

**Robert J. Soper**  
**President**  
**Mohegan Sun at Pocono Downs**

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**Testimony for the Senate Community, Economic & Recreational Development Committee concerning Table Games.**

Good morning Chairman Earll and members of the Community, Economic & Recreational Development Committee.

On behalf of the Mohegan Tribal Gaming Authority and Mohegan Sun at Pocono Downs, I want to thank you for allowing us to provide testimony concerning table games.

Over the past 2 years, I have had the opportunity to testify on three different occasions in front of the House Gaming Oversight Committee regarding the benefits and impacts of Table Games in the Commonwealth. I appreciate the opportunity to be invited to testify before this committee today, where my focus will be to discuss how various issues regarding impact and implementation of tables at our property, and of course to answer any questions related thereto.

The positive economic impacts of table games to our region and the Commonwealth are unquestionable. The obvious benefits include capital investment, job creation and revenue generation. As reflected in the Innovation Report, table games will generate approximately a billion dollars annually in economic benefits, along with the creation of 16,000 new jobs. These economic benefits will come at a time where unemployment is approaching double digits.

Depending on the tax rate, table games will likely create between 500 to 700 additional jobs at our property alone--almost all of which are hired from within the local community and pay very well. Table Games will also bring in a new patron demographic—one which historically has a higher disposable income, and on average, reside from further geographic distances. This presents even greater opportunities to generate revenues and economic benefits from those that do not reside in the Commonwealth as well as recapture dollars from those Pennsylvania residents that travel and spend discretionary dollars outside of Pennsylvania. With greater volumes, a new demographic customer base and an expanded geographic market, the natural result will be greater capital re-investment whether it is new

casino space, lodging amