tribe's purchases were made in Connecticut.
- Finally, the Mohegan Tribe also spent roughly \$324,000 in 2007 and \$303,000 in 2008 on local property taxes in Connecticut.

As the Mohegan Sun profits are spent, the impacts on the Connecticut economy are substantial. Tribal members and workers will spend their dividends and salaries on goods and services in the local economy, benefiting Connecticut firms through additional sales.

Furthermore, direct tribal spending, to support services and functions that the Tribe provides also flow through Connecticut economy and result in increased demand for local products and services.

As the Tribe distributes casino profits to its members and other non-casino workers of the tribal government through dividends and salaries, that money is spent in the Connecticut economy, helping, in turn, to boost state income tax and sales tax revenue.

The following table shows the economic and fiscal impact of the Mohegan Tribe on Connecticut, resulting from the spending of Mohegan Sun profits.

¹⁴⁸ Montville Tax Office.

¹⁴⁹ Mohegan Tribal Gaming Authority Annual Report, 2007.

¹⁵⁰ Published reports, Spectrum research.

The spending of casino profits by the Mohegan Tribe also results in a total of \$296 million in Gross Regional Product for 2007 and 2008, or a yearly average of \$148 million.

Personal income generated equaled \$129 million in 2007 and \$139 million in 2008. The figure includes direct, indirect and induced income. Direct income includes employees directly on the casino payroll. Indirect income includes employees working for a company hired to do a job at the casino, such as a building maintenance company. Induced income results from the spending of money earned by casino workers on, for example, retail purchases.

State government revenue from the direct, indirect and induced income and sales taxes totals \$7.3 million in 2007 and \$7.8 million in 2008.

Figure 54: Economic, Fiscal Impacts of Mohegan Sun Profits Spent by Mohegan Tribe

2007 figures have been adjusted to reflect 2008 dollars

	2007	2008	Total	Average
Employment (direct, indirect and Induced)	1,095	1,140		1,118
Gross Regional Product	\$146,727,300	\$149,409,000	\$296,136,300	\$148,068,150
Personal Income (by place of residence)	\$129,200,000	\$139,000,000	\$268,200,000	\$134,100,000
State Government Revenue (Income & Sales Tax)	\$ 7,302,837	\$ 7,835,221	\$ 15,138,059	\$ 7,569,029

Source: Spectrum research

In addition, the Mohegan Tribe itself made payments to vendors of \$48 million in 2007 and nearly \$58 million in 2008. Almost 75 percent of the vendors are from Connecticut.¹⁵¹ The bulk of the payments were for utilities (\$22 million). Another \$1.1 million was spent on housing, and \$1 million was spent on day care.

The Tribe has also supported economic development projects throughout the region. For example, the Tribal Council and the City of Norwich created the Sachem Fund in 2007 to promote economic development in the downtown section of the city.¹⁵² The city and the Tribe pledged to contribute \$200,000 for five years. The Sachem Fund Committee, consisting of tribal officials and Norwich residents, has distributed nearly \$600,000 for building programs as well as cultural projects.

The following table shows the economic and fiscal impact that the construction projects at Mohegan Sun in 2007 and 2008 will have had on the Connecticut economy. The yearly average direct, indirect and induced employment impact, across the two years, equaled 1,619 jobs. This number included the average number of direct construction workers, 933, and the number of jobs created from the workers' consumption (spending of their wages on goods and services) and the spending on construction materials and construction services, 687. The last two factors are considered to be the indirect and induced jobs.

Construction at Mohegan Sun generated a GRP in 2007 and 2008 of \$228.6 million.

Personal income for Connecticut residents generated during the two-year period totals \$221.6 million. The majority of the personal income encompasses the direct wages paid to the

¹⁵¹ Ibid.

¹⁵² Mohegan Tribe press release, January 16, 2008.

construction workers at Mohegan Sun. The remaining personal income is primarily made up of the wages earned by the workers in indirect and induced jobs, created as a result of the purchase of goods and services and the creation of jobs in the retail and service sectors (resulting from increased demand).

Figure 55: Economic Impact of Construction in 2007 and 2008 for Mohegan Sun

2007 figures have been adjusted to reflect 2008 dollars

	2007	2008	Total	Average
Employment Total	1,075	2,163		1,619
Direct (Construction)	620	1,245		933
Indirect & Induced	455	918		687
Gross Regional Product	\$75,113,140	\$153,495,400	\$228,608,540	\$114,304,270
Personal Income (by place of residence)	\$70,390,000			
State Tax Revenue (income & sales tax only)	\$ 4,079,064	\$8,736,014	\$12,815,078	\$6,407,539

Source: Spectrum research

Includes construction at Mohegan Sun during 2007 and 2008 only. Assumes 620 direct construction jobs in 2007 and 1,245 direct construction jobs in 2008. Assumes total direct construction wages of \$44 million in 2007 and \$92.1 million in 2008. State tax revenue consists of the income and sales tax only. It was estimated as follows: Income tax is 4.5 percent (the estimated effective rate) of total personal income generated,; sales tax is 6 percent of total taxable consumption (includes 20 percent of food and beverage consumption and 50 percent of clothing consumption).

The economic impact of casino operations at Mohegan Sun was measured for the year 2007. The methodology here is the same as Foxwoods.

We also assumed \$141 million of general state government spending and \$34.4 million in local government spending. This spending was a result of the increase in revenue from the slot-revenue contribution, regulatory levy, and income tax directly associated with Mohegan Sun. As with the study of Foxwoods, 70 percent of the slot-revenue contribution from Mohegan Sun was assumed to be spent by state and local governments on various public services, programs and functions in the state; the remaining 30 percent was assumed to be spent on non-payroll related government expenditures and, thus, was not factored into the economic impact.¹⁵³

In addition to the private-sector jobs that were created, the casino payment of direct taxes and fees to state and local government, and the indirect and induced taxes paid by the new workers (income and sales taxes), created new government jobs. The additional taxes collected by the government, as a result of the casino and its impact on the state economy, were used to hire new employees to support new, or enhance existing, public services and programs.

The next-largest increase in jobs among private sector industries was in construction. This was the result of an increase in capital investments, an increase in demand for housing construction and an increase in construction spending in the government sector on public facilities (this was described in more detail in the Foxwoods section).

Administrative support, waste management services and retail trade round out the next two industry sectors with the greatest employment impact from the operation of Mohegan Sun. This was the result of Mohegan Sun non-payroll spending on goods and services at Connecticut

¹⁵³ Spectrum research based on use of models.

firms and the increased demand for retail goods created by the additional income from the direct, indirect and induced jobs.

Administrative-support services and waste-management services rank second in employment impact for Foxwoods while ranking third for Mohegan Sun. This again may be the result of more leakage out of Connecticut in non-payroll spending on goods and services by Mohegan Sun, as Foxwoods spends more on goods and services at Connecticut firms than Mohegan Sun does.

Mohegan Sun generated a GRP of roughly \$902 million in Connecticut in 2007. All sectors of the economy impacted by the casino showed a positive contribution to the total GRP. The largest contributor to GRP was the entertainment sector – the direct impact of the casino. Other sectors that showed large contributions include real estate, professional services, retail trade, finance, construction, and administrative support services. This was a result of the indirect and induced spending by Mohegan Sun employees and the casino itself, as the spending flows through the Connecticut economy.

Mohegan Sun generated \$585.6 million of personal income for the residents of Connecticut in 2007. The direct casino wages paid by Mohegan Sun to its employees, roughly \$357 million, was the largest component of total personal income. Much of the remaining personal income was represented by wage and salary disbursements for the indirect and induced jobs created by the casino’s operation.

Figure 56: Governmental Impact of Mohegan Sun Casino Operations*

Figures have been adjusted to reflect 2008 dollars

	Connecticut
Employment (direct, indirect and Induced)	16,020
Private Sector Employment	13,714
State and Local Government Employment	2,306
Gross Regional Product	\$902,328,200
Personal Income (by place of residence)	\$585,600,000

Source: Spectrum research

*Includes entire resort facility, not just gaming operations

The fiscal impact of Mohegan Sun consists of the casino generation of state and local government revenue in 2007. The direct taxes that were applied to the operation of Mohegan Sun include a slot-revenue contribution of \$229 million (of which \$180.7 million is the state government share and \$48.3 million is the local government share), a state regulatory levy of \$4.7 million, a payment in lieu of property taxes of \$750,000 to the Town of Montville and estimated direct state income tax revenue of \$16.1 million.

In determining the direct state income tax revenue, the casino payroll of \$356.9 million is applied to an estimated effective income tax rate of 4.5 percent. All other direct tax revenue figures were provided by the state or Mohegan Sun.

The indirect and induced taxes consisted of the personal income tax and the state sales tax. These were calculated using model output figures for personal income and consumption.

The next table displays the results of the fiscal impact of Mohegan Sun on state and local governments and breaks out the direct tax revenue and indirect and induced tax revenue. The state collected a total of \$218.3 million in tax revenue as a result of the Mohegan Sun operation

in 2007. Of the total state revenue collection, \$201.5 million was directly from the casino and \$16.8 million was from indirect and induced effects.

In total, state and local governments in Connecticut collected about \$267.4 million in tax revenue (direct, indirect, and induced) in 2007 as a result of the Mohegan Sun operation.

Figure 57: Fiscal Impact of Operational Phase of Mohegan Sun in 2007

Tax / Fee	Revenue to State	Revenue to Local Govt.	Total Revenue to Govt
Slot revenue contribution	\$180,707,552	\$48,387,903	\$229,095,455
Regulatory Levy	\$4,728,294		\$4,728,294
Personal Income tax (Direct)	\$16,058,591		\$16,058,591
Local Property Tax		\$750,000	\$750,000
<i>Indirect & Induced</i>			
Personal Income tax (indirect & induced)	\$10,293,409		\$10,293,409
Sales tax (indirect & induced)	\$6,507,532		\$6,507,532
TOTAL DIRECT	\$201,494,437	\$49,137,903	\$250,632,340
TOTAL INDIRECT & INDUCED	\$16,800,941	\$0	\$16,800,941
TOTAL DIRECT, INDIRECT, & INDUCED	\$218,295,378	\$49,137,903	\$267,433,281

Source: Spectrum research

Nearly 47 percent of the patrons who visited Mohegan Sun in 2007 did not reside in Connecticut. More than one-third resided in either Massachusetts or New York.¹⁵⁴

The result, as the table below shows, was non-Connecticut residents may have paid nearly half of the slot-revenue payments at Mohegan Sun if losses from out-of-town patrons mirrored the percent of visits.¹⁵⁵

Figure 58: Mohegan Sun Visitation by State

2007 casino visits to Mohegan Sun		Pct. from each state
Total visits	10,830,894	
Connecticut	5,750,038	53.1%
New York	2,055,682	19.0%
Massachusetts	1,926,266	17.8%
New Jersey	124,346	1.1%
Rhode Island	372,718	3.4%
Vermont	35,893	0.3%
New Hampshire	183,828	1.7%
Maine	67,057	0.6%
Pennsylvania	38,466	0.4%
Other States	276,601	2.6%

Source: Mohegan Sun

¹⁵⁴ Mohegan Sun Finance Department, October 2008.

¹⁵⁵ Ibid.

Combined Economic and Fiscal Impact of Foxwoods and Mohegan Sun

The following three tables show the combined economic and fiscal impact of Foxwoods and Mohegan Sun casino resorts.

The construction projects at Foxwoods and Mohegan Sun combined in 2007 and 2008 produced an estimated total of 3,530 jobs (direct, indirect and induced), averaged over the two years. Total GRP generated over the two years was \$497 million, and personal income generated by Connecticut residents, for the same period, totaled \$483 million. State tax revenue from the income and sales tax, resulting from the construction projects, totaled almost \$28 million.

Figure 59: Construction Impact for Mohegan Sun and Foxwoods

2007 figures have been adjusted to reflect 2008 dollars

	Foxwoods	Mohegan Sun	Total
Employment (avg. for 2007 and 2008 period)	1,911	1,619	3,530
Direct (Construction)	1,100	933	2,033
Indirect & Induced	811	687	1,497
Gross Regional Product (GRP)	\$268,821,270	\$228,608,540	\$497,429,810
Personal Income (by place of resident)	\$261,500,000	\$221,590,000	\$483,090,000
State Tax Revenue from income & sales tax only	\$ 15,113,430	\$ 12,815,078	\$ 27,928,507

Source: Spectrum research

The economic impact of the operational phase of Foxwoods and Mohegan Sun in 2007 is shown in the table below. The two casinos combined generated an estimated 32,510 direct, indirect and induced jobs in Connecticut in 2007, including 27,729 in the private sector. Total GRP contribution for the two casinos was an estimated \$1.9 billion in 2007, and personal income generation for Connecticut residents totaled an estimated \$1.2 billion.

Figure 60: Economic Impact of Operations Foxwoods and Mohegan Sun, 2007

2007 figures have been adjusted to reflect 2008 dollars

	Foxwoods	Mohegan Sun	Total
Employment (direct, indirect and Induced)	16,490	16,020	32,510
Private Sector Employment	14,015	13,714	27,729
State and Local Government Employment*	2,475	2,306	4,781
Gross Regional Product	\$ 974,351,000	\$902,328,200	\$1,876,679,200
Personal Income (by place of residence)	\$ 611,100,000	\$585,600,000	\$1,196,700,000

Source: Spectrum research

*Includes municipal government employees throughout the state along with all state employees. The REMI model calculations are based on inputs of state and local government spending resulting from tax revenue generated at the casinos. The model does not differentiate between full- and part-time jobs. Only public-sector jobs are included in this category.

The following table shows the fiscal impact on state and local government revenue in Connecticut from Foxwoods and Mohegan Sun. Foxwoods and Mohegan Sun combined to provide an estimated total of \$416.7 million in state government revenue and \$139.8 million in local government revenue in Connecticut in 2007.

Figure 61: Operational Impact for Foxwoods and Mohegan Sun 2007

Tax / Fee	Revenue to State	Revenue to Local Govt.	Total Revenue to Govt
DIRECT			
Slot revenue contribution	\$339,553,712	\$90,922,000	\$430,475,712
Regulatory Levy	\$9,964,629		\$9,964,629
Personal Income tax (Direct)	\$31,217,846		\$31,217,846
Local Property Tax		\$48,850,000	
INDIRECT AND INDUCED			
Personal Income tax (indirect & induced)	\$22,633,633		\$22,633,633
Sales tax (indirect & induced)	\$13,306,921		\$13,306,921
TOTAL DIRECT	\$380,736,187	\$139,772,000	\$520,508,187
TOTAL INDIRECT & INDUCED	\$35,940,554	\$0	\$35,940,554
TOTAL DIRECT, INDIRECT, & INDUCED	\$416,676,742	\$139,772,000	\$556,448,742

Source: Spectrum research

Case study: Atlantic City Linen Supply

Atlantic City Linen Supply (“ACLS”), one of the largest commercial laundry and linen companies in the Northeast, expanded into the New England market as a direct result of Indian gaming in Connecticut. The company, founded in 1986, services most casinos in Atlantic City.

Norwich Business Park officials initially tried to attract a Las Vegas commercial laundry developer to its commercial park, but the effort fell apart after the developer had doubts about its viability. That is when officials at the Norwich Business Park, who had already spent \$500,000 to build a new road, turned to ACLS. The two tribal nations signed on as customers, a prospect that made the project much more enticing to ACLS. The joint venture also made it possible for ACLS to offer better rates to the two tribes.¹⁵⁶ In addition to the tax ratable, the ACLS operation created more than 100 jobs for the Norwich region.

The 35,000-square foot ACLS complex, the company’s second automated-laundry facility, opened in October 2003. Some 40,000 pounds of dirty towels, washcloths, bed linens, tablecloths and napkins from the combined Foxwoods and Mohegan Sun operations, and their subsidiary businesses, are cleaned each day at the \$8 million high-tech commercial laundry.

Local officials, who worked out the agreement between ACLS and the tribes, hailed it as an example of the two tribes working together on a project that benefits not just them but the entire community.¹⁵⁷

The Day of New London jokingly reported that it took truckloads of dirty laundry to bring the two tribes together after a contentious history that covered more than 300 years. The

¹⁵⁶ Interview with Atlantic City Linen Company, October 2008.

¹⁵⁷ Ibid.

10-year joint agreement with the two tribes expires in October 2012. The agreement can be renewed for another 10 years.¹⁵⁸

Without the 3,000-plus casino hotel rooms and 50-plus restaurants, it is clear that the demand for a laundry service would not have been enough to attract a company such as ACLS to come to southeastern Connecticut.¹⁵⁹

Since its opening, the operation has continued to attract new customers throughout New England, including the Hartford Convention Center.

Employment

Before gaming, southeastern Connecticut was a largely rural area with economic activity dominated by the US Naval Submarine Base in New London, defense contractors Electric Boat and United Nuclear, and the global pharmaceutical giant, Pfizer.

In the early 1990s, the region faced an economic crisis when Washington cut back on defense spending and scores of manufacturing plants shutdown. From 1988 to 1993, the region lost approximately 10,000 jobs, including nearly 4,800 manufacturing jobs.¹⁶⁰ From 1993-2003, the region lost another 10,000 manufacturing jobs. At the same time, the presence of the two casinos created 20,000 new service jobs.¹⁶¹

Indeed, the long-term changes endured by the region have become emblematic of larger, unavoidable economic trends. A former New London resident, David Schlesinger, who is now the global managing editor of the Reuters news service, used the lesson of his native southeastern Connecticut to advise his concerned staff how to handle such inevitable change:

“I grew up in New London, Connecticut, which in the 19th century was a major whaling center. In the 1960s and 70s, the whales were long gone and the major employers in the region were connected with the military – not a surprise during the Vietnam era. My classmates’ parents worked at Electric Boat, the Navy and Coast Guard. The peace dividend changed the region once again, and now it is best known for the great gambling casinos of Mohegan Sun and Foxwoods and for the pharmaceutical researchers of Pfizer. Jobs went; jobs were created. Skills went out of use; new skills were required. The region changed; people changed. New London, of course, was not unique¹⁶².”

The enormous impact of the casinos is evidenced by the 1995-2007 Norwich-New London’s Labor Market Area (“LMA”) job-growth rate of 15.9 percent, the highest in the state.¹⁶³

¹⁵⁸ Mohegan Sun 2007 Annual Report.

¹⁵⁹ Ibid.

¹⁶⁰ *The Economic Impact of the Mashantucket Pequot Tribal Nation Operations on Connecticut*, University of Connecticut: Connecticut Center for Economic Analysis, November 2000.

¹⁶¹ *The Governor’s Commission for the Economic Diversification Southeastern Connecticut: Final Report*, December 2006.

¹⁶² “The World is Flat,” by Thomas L. Friedman, Farrar, Straus and Giroux, 2005. P. 20.

¹⁶³ Source: *Economic Digest*, Vol.13, No.3, Connecticut Departments of Labor and Economic and Community Development.

The Indian casinos accounted for most of the employment growth in the entire state during the past 15 years. Foxwoods and Mohegan Sun are among Connecticut's five largest employers. From 1992 to 2007, the casinos accounted for roughly 15 percent of net job growth.¹⁶⁴

The Indian casinos directly employed more than 21,000 people in 2007, generating an annual payroll of nearly \$700 million. The average annual wage for casino employees was \$33,000. More than 70 percent of them reside in Connecticut, resulting in significant economic activity for the state.¹⁶⁵

Both casinos offer excellent health benefits to employees. They pick up roughly 90 percent of the costs of the health care program, compared to the national standard of 76 percent. The casinos use the benefits package – which includes medical, dental, vision and prescription coverage – to recruit employees.¹⁶⁶ Area businesses told us that they cannot afford to offer the same level of health benefits, making it difficult for them to retain or attract employees.

Administrators at William W. Backus Hospital in Norwich note that its charity care costs have been held down by the excellent health benefits package offered at the two casinos. “It is clear that the impact of charity care would be much greater than it is if it were not for the two casinos,” noted Joseph Boucher, director of community services for the hospital. He added, though, that the hospital began to feel a more adverse effect in 2007 as the casinos called on employees to work more hours to obtain health coverage.¹⁶⁷ There were also layoffs at Foxwoods in 2008 that further exacerbated the problem.

In addition, our own research shows an increasing number of casino employees are enrolling in the state-subsidized Husky A insurance program, which provides insurance for uninsured parents, children and pregnant women.¹⁶⁸ As of March 2006, (the latest date for which figures are available), Husky A had 243 Mohegan Sun employees, eighth highest of all employers. Foxwoods had 195, 12th highest in the state.

In terms of direct employment at both casinos, the following table shows the number of jobs and average wages for 2007.

Figure 62: Direct Casino Employment and Wages

	Foxwoods	Mohegan Sun
Employees	10,137	10,810
Average wage	\$33,232	\$33,012
Total payroll	\$336,872,324	\$356,857,585

Our computer models generated a multiplier to show how many indirect and induced jobs the casinos produced. We put the estimated number of indirect and induced jobs at 11,000, creating a total number of nearly 32,000 jobs.

¹⁶⁴ Connecticut Economic Resource Center, Inc. Economic Impact of Native American Gaming in Connecticut.

¹⁶⁵ Mohegan Sun, Foxwoods.

¹⁶⁶ Interviews with casino officials, April 2008.

¹⁶⁷ Interviews with casino officials, August 2008.

¹⁶⁸ Connecticut Husky A insurance program.

The multiplier is the total private sector jobs created in relation to the direct jobs at the casino. For example, Mohegan Sun created 13,714 private sector jobs in Connecticut. The casino itself employs 10,810. The difference is 2,904, which means for each direct casino job an additional 0.27 jobs were created in the private sector.¹⁶⁹

The multiplier is determined by dividing the total jobs generated at the casinos (direct, indirect and induced) by the direct casino jobs. It is the number of direct and induced jobs created for every direct job. The model analyzes wages paid, amount of non-payroll spending on goods and services within the state and the amount of taxes paid to generate the multiplier.

We developed a number of assumptions in using this model. As noted earlier, for example, our study assumes that casino employment used as an input is net of any cannibalization (or displacement), thus we base it on any net market growth. This makes intuitive sense, as any taxes generated by the casinos should take into account any tax *not* received by other, competing properties. So, for both Foxwoods and Mohegan Sun, we assume 40 percent of the jobs would come from the displacement of other area businesses.

Employment comprises estimates of the number of jobs – full-time plus part-time – by place of work. Full-time and part-time jobs are counted at equal weight. Employees, sole proprietors, and active partners are included, but unpaid family workers and volunteers are not included.¹⁷⁰

In addition to the private-sector jobs that are created, the direct taxes and fees paid by the casino to the state and local government and the indirect and induced taxes paid by the new workers create new government jobs. The model takes into account that additional taxes collected by the government, as a result of the casino and its impact on the state economy, are used to hire new employees to support new, or enhance existing, public services and programs.

A study prepared for the Eastern Connecticut Chamber of Commerce in 2007 arrived at conclusions similar to ours. The study estimated that the two casinos were responsible for a total of 29,040 jobs in 2007, about 10 percent less than our figure.¹⁷¹

Mohegan Sun employment by sector

Mohegan Sun executives provided us with a breakdown of average annual salaries by employee sector for 2007.

- 52 senior management, \$298,696
- 108 directors, \$104,502.
- 535 managers \$55,877
- 741 supervisors, \$42,745
- 3,444 dealers and floor persons, \$36,700
- 593 games support, \$26,124
- 1,245 non-games floor support, \$17,951
- 2,114 non-gambling support, \$22,189

¹⁶⁹ Spectrum research.

¹⁷⁰ As defined by Regional Economic Models Inc. (REMI), for use in the REMI Policy Insight Model.

¹⁷¹ Economic Impact of Native American Gaming in Connecticut, June 14, 2007.

- 1,978 general support, \$23,504

Our models show that Mohegan Sun was responsible for generating a total of 16,020 jobs, far more than the 10,810 jobs directly at the property. Casino executives report that at one time or another, more than 13,000 employees worked during 2007 at the casino, but a more accurate figure for employees actually employed at any given time is the 10,810 figure (the difference owing to employee turnover).

Of that figure, 52 senior management employees accounted for a payroll of \$15.5 million; their average salary was nearly \$300,000.

The Mohegan Sun generated \$585.6 million of personal income for state residents in 2007. The direct casino wages paid to its employees, roughly \$357 million, is the largest component of total personal income. Much of the remaining personal income is represented by wage and salary disbursements for the indirect and induced jobs created by the casino's operation.

Foxwoods employment by sector

The data provided to us by casino management showed average annual salaries for the following employee sectors at Foxwoods:

- 14 senior management, \$262,893
- 66 directors, \$114,327
- 247 managers \$70,391
- 1,510 supervisors, \$45,966
- 3,207 dealers and floor persons, \$20,536
- 946 games support, \$26,185
- 830 non-games floor support, \$19,816
- 4,198 non-gambling support, \$28,930
- 283 general support, \$36,464

The estimated direct, indirect and induced economic impact of Foxwoods in 2007 included a total of 16,490 jobs across all sectors of the economy, including 14,015 in the private sector and 2,475 jobs in the state and local government sectors.

The figure is about 60 percent above the number of employees directly employed by Foxwoods.

The 16,490 jobs included the direct casino jobs and the additional indirect and induced jobs created from the employment and operational spending at the casino. For each direct job at Foxwoods, an additional 0.38 jobs are created in the private sector.¹⁷² These induced jobs result from the spending of casino wages by employees in the Connecticut economy and from the spending by the casino itself on goods and services purchased for its operation.

¹⁷² Spectrum research.

Impacts of the Recession

The recent downturn in the economy has demonstrated that the two destination resorts are not recession-proof. Economists say the downturn turned into a recession in December of 2009. In Connecticut, the recession formally took hold in March 2009.¹⁷³

Foxwoods took action on October 1, 2008. It announced a layoff of 700 employees, about 6 percent of its workforce. Management reported that the move was necessary to align payroll costs with current revenue levels.

Just as expansion of casino operations has had a strong positive impact on the state and regional economy, cutbacks also generate strong negative impacts. Those impacts are illustrated in the table below.

The 700 direct layoffs at Foxwoods resulted in a reduction of 976 total jobs in Connecticut, when indirect and induced job losses are factored in. The additional 276 jobs lost (the indirect and induced losses) result from the reduction in spending on goods and services the lost jobs would have otherwise supported. The layoffs result in a \$33.8 million decline in personal income for Connecticut residents and a decrease in the state's GRP of roughly \$50.8 million. The loss of jobs will also result in lost revenue for the state of Connecticut; estimated at \$1.9 million (this includes the loss of income and sales taxes only).

Figure 63: Economic and Fiscal Impact of Foxwoods Layoffs

	Connecticut
Employment (direct, indirect and Induced)	-976
Gross Regional Product	-\$50,760,750
Personal Income (by place of residence)	-\$33,840,000
State Government Revenue (income and sales tax)	-\$1,905,061

Source: Spectrum research

Mohegan Sun officials reduced salaries to avoid layoffs. The cuts involved 4 percent for hourly workers to 10 percent for top executives. They took effect February 1, 2009. In addition, a four-year, \$925 million expansion has been put on hold, delaying the largest phase, \$735 million, of the project.

The salary cuts at Mohegan Sun have a far smaller direct impact on the Connecticut economy than the layoffs at Foxwoods, since there has been no direct job loss at Mohegan Sun (as of December 2008.) The table below shows the economic and fiscal impact of the Mohegan Sun salary cuts on the Connecticut economy.

In modeling the salary cuts at Mohegan Sun, we assumed that senior managers and directors sustained a salary cut of 10 percent while the salaries of all other workers were cut 4 percent; this resulted in an estimated loss of \$15.5 million in total wages paid by the casino. We made those assumptions based on media reports of the salary cuts.

The reduction in wages resulted in a loss of 92 jobs, as casino employees purchased fewer goods and services. The loss cut GRP by \$8.1 million, and personal income for

¹⁷³ Jungmin Charles Joo, Connecticut Department of Labor, "March 2009 Economic Digest."

Connecticut residents fell \$16.8 million. The salary cuts were also estimated to result in a reduction in state government revenue of \$957,422, from lost income and sales taxes.

Figure 64: Economic and Fiscal Impacts of Mohegan Sun Salary Cuts

	Connecticut
Employment (direct, indirect and Induced)	-92
Gross Regional Product	-\$8,144,706
Personal Income (by place of residence)	-\$16,770,000
State Government Revenue (income and sales tax)	-\$957,422

Source: Spectrum research

The Sachem Fund is a victim of the recession. City Council in Norwich cut the city’s contribution from \$200,000 to \$50,000 in the 2010 budget. The Mohegan Tribe is expected to make a similar cut. City Council hopes to restore full funding for the economic development program in future years.¹⁷⁴

The Need to Diversify Workforce

Despite the creation of more than 30,000 direct and indirect jobs as a result of the presence of the two casinos, policymakers need to be concerned about the over-reliance on service-sector jobs, which account for eight out of every 10 jobs in southeastern Connecticut.¹⁷⁵

Without appropriate employment opportunities to match the increasing education level of the region’s population, much of the workforce has and will be forced to go elsewhere to find suitable work. There is also a concern that the region has become as dependent on the tourism and the entertainment industry as it once was on the defense industry.¹⁷⁶

The average salary (1993-2003) of the region’s service jobs was \$33,000, compared to \$67,000 for manufacturing jobs.¹⁷⁷ From 2001 to 2006, the region lost 2,357 jobs that paid \$65,000 or more.¹⁷⁸ The loss of high-wage manufacturing and skilled professional jobs continues to be a threat to the regional labor market. From August 2007 to August 2008, the region lost another 300 manufacturing jobs and the overall job growth rate was flat.¹⁷⁹

The casino generated economic growth produced unintended consequences. The Eastern Connecticut Workforce Investment Board, for example, noted that the “big picture” is missed if the focus is only on job creation.¹⁸⁰ Many of the region’s laid-off defense and manufacturing workers shifted careers to take jobs in the service sector. Many became underemployed or

¹⁷⁴ Claire Bessette, “City Cuts Sachem Fund By 75 Percent, The Day.Com, May 5, 2009.

¹⁷⁵ Housing A Region in Transition, Southeastern Connecticut Council of Governments.

¹⁷⁶ Regional Plan of Conservation and Development 2007, Southeastern Connecticut Council of Governments.

¹⁷⁷ Source: *The Governor’s Commission for the Economic Diversification Southeastern Connecticut: Final Report*, December 2006.

¹⁷⁸ Source: *Workforce Watch 2008: Investing in Our Future*, Eastern Connecticut Workforce Investment Board.

¹⁷⁹ Source: *Economic Digest*, Vol.13, No.10, Connecticut Departments of Labor and Economic and Community Development.

¹⁸⁰ Eastern Connecticut Workforce Investment Board, *Workforce Watch 2008*.

worked two jobs to keep pace with the rising cost of living and the widening gap between wages and housing. This has led to a steady outmigration of the region's educated and technically skilled workers.¹⁸¹

Workers in eastern Connecticut have lower-wage jobs than workers in other areas of the state. From 2001 to 2006, wages, adjusted for inflation, increased across the state, but in the eastern area, they remain fairly constant and are \$13,166 below the statewide average.¹⁸²

In November 2005, Governor M. Jodi Rell created the Commission for the Economic Diversification of Southeastern Connecticut. The commission was created after the state's successful effort to remove Submarine Base New London from a list of bases proposed for closure by the Base Realignment and Closure ("BRAC") agency.

The commission was charged with finding ways to make the submarine base a less likely target for future closure efforts and at the same time build a stronger regional economy by diversifying the region's workforce. The commission concluded in December 2006 that despite remarkable job growth and comparatively low unemployment, the region was overly dependent on just a few employers and "faces imminent and growing challenges to its economic future." The report cautioned that:

- The Naval Submarine Base New London is likely to be targeted again during the next round of the BRAC process, which may begin in a few years.
- Electric Boat and Pfizer, which have both downsized during the past decade, must deal with unstable economic conditions and a rapidly changing workforce.

The commission noted that, "unfortunately, up to this point, the lack of public will and resources have limited opportunities to use the momentum of recent economic growth to propel the region into a new era of economic vitality and stability."

The governor's commission calls on state, regional and municipal leadership to "collaborate to identify sources of financial support" for workforce development initiatives. The report recognizes that "public and private investment dollars are scarce and must be carefully allocated among many competing interests." The report stated that its proposals "must be addressed as part of a multi-year plan, requiring legislative approval and the involvement of many parties."

Many other jurisdictions have used the legalization of gaming as an appropriate catalyst to advance public policies and achieve specific policy goals. As a matter of sound public policy, Connecticut might want to consider a legislative initiative that would use some of the monies it derives from casino gaming to fund the expansion and implementation of workforce development programs for southeastern Connecticut.

The failure to address issues on a regional basis has prevented Connecticut, and particularly southeastern Connecticut, from maximizing its potential to foster economic development.

As Montville Mayor Joseph Jaskiewicz, Workforce Council Chairman, noted, "Municipalities accustomed to competing for a tax base will need to begin to view the entire

¹⁸¹ Ibid.

¹⁸² Ibid.

region as a shared resource that provides the human and physical capital for economic growth. Likewise, municipalities must seek new ways of sharing both the benefits and impacts of economic development if the region is to prosper.”¹⁸³

The Southeastern Connecticut Council of Governments (“SCCOG”) argues that economic development must be promoted through multi-municipal regional organizations. The issue of home rule in Connecticut, discussed in other sections of this report, has also impacted natural resources such as water supply. As SCCOG points out, the region’s resources are fragile and need protection to ensure future viability.

Tribal Impact on State’s Tourism Strategy

Connecticut tourism, spread across five regional tourism districts, is a \$9 billion-a-year industry.¹⁸⁴ That represents a nearly fourfold increase over the 1988 figure. Tourism contributes \$1.15 billion dollars to state and local governments. Connecticut spent \$2.1 million to promote tourism in 1988, \$5.5 million in 2006, but only \$3.8 million in 2008.¹⁸⁵

Having five tourism districts creates fragmentation and redundancy in promoting tourism, according to Len Wolman, chairman and CEO of Waterford Group, an organization that operates a number of hotels and restaurants in southeastern Connecticut. The state should have one central public organization working in concert with one central private organization to promote tourism, he said. That way, he added, tourism could be promoted with one unified, clear message. The result would be a significant cost savings that could be used to further advance marketing and promotional efforts, he said.

Furthermore, Mr. Wolman would like to see the state make a larger and more permanent funding commitment to market tourism.

Wolman noted the two Indian casinos have had a positive impact on tourism. It spurred his company to invest millions of dollars in new hotel/restaurant construction in eastern Connecticut. Without the presence of the casinos, the investments would never have happened, he said. Many of the Waterford Group hotels run shuttles to the casinos.

Tourist spending occurs in such categories as lodging, recreation, meals, shopping, fuel, transportation, marina sales and tribal gaming. In 2006, Connecticut’s spending to promote tourism ranked 40th in the country. Overall, Connecticut’s tourism industry represents (2006 data) \$7.9 billion dollars of gross state product, \$5.4 billion dollars of personal income and accounts for 110,775 jobs.

Mystic, which stands out as an anchor and brand of non-casino tourism in the area, was building a new marketing campaign in the summer of 2008 around the “Exit 90” slogan.

¹⁸³ Ibid.

¹⁸⁴ Connecticut Tourism officials.

¹⁸⁵ Ibid.

The maritime-related tourism activities and casino facilities have combined to make tourism the dominant industry in southeastern Connecticut.¹⁸⁶ The tourism industry cluster, led by the tribal casinos, accounts for nearly one-third of the estimated \$4 billion of the Norwich-New London regional economy. It employs more than 30,000 people.¹⁸⁷

Southeastern Connecticut has become a major gaming destination as well as meeting and convention location in the Northeast. Both Foxwoods and Mohegan Sun, over the last decade, have successfully positioned themselves as first-class sites. Notably, Connecticut's Commission on Culture and Tourism no longer budgets for the marketing of conventions in the state¹⁸⁸.

The Hartford Convention Center and the tribal casino meeting facilities have evolved into effective competitors of sorts. Scott Phelps, the president of the Greater Hartford Convention Bureau, told us in a 2008 interview, "We piggyback on the marketing done by the casinos – we do OK midweek, but a lot of meetings shift to the casinos on Friday, Saturday and Sunday."

The casinos are positioned to handle larger conventions than Hartford, since they can draw upon a considerably larger number of hotel rooms. Additionally, in our experience in various markets, conventions and meetings that are directly tied to casino hotels enjoy an inherent marketing advantage, as meeting planners view gaming as an important entertainment amenity. The casinos have more flexibility in subsidizing some meeting costs, and use that as a strong incentive to attract business. Policy prevents the Hartford Convention Center from negotiating such incentives. Yet, overall, Phelps said that he believes the casinos are a net positive for tourism.¹⁸⁹ Phelps explained that Hartford has positioned the casinos as a nearby Hartford attraction (e.g., many spouse programs at meetings and conventions in Hartford offer transportation to the casinos).

But the story is a different one for civic centers that were previously able to fill up their seats with stars such as Billy Joel. The former Hartford Civic Center, now known as the XL Center, and similar centers that hosted concerts, have found it difficult to compete with the two casinos. At one time, for example, Hartford, staged as many as 50 concerts a year. A promoter said the Center now is lucky to host 10 concerts a year.¹⁹⁰

Even though the XL Center can accommodate 16,000 people, more and more performers are electing to hold their concerts at the casinos, which can seat no more than 10,000. "We don't outbid the civic center," said Mitchell Etess, president and chief executive officer of Mohegan Sun. "We are competitive with the (XL) Center, but the artists come here for soft reasons."¹⁹¹

¹⁸⁶ Southeastern Connecticut Enterprise Region, September 2008 Travel/Tourism Indicators Report and *The Day*, November 22, 2006.

¹⁸⁷ US Department of Commerce, Bureau of Economic Analysis, Metropolitan Areas <http://www.bea.gov/regional/gdpmetro/action.cfm> and Southeastern Connecticut Enterprise Region, Economic Information Summaries and "Tourism Figures Improve in Eastern Connecticut," *The Day*, November 22, 2006.

¹⁸⁸ Spectrum interview with Commissioner.

¹⁸⁹ Interview with Scott Phelps, President, Greater Hartford Convention Bureau, October 30, 2008.

¹⁹⁰ *Hartford Business Journal*, August 2008.

¹⁹¹ *Ibid.*

Mohegan Sun is ranked 10th in the world and sixth in the nation in number of concerts hosted.¹⁹² In 2007, patrons set an all-time record at Mohegan Sun when they paid more than \$45 million to see entertainment events at the destination facility.

Attendance is also off at the Comcast Theatre in Hartford, formerly known as the Meadows Music Theater and more recently as the New England Dodge Music Center. The indoor/outdoor amphitheater owned and operated by Live Nation, can accommodate 25,000 people. It was expected to host as many as 50 outdoor shows and 30 indoor shows every year. It hosted about 20 concerts in 2008, well off the 34 concerts hosted in 1997.^{193 194}

The 2008 Survey of Eastern Connecticut Businesses stated that eastern Connecticut businesses believe tourism is the most important industry in the area. The two tribal casinos were identified as “keystones” to the regional tourism industry. They were viewed by 44 percent of the respondents as having a positive impact on the region. Only 16 percent cited the casinos as having a negative impact on the region. Furthermore, 45 percent of those surveyed believed state government should increase funding for state tourism marketing and advertising.¹⁹⁵

Virtually all of the individuals representing tourism and marketing in Connecticut that we interviewed for this study said the casinos have brought a new level of entertainment, recreation and additional development potential to the state.

Another important new tourism attraction at Foxwoods is the \$193 million Mashantucket Pequot Museum and Research Center. It is the world's largest and most comprehensive Native American museum. Four acres of exhibits depict 18,000 years of Native and natural history. The Museum also houses two libraries, including one for children. It explores centuries of tribal history and explains Native American life in the rocky hills and swamps of the region. It includes a half-acre walk through a Native American village with a “population” of 51 life-size Indian mannequins engaged in everyday activities.¹⁹⁶

Foxwoods sponsors an annual Schemitzun festival that attracts 20,000 to 60,000 people over a four-day weekend. Native American music, dance and culture are celebrated. Visitors include members of tribes from North and South America. The museum captures tourist dollars that otherwise would flow out of the state. In the last three fiscal years ending September 30, 2008, nearly 300,000 people have visited the museum.¹⁹⁷

Understanding the need to capitalize on tourism, the Mashantuckets have purchased a number of off-reservation properties such as the Spa at Norwich Inn and Randall’s Ordinary (a country inn) in North Stonington. It sold its interest in the Hilton Mystic in late 2007.

¹⁹² Ibid.

¹⁹³ Eric Danton, “The Casinos Rock,” *HartfordInfo.org*,

http://www.hartfordinfo.org/issues/documents/artsandculture/hfd_courant_070206.asp, July 2, 2006.

¹⁹⁴ Press release, *Live Nation and Comcast Announce Naming Agreement*, April 15, 2009.

¹⁹⁵ 2008 Survey of Eastern Connecticut Businesses, Commissioned by the Chamber of Commerce of Eastern Connecticut, Greater Mystic Chamber of Commerce and the Connecticut Business and Industry Association, Sponsored by Liberty Bank, 2008.

¹⁹⁶ www.pequotmuseum.org/

¹⁹⁷ University of Connecticut, Economic Impact of the Mashantucket Pequot Tribal Nation.

Donna Simpson, executive director of the Eastern Regional Tourism District, estimates that the number of casino patrons who go on to visit other attractions in the region such as the Seaport or Aquarium could be as high as 20 percent. She also shared that she was aware of unreleased data stating that between 8 percent and 12 percent of visitors to the Mashantucket Pequot Museum and Research Center go on to visit the Mystic area as well.¹⁹⁸

Another impact on tourism has been additional hotel construction to handle casino patrons who wish to stay in the region at prices more affordable than those offered at the tribal casinos. Below is a table that lists all new non-casino hotels that have been built in the region since Foxwoods opened in 1992.

Figure 65: Non-Casino Hotels, Eastern Regional Tourism District

Hotel	Location	Date opened	Number rooms
Point One Resort	Westerly, RI	Jun 1997	30
Sand Dollar Inn	Westerly, RI	Jun 1994	33
Rodeway Inn Willington	Willington, CT	Apr 1997	61
Hampton Inn Groton New London Mystic	Groton, CT	Nov 2000	80
Hilton Garden Inn Mystic Groton	Groton, CT	Feb 2008	128
Marriott Mystic Hotel & Spa	Groton, CT	Jun 2001	285
American Inn	Griswold, CT	Sep 2002	76
Hampton Inn Suites Mystic	Mystic, CT	Aug 2008	92
Holiday Inn Express Mystic	Mystic, CT	Jan 2006	75
Hyatt Place Mystic	Mystic, CT	Feb 1999	79
Residence Inn Mystic	Mystic, CT	Feb 1996	128
Sleep Inn & Suites Niantic	Niantic, CT	Oct 2001	73
Bellissimo Grande Hotel	North Stonington, CT	Mar 2007	164
Cedar Park Whirlpool Suites	North Stonington, CT	Jun 2001	66
Hilltop Inn & Suites	North Stonington, CT	Jan 2001	139
Comfort Suites Norwich	Norwich, CT	Sep 1997	119
Courtyard Norwich	Norwich, CT	Jun 1997	120
Rosemont Suites	Norwich, CT	Jun 1997	24
Sea Breeze Motel	Stonington, CT	Jun 1995	30
Best Western Cristata Inn	Uncasville, CT	Dec 1999	105
Microtel Inn & Suites Montville Uncasville	Uncasville, CT	Oct 2001	120
Springhill Suites Mystic Waterford	Waterford, CT	May 1998	80
Total Rooms			2,107

Source: Mystic Coast and Country

The following table is a list of hotels in New London County, where executives were willing to discuss the impacts of casino gambling on their facilities.

¹⁹⁸ Interview with Donna Simpson, Eastern Regional Tourism District.

Figure 66: Comments from Select Non-casino Hotels

Hotels	Location	No. rooms	Shuttle service	Impact	Comments
Microtel	Uncasville	120	Mohegan Sun	Very positive	Would not be here if it were not for the positive casinos, accounts for more than half of patrons
Howard Johnsons	Mystic	77	None	Negative	Takes business away from the Mystic area
Holiday Inn	Mystic	75	None	Positive	Casinos account for 20 percent of business
Hampton Inn	Mystic	92	None	Positive	Casinos account for more than 60 percent of business during weekends and holidays
Comfort Inn	Mystic	104	Mohegan Sun	Positive	Responsible for considerable amount of business
Hilton Garden Inn	Groton	128	Mohegan Sun, Foxwoods	Very positive	Nearly half of business is attributable to the casinos. Opened in March, 2009. Presence of casinos was a factor
Seabreeze	Stonington	30	None	Very positive	Half of business on weekends attributed to casinos
Quality Inn	Groton	110	None	Very positive	More than 80 percent of business on weekends attributed to casinos
Marriott Courtyard	Norwich	115	Mohegan Sun	Positive	Casinos responsible for considerable amount of business
Hilltop Inn	North Stonington	139	Foxwoods	Positive	N/A
Red Roof	New London	108		Positive	Casinos account for 20 percent of business
Bellisimo Grande	North Stonington	164	Foxwoods (Weekends)	Very positive	Would not be here if it were not for the positive casinos, accounts for more than half of patrons

Source: Executives at the different hotels

Casinos and tourism share a common bond. Casinos tend to flourish when large numbers of tourists patronize the casino, and tourism is increased because there are major attractions like casinos.¹⁹⁹ The tribal casinos actively promote tourism in their marketing, on their websites and in signage around their buildings.²⁰⁰

Conversely, local hotels also promote the casinos. The Hilltop Hotel in Norwich noted the following on its website, a clear indication that it sees Foxwoods not as a competitor but as a magnet to draw patrons:

“You will be mesmerized by the sights, sounds and excitement of Foxwoods and be happy knowing that it is but a short complimentary shuttle ride away...”

Indeed, the manager at the facility told us that patrons gambling at the casinos can account for more than 70 percent of its clientele during a weekend.

Casinos themselves have extended their reach into non-gaming venues that potentially increase tourism to a region. Foxwoods financially supports the Mystic Aquarium. It helps to

¹⁹⁹Casinos and Tourism, Casino Chronicle, website: <http://casinochronicle.blogspot.com/2008/07/casinos-and-tourism.html> .

²⁰⁰ Interviews with Mohegan Sun and Foxwoods managers, November 2008.

stage a major fireworks display on the Thames River on July 4th, an event that promotes tourism throughout the region.

A number of tourism professionals said the current marketing and promotion budget of the state is inadequate. There is a palpable tension between two conflicting ideas:

- That the casinos are big enough to support marketing efforts for the eastern region without state support.
- That additional state support could increase the impact of casino marketing, a move that would support tourism in the eastern region and for the state as a whole.

The current tourism plan does not mention any particular strategies or tactics to leverage the draw of the two tribal casinos in the state.²⁰¹

The state is perceived as not fully incorporating and leveraging the casinos in its tourism-marketing strategies.²⁰² The strong consensus among those interviewed is that the state does not act as if tourism is one of the major industries in Connecticut (along with aerospace, pharmaceuticals and insurance). The state was without an executive director for the Commission on Culture and Tourism from January 2007 to February 7, 2008 when Karen Senich was appointed to fill the position. She had been serving in an acting capacity since January 2007.²⁰³

Senich said casinos are included in the state's tourism marketing and promotion plan, but acknowledged that the casinos are not emphasized or highlighted in any special fashion.

Furthermore, she said casinos have no formal relationship with the commission. She strives to achieve a "careful balance" in tourist promotion that does not favor one venue or industry.

Mohegan Sun Vice President of Advertising and Public Relations George Galinsky questioned the overall state attitude, which he referred to as: "The casinos are swimming in money and can afford their own aggressive marketing."

Galinsky noted that casinos have been good corporate citizens, yet they are all but invisible on state websites. The state should not use the casinos "as a crutch" for tourism, he said.

At the same time, Galinsky said that he is optimistic that the state is becoming more aware of the importance of tourism, has backed new tourism initiatives ("staycations" during the summer of 2008) and is pleased by recent successes with cruise ships visiting Connecticut ports. He said that he wants to see the casinos play a major role in marketing the state.²⁰⁴

There are, nonetheless, marketing integration and collaboration efforts in the southeastern region between the casinos and other stakeholders. All of the major tourism-related organizations often communicate with each other and work together on many important projects. Foxwoods and Mohegan Sun are both highly involved in planning and supporting tourism outreach, major

²⁰¹ Connecticut Commission on Culture and Tourism, Strategic Plan, 2007-2008.
http://www.cultureandtourism.org/cct/lib/cct/td_smp_exec_sum_0708.pdf#44205.

²⁰² Interviews with various tourism professionals, October-November 2008.

²⁰³ Businesses Call on Governor Rell to Appoint Tourism Commissioner, 01/17/2007, WNPR Connecticut Public Radio.

²⁰⁴ Interview with George Galinsky, Mohegan Sun Vice President of Public Relations and Advertising, November, 2008.

events, tourism websites and related tourism activities. Representatives from both tribal casinos sit on the boards of key tourism organizations in the southeastern region.

For example, at Mystic Coast and Country Travel Industry Association Inc., a private-sector destination marketing organization, casino representatives are among 20 members on the board of directors. Casino officials are also actively involved in such groups as the Mystic Coast and Country, the regional tourism district and the Greater Mystic and Eastern Connecticut Chambers of Commerce.

Mystic Country 2008, a travel guide produced by a joint venture between Mystic Coast and Country and Mystic Country/CONNECTicut, listed the following hotels as providing shuttles to the casinos:

Comfort Inn Mystic, Holiday Inn New London, Residence Inn by Marriott Mystic and the Mystic Marriott Hotel and Spa.

The 2008-2009 Mystic Discovery Guide, published by the Greater Mystic Chamber of Commerce, listed these additional hotels that provide shuttle service to the casinos:

Best Western Mystic, Days Inn of Mystic, Howard Johnson Mystic (weekends only), Hyatt Place Mystic, Springfield Suites by Marriott, Whitehall Mansion, Mystic.

The arrangement is an example of businesses working together to foster tourism. The hotels pick up business they otherwise might never have obtained, and likewise for the casinos.

One of the most important “voices” in southeastern Connecticut relative to tourism and economic development is Joyce Olson Resnikoff, a co-owner of Olde Mistick Village, a retail establishment involving over 60 shops and restaurants in an 18th Century setting. She is a strong believer and supporter of regional tourism and describes the casinos as a major source of tourism in the Mystic area.

Early on, Resnikoff recognized the town-by-town approach to tourism as having too many built-in conflicts and pushed for the creation of Mystic Coast and Country as a private tourism agency involving the casinos and many other Mystic-area tourist attractions. She described the casinos as very good neighbors who bring many people to the area. She believes gamblers find their way to Mystic and its attractions.

Unfortunately, no hard data exists to validate these perceptions; Resnikoff agreed there is a need for a future survey to discover the actual frequency of casino patrons visiting the Mystic area and other attractions. She is in favor of developing “tourist packages” that include visits to the casinos and the Mystic area.

John Chapman, vice president of marketing and administration for Mohegan Sun, noted that much of its marketing is designed to promote area tourist attractions. As a destination resort, the Mohegan Sun truly desires the surrounding region to thrive, he noted.

Another key stakeholder in southeastern Connecticut tourism is the Chamber of Commerce of Eastern Connecticut. Chamber President Tony Sheridan views the casinos as strong tourism catalysts offering “world class” facilities, yet he believes that the area could do a much better marketing job. He spoke of 1.5 million ferry visitors to the area and another 500,000 arriving via train and buses – but asked, “Are we marketing to them?” He suggested a DVD for the ferries that would carry a tourism message about Connecticut. He feels there are many other opportunities to get the word out and capture more visits to the Mystic region.

Tricia Cunningham, executive director of the Greater Mystic Chamber of Commerce, called the casinos “critical tourism stimulators.” She described a mixed picture of their impact on tourism and the Mystic area. She noted the building of new hotels but added that there has been a loss of bed-and-breakfast facilities.

Cunningham pointed to the support of the casinos in and around Mystic to art festivals and “tastings,” but senses that their natural interest is in building their own customer base. She would like to see more support of the Mystic area from the casinos, noting that she believes the local hotels push Mystic more than the casinos do. She said that she would like to see the state invest more in advertising and more public/private partnerships.

Contributions to the General Fund

State and local officials in Connecticut have relied for years on Indian gaming revenue to help fund governmental operations. The slot royalties totaled \$30 million in FY 1993, the year the Mashantucket Pequots first put slot machines onto the floor of their Foxwoods casino. In FY 2008, the figure mushroomed to \$411.4 million, thanks to expansions at Foxwoods and the opening in 1996 of a second Indian casino, Mohegan Sun, which also makes a 25 percent contribution on its gross slot revenue.²⁰⁵

To put the amount in context, the state’s corporate income tax generates \$750 million in revenue. The Mashantucket Pequot And Mohegan Fund, consisting of just two entities, generates about 60 percent of what the corporate income tax does. Casino revenue was the fifth-highest source of revenue for Connecticut in FY 2007.

As of August 2008, the total take for Connecticut taxpayers from all gambling revenues (casinos, lottery, pari-mutuels, and charitable gaming) during the past 15 years was more than \$4.7 billion, a figure split between state government and municipalities.²⁰⁶

The casino revenue split between the state and Connecticut municipalities was initially tilted in favor of municipalities. In 1994, for example, nearly 80 percent of the \$113 million collected went to the municipalities. Just two years later, the split was two thirds state, one third municipalities. Since then, the state has continued to keep more and more of the pie. The state’s share in FY 2008 was nearly 80 percent.²⁰⁷

The dollar amount flowing into the state’s General Fund has increased from \$24 million in FY 1994 to \$340 million in FY 2007, a more than 13-fold increase.²⁰⁸ By comparison, the state’s municipalities have seen their take stay relatively constant. In FY 2007, the municipalities split \$86.3 million, \$2 million less than they received in 1994. The amount of money set aside for Connecticut municipalities is approved each year by the General Assembly.²⁰⁹

²⁰⁵ Connecticut Division of Special Revenue.

²⁰⁶ Division of Special Revenue.

²⁰⁷ Ibid.

²⁰⁸ Ibid.

²⁰⁹ General Assembly Office of Fiscal Analysis.

Figure 67: Distribution of Gaming Revenue to the General Fund and to Municipalities

Figures are in millions

Fiscal Year	Gaming Revenue	Payments to Municipalities	% Paid to Municipalities	General Fund Payment	% Paid to General Fund
1993	\$30.0	-	0.0%	\$30.0	100.0%
1994	\$113.0	\$88.3	78.0%	\$24.7	21.8%
1995	\$135.7	\$85.0	63.0%	\$50.7	37.4%
1996	\$148.7	\$85.0	57.0%	\$63.7	42.8%
1997	\$203.6	\$85.0	42.0%	\$118.6	58.3%
1998	\$257.6	\$135.0	52.0%	\$122.6	47.6%
1999	\$288.5	\$135.0	47.0%	\$153.5	53.2%
2000	\$319.0	\$135.0	42.0%	\$184.0	57.7%
2001	\$332.4	\$130.4	41.0%	\$197.4	59.4%
2002	\$368.9	\$135.0	37.0%	\$233.9	63.4%
2003	\$387.3	\$106.0	27.0%	\$281.3	72.6%
2004	\$402.5	\$85.0	21.0%	\$317.5	78.9%
2005	\$417.8	\$85.0	20.0%	\$345.0	80.2%
2006	\$427.5	\$86.3	20.2%	\$341.3	79.8%
2007	\$430.0	\$86.3	20.1%	\$343.8	79.9%
2008	\$411.4	\$86.3	21.0%	\$325.2	79.0%
Est.2009	\$386.7	\$86.3	22.3%	\$300.5	77.7%

Source: Connecticut General Assembly, Office of Fiscal Analysis

Adopted Revenue Estimate was \$449 million but income has deteriorated and was re-estimated at \$387 million as of September 2008.

For FY 2007, grants were enhanced by \$4.8 million from FY 2005 anticipated surplus funds. Additionally for FY 2008 & FY 2009, grants were enhanced by an additional \$7 million each year from FY 2007 anticipated surplus

Contributions to Municipalities

By the end of the 2009 fiscal year, Connecticut municipalities will have split more than \$1.6 billion since Foxwoods began slot operations in 1993.²¹⁰ Both tribes pay property taxes to area municipalities on land they own that is not on their reservations. In Ledyard, the figure was more than \$1 million in 2009 along with another \$28,000 in personal property tax. The Mohegan Tribe-affiliated MTIC Acquisitions is the second largest taxpayer in Montville.²¹¹ In North Stonington, the Lake of Isles Golf Course, owned by Foxwoods, is that town's largest taxpayer, accounting for nearly 4 percent of North Stonington's ratable base. The course is assessed at \$20.1 million²¹²

The amount each town receives from the 25 percent slot contribution varies widely based on a complicated formula that results in most of the money going to the state's three largest municipalities – New Haven, Hartford and Bridgeport. Those three municipalities receive nearly one-third of all the casino revenues distributed to municipalities.

²¹⁰ General Assembly, Office of Fiscal Analysis.

²¹¹ Montville Tax Office.

²¹² North Stonington, Connecticut Economic Resource Center, Town Profile, 2008.

The formula is based in part on the amount of state-owned property in a town and whether a town has hospitals or private colleges in it. Such property is tax exempt, and the state distributions are meant to offset the loss of the tax-exempt property. Also taken into account are property values, per-capita income and population.²¹³

New Haven received the most of any town in FY 2007 – more than \$10.6 million. The casino revenues funded nearly 2 percent of New Haven’s overall budget.²¹⁴ New Haven, like other municipalities, relies heavily on the fund to pay for municipal and school operations.²¹⁵ Five years earlier, New Haven received \$17 million from the fund, enough to pay for nearly 5 percent of its total budget.

As previously noted, the state’s municipalities receive much less now than they did in FY 2002 despite a sharp rise in overall casino revenues. The reduction has “the direct effect of increasing local property taxes.”²¹⁶

The biggest reduction was in FY 2003, when the amount for municipalities was slashed from \$135 million to \$106 million. The figure has never recovered to its 2003 level. When then-Governor Weicker signed the agreement permitting slot machines at Foxwoods, the *New York Times* reported that all of the money would be used to aid “troubled cities and towns,” adding the money was “earmarked for municipalities.”²¹⁷ But the state has siphoned off more and more of the slot contribution to pay for state operations. In 1993, 100 percent of the money went to municipalities. The figure was 78 percent in 1994. In FY 2009, the figure is expected to be 20 percent.

The Connecticut Conference of Municipalities (“CCM”) argues that it is time to “reverse the downward trend for municipalities.” It wants future increases to be dedicated to the municipalities until the share is restored to the 78 percent level of 1994. Fairly distributing the revenue is “one important way to provide property tax relief,” according to CCM.

Many area legislators, including Representative Thomas Reynolds, D-42 , have called for setting aside a portion of the increase in the Mashantucket Pequot And Mohegan Fund into a regional fund administered by the Southeastern Connecticut Council of Governments (“SCCOG”). Reynolds sponsored such a bill, but there was not enough support in the General Assembly to enact it into law.²¹⁸

Reynolds argued that the state had an opportunity to make Indian gaming “a win-win” situation for all parties. Instead, the perimeter municipalities were left to deal on their own with casino-related impacts.

Eventually, Reynolds and others were able to convince the General Assembly to provide additional funding for five municipalities – Ledyard, Montville, Preston, North Stonington and Norwich. The aid has been increased over the years for each of those municipalities to its current

²¹³ Office of Policy and Management, Intergovernmental Policy Division .

²¹⁴ New Haven municipal budgets.

²¹⁵ Rebecca Bombero, Management and Policy Analyst, New Haven.

²¹⁶ Connecticut Conference of Municipalities, *The decline in non-education state aid to municipalities.*

²¹⁷ Kirk Johnson, “A Slot Machine Parlay; Weicker and Indian Tribe Make a Big Bet,” *New York Times*, January 14, 1993.

²¹⁸ Rep. Thomas Reynolds, D-42, General Assembly Bill 764, 2001 session.

level of an additional \$750,000 on top of the regular Mashantucket Pequot And Mohegan Fund grant.²¹⁹ Despite the increase, local officials argue the figure is still not sufficient to cover all of the casino-related impacts.

New Haven budget analyst Rebecca Bombero recognizes the need to compensate the perimeter municipalities. She said their concerns and those of urban areas could be fully addressed if the funding ratio for the municipalities was increased to its 1994 level. New Haven would receive an additional \$27 million if that occurred.²²⁰

Other New London County municipalities, not as close to the casinos, have seen significant reductions in distributions since 1994: New London, from \$4 million to \$2.6 million; Groton, from \$3 million to \$2 million and Waterford, from \$190,000 to \$92,000.²²¹

The following table examines the distributions in 2007 from different perspectives. For a complete listing, see the Appendix.

Figure 68: Distribution of Gaming Revenue, Ranked by Amount Received

Town	Amount	Percent of total	Miles from Mohegan Sun (Montville)	Per-capita payment
New Haven	\$10,619,837	12%	51	\$86
Hartford	\$9,900,322	11%	39	\$79
Bridgeport	\$9,567,311	11%	68	\$70
Waterbury	\$4,713,130	5%	57	\$44
New Britain	\$3,546,406	4%	44	\$50
Cheshire	\$2,742,895	3%	49	\$95
New London	\$2,690,543	3%	8	\$95
Norwich	\$2,523,760	3%	8	\$69
Montville	\$2,482,677	3%	0	\$126
Suffield	\$2,465,268	3%	51	\$163

Source: Division of Special Revenue, US Census 2007, Spectrum research

²¹⁹ General Assembly Bill, 05-3, Section 42.

²²⁰ New Haven's Office of Management & Budget.

²²¹ Connecticut Division of Special Revenue.

Figure 69: Distribution of Gaming Revenue, Ranked by Per-Capita Payment

Town	Per-capita payment	Amount	Percent of total
Preston	\$266	\$1,304,991	1.44%
Somers	\$174	\$1,886,563	2.07%
North Stonington	\$169	\$879,945	0.97%
Suffield	\$163	\$2,465,268	2.71%
West Haven	\$129	\$854,138	0.94%
Montville	\$126	\$2,482,677	2.73%
Cheshire	\$95	\$2,742,895	3.02%
New London	\$95	\$2,690,543	2.96%
New Haven	\$86	\$10,619,837	11.68%
Hartford	\$79	\$9,900,322	10.89%

Source: Division of Special Revenue, Spectrum research

Figure 70: Distribution of Gaming Revenue, Ranked by Miles from Casino

Town	Amount	Percent of total	Miles from Mohegan Sun (Montville)
Montville	\$2,482,677	2.7%	0
Norwich	\$2,523,760	2.8%	8
New London	\$2,690,543	3.0%	8
Salem	\$39,323	0.0%	9
Bozrah	\$30,977	0.0%	10
Groton	\$2,070,289	2.3%	10
East Lyme	\$494,116	0.5%	10
Waterford	\$87,177	0.1%	11
Ledyard	\$1,020,922	1.1%	13
Preston	\$1,304,991	1.4%	13

Source: Division of Special Revenue, Spectrum research

Regulatory Costs

The agreements with the Indian tribes call for casinos to pay for “reasonable and necessary” regulatory costs. At issue is whether the state can recover indirect costs.

State Attorney General Richard Blumenthal issued an opinion in 1998 that said the state could and should recover all of its indirect costs.²²² Blumenthal concluded that “proper and accepted accounting practices” require that indirect costs be calculated. Blumenthal made reference to a federal Office of Management Budget Circular, A-87, that he contends permits state agencies to collect indirect costs. Such circulars provide guidelines to state and local governments as to how expenses and costs should be calculated.

²²² Formal Opinion, 1998-015.

A year later, the Mashantucket Pequot Tribal Nation sued the state, alleging that its regulatory assessment “was far in excess of costs that are reasonable and necessary.” In 2001, the suit was withdrawn after the state agreed to accept a portion of what it claimed it was owed. Each year since then, the state has not collected all of its indirect costs.²²³

At our request, the Office of Policy and Management provided us with budget data for the Connecticut regulatory agencies from the 2004 to 2008 fiscal years. It shows that the state sustained deficits totaling nearly \$16 million – \$8.6 million at Mohegan Sun and \$7.3 million at Foxwoods.²²⁴

Connecticut collected just 60 percent of its indirect costs in FY 2008. The overall state agency deficits totaled more than \$2.5 million. The state agencies involved include the Department of Public Safety, which provides police protection; the Division of Special Revenue, which licenses applicants and oversees gaming operations along with the tribal gaming commissions, and the Department of Consumer Protection, which monitors the sale of alcohol. DOSR sustained a deficit of \$1.1 million, Public Safety \$991,000, and Consumer Protection \$484,000.²²⁵

The state has made an effort collect more of its indirect costs. In FY 2009, the state raised Foxwoods’ assessment to \$6.7 million, a 16 percent increase. That is four times the increase from the previous year. The assessment for Mohegan Sun was set at \$6.2 million, an increase of nearly 20 percent.

The state’s Office of Policy and Management (“OPM”), which negotiates the assessments, expects the double-digit increases for the current fiscal year to further lower the deficits, but a spokesman acknowledged that the agency won’t know until June 2009 how much of a deficit, if any, the state will incur.

OPM has budgeted little in the way of overtime. Should the agencies incur significant amounts of overtime as they have in the past, the state will most likely experience another large regulatory deficit.²²⁶

With significant expansions at both casinos, there is much more gaming space to oversee. DOSR requested a budget of \$2.9 million for the current fiscal year; it received just \$2.4 million, putting it in the likely position of experiencing another hefty deficit.²²⁷

The table below shows the deficits that the state has incurred since the 2004 fiscal year. In other words, the amount paid by the casinos was not enough to cover all state expenses once indirect costs were factored in.

²²³ Office of Policy and Management budget data.

²²⁴ Ibid.

²²⁵ Ibid.

²²⁶ Interview with OPM official.

²²⁷ Division of Special Revenue budget figures for FY 2009.

Figure 71: Foxwoods Regulatory Deficits by Fiscal Years

	Regulatory assessment	Percent change in assessment	Deficit
2004	\$4,655,512		(1,487,690)
2005	\$4,795,178	3%	(1,773,179)
2006	\$5,034,936	5%	(1,866,071)
2007	\$5,236,335	4%	(1,260,432)
2008	\$5,759,967	10%	(929,256)
2009*	\$6,700,000	16%	
2010*	\$7,035,000	5%	
2011*	\$7,316,400	4%	
Total Deficit	(2004-2008)		(7,316,627)

Source: Office of Policy and Management

*Projections

Figure 72: Mohegan Sun Regulatory Deficits by Fiscal Years

	Regulatory assessment	Percent change in assessment	Deficit
2004	\$4,203,822		(1,187,696)
2005	\$4,329,937	3%	(1,658,111)
2006	\$4,546,437	5%	(2,392,826)
2007	\$4,728,294	4%	(1,923,124)
2008	\$5,201,124	10%	(1,432,993)
2009*	\$6,200,000	19%	
2010*	\$6,510,000	5%	
2011*	\$6,770,400	4%	
Total Deficit	(2004-2008)		(8,594,750)

Sources: Connecticut Department of Revenue Services, Office of Policy and Management

*Projections

Crime: Embezzlements

Long ago, Connecticut struggled to cope with gambling-related embezzlements. We came across a November 13, 1855, *New York Times* letter to the editor from a Hartford resident who complained about the prevalence of gambling. J.H. Green described a young merchant who lost everything at a gambling club. The merchant gambled with money owed to creditors and forged the names of relatives on checks to feed his addiction. The results were “frightful,” he told the newspaper.

Gambling-related embezzlements continue to be such a problem in southeastern Connecticut that a newspaper columnist in 2007 called the region the “embezzlement capital of the world.”²²⁸ Connecticut has been hit with a rash of them, both in the private and public sectors, with much of the stolen money used to feed a gambling habit. Police made 43

²²⁸ New London Day, July 20, 2007, David Collins.

embezzlement arrests in Connecticut in 1991, the year before the first Indian casino opened. In 2007, there were 214 such arrests, an all-time high.²²⁹

The FBI defines embezzlement as “the misappropriation or misapplication of money or property entrusted to one’s care, custody or control.”

No other state that reported 40 or more embezzlements in 1992 has had a higher percentage increase than Connecticut’s 397 percent rise from that year to 2005. The state’s increase is nearly 10 times that of the national average. Nevada’s increase was 23 percent for the same period of time. Another casino state, New Jersey, actually saw its embezzlements drop from 120 to 80 during the same time period.²³⁰

To prevent a one-year aberration, we analyzed embezzlements over a number of years before and after the casinos opened. In the seven years before casinos, the average number of embezzlements was 49. In the first seven years after Foxwoods opened, the figure doubled to 99. And in the nine-year period from 1999 to 2007, it was 176.²³¹

Figure 73: Number of Embezzlement Arrests in Connecticut

Number of Arrests	
1985	28
1986	47
1987	30
1988	70
1989	81
1990	40
1991	47
*1992	47
1993	63
1994	95
1995	102
1996	117
1997	124
1998	142
1999	120
2000	136
2001	191
2002	204
2003	199
2004	166
2005	192
2006	165
2007	214

Source: “Crime in the United States” (FBI), Connecticut Uniform Crime Reports (State Police) *Foxwoods opened on February 15, 1992. In January 1993, it began slot operations.

²²⁹ FBI, Crime in the United States; Uniform Crime Report, Connecticut State Police.

²³⁰ Ibid.

²³¹ Ibid.

The FBI and state crime reports do not indicate how many of the embezzlements were casino- or gambling-related, but our research and discussions with law enforcement personnel indicate that many of those who stole from their employer used either part or all of the money to gamble at the two Indian casinos.²³²

Former PGS Director Chris Armentano noted that the crime reports don't capture all of the embezzlements.

"There were a lot where the company declined to press criminal charges because the employer wanted to avoid negative publicity. In addition, family members also often refuse to go to the police," he noted.

Clinicians at United Community & Family Services, a site that provides treatment for problem gamblers through the state's Bettor Choice program in southeastern Connecticut, identified 36 clients in the fiscal year ending June 30, 2008, who stole money to feed their gambling habit. Only seven were criminally charged. The amounts stolen varied, but in each case, they involved a minimum of several thousand dollars. Two clients each stole more than \$150,000.²³³

The embezzlements come with a heavy price tag. Embezzlers often face stiff prison terms. Their lives, and the lives of their families, are ruined. The businesses they leave behind often go bankrupt.

On August 3, 2007, three defendants appeared before Superior Court Judge Susan Handy to plead guilty to embezzlement charges that had a casino connection. The judge noted that she had seen far too many of these cases. She said there was a "template" for the defendants:

Female, typically middle-aged and older, who, up until now, had lived exemplary an life.

²³² Court records, research, interviews with law enforcement agencies.

²³³ Interviews with United Community & Family Services, Norwich, November 2008.

Figure 74: Notable Embezzlements Involving Area Employers

Embezzlements in which perpetrators gambled in Connecticut casinos with all or part of the stolen money*

Year	Position	Amount	Embezzlement Victim
1997	Rocky Hill financial advisor	\$ 1,000,000	Clients
1997	Chief financial officer	\$10,000	Town of Darien
1998	Bookkeeper	\$ 300,000	Cross Sound Ferry Co. in New London
1998	Tax collector	\$ 105,000	Town of Sprague
1999	Norwalk investment advisor	\$ 1,400,000	Clients
1999	Employee	\$ 200,000	State Department of Social Services
1999	Chief financial officer	\$ 146,746	Norwich car dealership
2000	Tax collector	\$ 300,000	Town of Ledyard
2000	Bookkeeper	\$ 202,605	Groton law firm
2001	Bookkeeper	\$ 330,000	Glastonbury medical office
2001	Bookkeeper	\$91,000	Bushnell tavern
2001	General manager	\$60,000	Milford bowling alley
2003	Administrator	\$ 240,000	City of Providence, RI
2003	Fitness club counselor	\$48,400	Fitness club in Waterford
2003	Postmaster	\$16,697	Niantic Post Office
2004	Payroll clerk	\$ 153,000	Vernon Board of Education
2004	Financial secretary	\$ 138,000	Paper, Allied-Industrial, Chemical and Energy Workers Union Local 745
2004	Paralegal	\$ 100,000	Law firm clients who had their veteran benefits and social security payments stolen
2005	Bookkeeper	\$ 688,000	West Hartford law firm
2005	Lawyer	\$ 600,000	Clients of Middletown firm
2005	Accountant	\$ 257,000	Stonington Finance Office
2006	Wallingford lawyer	\$ 150,000	99-year old woman living in a nursing home who had given the lawyer power of attorney
2006	Bookkeeper	\$ 130,000	Westbrook marine company
2006	Nurse	\$94,000	Pendleton nursing home
2006	Nurse	\$75,000	Quadriplegic patient from Old Lyme
2007	General manager	\$ 300,000	Colchester car dealership*
2007	Bank teller supervisor	\$ 278,000	Bank in West Hartford
2007	Gatekeeper	\$40,000	Colchester municipal transfer station
2007	Assistant manager	\$29,000	Norwich marina
2007	Church worker	\$10,000	Stonington church
2008	Police officer	\$19,000	Manchester Police youth programs
Total		\$ 7,511,448	

*Nine other defendants were involved

Source: Spectrum Gaming Group research

Patricia Devendorf is the coordinator of the Bettor Choice program at the Wheeler Clinic in Hartford. Devendorf said 15 years ago, there were very few problem gamblers in treatment who committed criminal acts. The number over the years has increased significantly, she noted.

From 2001 to 2004, clinicians associated with Bettor Choice treated 55 pathological gamblers throughout the state that committed criminal offenses. Embezzled or stolen money

totaled nearly \$8 million from 2001 to 2004. In most instances, the stolen money was used to gamble at the casinos, but some involved the lottery. The thefts ranged from a few hundred dollars to more than \$3 million. Devendorf said that confidentiality regulations prevented her from releasing any information that might identify those who committed the thefts.²³⁴

Spectrum met with a group of significant others who were receiving counseling help from a Bettor Choice clinician. One of the participants was a woman whose husband had lost more than \$50,000 on lottery tickets. Some of that money, she said, was stolen from his employer.

Clinicians at the Wheeler Clinic are involved in programs to counsel inmates in federal and state prisons with gambling problems. One such state program is offered at the York Correctional Institution in Niantic, a prison for women. Prison officials asked the clinicians to counsel the women in the hope that they would avoid gambling when they were released. A Department of Corrections spokesman said the prison is “winding up with a lot of women gamblers.”²³⁵

One inmate explained that her gambling addiction resulted in her stealing from her non-profit employer to buy lottery scratch tickets. She spent more than a \$100 a day, burying her losing tickets in a backyard. Another lost her marriage of 36 years after she was caught stealing checks to finance her gambling. She now works as a counselor for the Wheeler Clinic.²³⁶

No one knows better than Lawrence Tytla that embezzlements have been on the rise. He is the Supervisory Assistant State’s Attorney for New London County. Tytla first started with the office in 1988. The motive then, he noted, for embezzlements was to feed a drug habit; today it is to feed a gambling habit.

The first thing police do when they investigate embezzlement is to check with the casinos to see if the suspect has been a patron. Invariably, the answer is yes, according to Tytla.²³⁷ He said he spends roughly one-quarter of his time prosecuting casino-related embezzlements. It would be much higher, he explained, except for the fact that many of the cases never go to trial as defendants routinely enter into a plea bargain.

Norwich police estimate that its special investigations unit spends more than 100 hours per year investigating casino-related embezzlements.²³⁸

Kevin O’Connor was the state’s US Attorney from 2002 to April 2007 when he resigned to become chief of staff for the US Attorney General. O’Connor said he noticed a spike in embezzlements shortly after he took office.²³⁹ “The FBI is spending a considerable amount of time on these cases,” O’Connor said, noting he became so concerned over the number of cases that he instructed his press officer to indicate in press releases whether gambling played a role in the embezzlement.

²³⁴ Connecticut Division of Problem Gambling Services.

²³⁵ Rick Green, *Hartford Courant*, “Prison Program Explores Gambling Dark’s Heart, May 26, 2009.

²³⁶ Ibid.

²³⁷ Interview, July 22, 2008.

²³⁸ Testimony before the General Assembly’s Joint Appropriations Committee, April 16, 2005.

²³⁹ Interview July 30, 2008.

One of the more high-profile cases O'Connor prosecuted involved former Middletown Mayor Stephen Gionfriddo, a lawyer who defrauded his clients. Prosecutors allege he embezzled more than \$600,000. His lawyer said a "gambling addiction" was at the root of his problem. He began juggling credit cards, and then to cover his debts, he began stealing client funds. He stole from neighbors, friends and even his family.²⁴⁰

Another casino-related embezzlement involved a Wallingford lawyer who stole from several clients to finance his gambling habit. According to court documents, the lawyer lost nearly \$900,000 during a six-year period ending in June 2007.

"It wasn't just embezzlements," O'Connor said of the casino-related crime that was prosecuted on the federal level. "It was fraud, bank robberies and thefts as well. And over and over, we would learn that they were done to feed a gambling habit."

Some of those non-embezzlement crimes included a Massachusetts woman, who was losing up to \$3,000 a week at Foxwoods. She robbed three banks in Brookline, Massachusetts in 2001.²⁴¹

A New Haven man, who had never before been criminally charged, walked into a high-stakes gambling area at Foxwoods, armed with a handgun. He ordered three employees to the floor, stealing nearly \$200,000 worth of gambling chips. He had lost \$164,000 gambling at the two casinos between 2000 and 2002.²⁴²

Tytla said he is stunned by the type of people committing the embezzlements in southeastern Connecticut. "These are people that almost always never had a criminal record," he noted. "They are upstanding citizens who gained the trust of their employers, who never suspected that they could have been victimized this way. They think they are the only ones this has happened to. What's astonishing is the magnitude of the embezzlements and how long they go undetected."

The victimized public agencies spent more than \$100,000 to audit their records and paid thousands more on legal and insurance fees.²⁴³

Two professors at Providence College analyzed 16 high-profile, gambling-related embezzlements in New London County. They called for a system of checks and balances that would include segregating cash and check-handling functions as well as fraud awareness training.²⁴⁴ Their research report pointed out that management and auditors for the organizations involved did not uncover the frauds in a timely manner, even though they took place over a number of years. Such steps would make it more difficult for embezzlements to occur.²⁴⁵

In North Stonington, public officials have adopted special measures to minimize the possibility of embezzlements. The auditor, though, collects an extra \$10,000 to oversee

²⁴⁰ Gionfriddo's lawyer during Gionfriddo's sentencing June 22, 2006. (Hartford Courant).

²⁴¹ The Day, "Female gambler allegedly turns to robbery to cover her losses," January 5, 2002.

²⁴² The Day, "Robbert suspect had lost \$164,000 at area casinos," May 10, 2002.

²⁴³ Interviews with area public officials.

²⁴⁴ Casino Gambling and Workplace Fraud-A Cautionary Tale for Managers, Patrick Kelly and Carol Hartley.

²⁴⁵ Ibid.

extraordinary internal controls that include special checks on public employees who handle money.²⁴⁶

As recently as December 18, 2008, a Manchester police sergeant was arraigned on charges that she stole \$19,000 from police department youth programs to gamble at the two Indian casinos.²⁴⁷ The thefts involved a police explorer unit and a program to help parents purchase child-safety seats. Police allege the sergeant lost \$205,000 at Mohegan Sun and \$37,000 at Foxwoods since 2001.

Connecticut judges, like most of those throughout the country, often send gambling-related embezzlers to jail. But in Erie County in New York State, there is another option for such gamblers: Gambling Court. Judge Mark Farrell runs the country's only gambling court there. It operates similar to drug courts. Defendants, some of whom are gamblers charged with embezzlement, apply for admission. If they are accepted and if they complete the program under Farrell's supervision, they can avoid jail time. They must agree to counseling sessions, credit checks and twice-monthly meetings with the judge.²⁴⁸

At any given time, 35-to-40 people are enrolled in Farrell's gambling court. A problem gambler must go through up to 12 weeks of therapy. A pathological gambler must agree to treatment for a year. Trained clinicians assess the extent of the gambling problem. The numbers are fairly small, but of the 80 defendants that have completed the program, only two have been rearrested.²⁴⁹ Farrell has been meeting with other jurisdictions to explain the program. New Mexico is expected to soon begin a diversion program for problem gamblers. So, too, is Oregon.

Suspicious Activity Reports for Casinos

A law enforcement tool to monitor illegal activity at casinos is the filing of Suspicious Activity Reports for Casinos ("SAR-Cs") with the US Department of Treasury.

The federal law requiring the filing of such reports is largely designed to prevent money-laundering. There are a number of situations that can trigger a SARC filing. One of them involves a patron who may be using stolen money to gamble. Very few such reports have been filed in Connecticut.

The law applied to casinos outside of Nevada as of March 25, 2003, but prior to that date, the non-Nevada casinos were urged to voluntarily comply.²⁵⁰

Casinos were included in the law because regulators recognized "casino employees who monitor customer gaming activity or conduct transactions with customers are in a unique position to recognize transactions and activities that appear to have no legitimate purpose."²⁵¹

Treasury officials noted that casinos "routinely obtain a great deal of information about their customers through deposit, credit, check cashing, player rating and slot club accounts.

²⁴⁶ Interview with First Selectman Nick Mullane.

²⁴⁷ Hartford Courant, December 18, 2008.

²⁴⁸ Interview with Judge Mark Farrell of Erie County, New York, December 29, 2008.

²⁴⁹ Ibid.

²⁵⁰ Financial Crimes Enforcement Network, Guidance FIN-2008-G007.

²⁵¹ Financial Crimes Enforcement Network, Section 3, Form 102, Exhibit 1.

These accounts generally require casinos to obtain basic identification information about the accountholders and to inquire about the kinds of wagering activities in which the customer is likely to engage.”

The Financial Crimes Enforcement Network (“FinCEN”) administers the program. From 1996 through June 30, 2008, Connecticut casinos filed two embezzlement-related reports. Both were in 2005, which means that not one report was filed for the other 11 years. Nationwide, during that time period, a total of 191 such SAR-Cs were filed. The following are totals for other major casino states:

- Nevada, 60
- California, 16
- Missouri, 13
- New Jersey, 12
- Indiana, 11
- Iowa, 10
- Oklahoma, 10
- Michigan, 9
- Mississippi, 9²⁵²

In meeting with families of pathological gamblers, one theme was apparent: The two Connecticut casinos should have known, based on personal information players supplied, that some gamblers were gambling way over their means.

Former PGS Director Chris Armentano said Foxwoods and Mohegan Sun have always been reluctant to suggest to a problem gambler that he or she should stop and seek counseling. “In all my years as director, I never recall it happening,” he said.

One of the cases that could have presumably resulted in a SAR-C report involved the former Ledyard tax collector, Yvonne Bell. She had an annual salary of less than \$60,000. She took cash payments from taxpayers, and then adjusted payment records to conceal the thefts. She stole more than \$300,000 but “all told, including her own money, the town’s and her substantial winnings, she lost more than \$2 million at the two Indian casinos” from 1997 to 2000.²⁵³

During the period when reporting was voluntary (October 1, 1997-March 25, 2003), the two Indian casinos filed few SAR-Cs involving anything. From 1997 to 2002, the casinos filed just 42 reports. Nationwide, casinos filed a total of nearly 5,000.

Once the law became mandatory, reports spiked. In 2003, filings increased to 129. In 2007, an all-time high of 624 were filed. Only Louisiana, Nevada and New Jersey filed more.

Casinos that fail to file SAR-Cs or develop a detailed reporting program run the risk of steep fines. Light House Point Casino in Mississippi, for example, was fined \$350,000 for failing to file SAR-Cs in 2003.

Case Study: New Jersey Division of Gaming Enforcement

²⁵² Financial Crimes Enforcement Network, SAR-Cs by type of suspicious activity, Section 3, Exhibit 8.

²⁵³ “From the Slots to Jail,” *theday.com*, <http://archive.theday.com/re.aspx?re=1253e8f0-7345-4e32-b441-25caed76517a>, June 10, 2001.

New Jersey required its casinos to file SAR-Cs in 2000, three years before the federal law took effect. The reports went to the state Division of Gaming Enforcement (“DGE”). The practice continues today even though the reports are also filed with FinCEN.

New Jersey casinos consistently lead the country in filings. From August 1, 1996, to June 30, 1998, the casinos filed more than 13,000 SAR-Cs, accounting for nearly a third of all the filings in the country.²⁵⁴ The DGE, if appropriate, refers reports to the State Police for investigation. During a four-year period ending September 2004, about 10 percent of the filings were referred out for investigation.²⁵⁵ Some resulted in criminal prosecutions. Others cut off the embezzlement amount from getting higher than it might have been had the report never been filed.²⁵⁶ Most casino gambling states, including Connecticut, do not provide state agencies with SAR-C reports.

DGE spokesman Peter Aseltine called the reports valuable law enforcement tools. They have generated or assisted in approximately 30 active or resolved cases involving crimes of money laundering, tax evasion, drug dealing, theft and financial fraud.

“Additional cases may have been generated on the federal level as a result of our referral of reports to the White Collar Crime Task Force, which includes the FBI and the Joint Terrorism Task Force (which includes the IRS),” he said. According to Aseltine, state auditors constantly review casino activity to determine if a SAR-C should have been filed. In 2007, Atlantic City, New Jersey casinos filed nearly 2,300 SAR-Cs, an all-time high for any state. Through June 2008, nearly 1,400 were filed.

Figure 75: Most SAR-C Filings, by State, August 1, 1996 to June 30, 2008

Rank	State/Territory	Filings (Overall)	Percent (of total filings)
1	New Jersey	13,461	30.37%
2	Nevada	7,343	16.57%
3	Mississippi	2,606	5.88%
4	Louisiana	2,553	5.76%
5	Connecticut	2,260	5.10%
6	California	2,235	5.04%
7	Indiana	2,123	4.79%
8	Illinois	1,922	4.34%
9	Oklahoma	1,747	3.94%
10	Michigan	1,525	3.44%

Source: US Financial Crimes Enforcement Network

²⁵⁴ Suspicious Activity Reports For Casinos, Financial Crime Enforcement Network or FinCEN June 30, 2008.

²⁵⁵ 2005 DGE Annual Report, DGE interview November 14, 2008.

²⁵⁶ Interviews with New Jersey Division of Gaming Enforcement.

Focus Groups

In addition to the survey of more than 3,000 Connecticut residents, Spectrum also retained JM Leahy & Associates to conduct four separate focus-group sessions in June and August of 2008 to gauge gambling impacts.

The focus groups assisted Spectrum Gaming in structuring its study to address certain topics such as the impact of gambling on the lives of problem gamblers and whether casino gambling has been beneficial for Connecticut. Questions from our telephone survey were based, in part, on answers from focus group participants.

Sessions were held:

- June 3, 2008, Norwich: Non-casino gamblers living within a 10-mile radius of the casinos
- June 3, 2008, Norwich: Casino gamblers living within a 10-mile radius of the casinos who frequented the casinos three or more times within the past 12 months
- June 4, 2008, Farmington/Hartford: Gamblers who frequented casinos and participated in other forms of gambling as well
- August 7, 2008, Farmington/Hartford: Problem gamblers recruited by Problem Gambling Services.

The goal set for the first two groups was to detect differences in perception between those who went to the casinos and those who did not. The goal set for the third group in the Hartford area was to gain insight on the impacts of legalized gambling on residents farther away from the casinos. Questions for the fourth focus group, the problem gamblers, were designed to elicit their perceptions regarding the impact of legalized gambling on their gambling addiction.

The Norwich casino gamblers group indicated it was very much aware of the prevalence of problem gambling. Participants said help is available and readily offered through GA, Gam-A-Non and the 2-1-1 Helpline. The proximity of the casinos was viewed as making it easier to gamble, and, therefore, adding to chronic-gambling problems. The group believed that the elderly and young people are most at-risk of becoming problem gamblers. There were two participants in the group who acknowledged they self-excluded themselves from the casinos, but both said they returned to gamble anyway.

The Norwich non-casino gambling group was concerned about the overall strain on the area's infrastructure, especially schools where the number of non-English speaking students was seen as a serious problem for school administrators. And, although they recognized that casinos created jobs, the strong feeling was that the jobs are low paying. They also believed the low-wage jobs caused a housing problem in the region that resulted in multiple families living in single-family homes.

Most participants felt that southeastern Connecticut was not getting its fair share of casino revenue. The majority said they knew a problem gambler.

The Hartford gambling group had two participants that regularly received casino complimentarys from the Connecticut casinos. One said he had a roommate who was a problem gambler. This group had more positive views than the groups from Norwich. They cited increased state revenue and job creation as favorable impacts. Others claimed that the presence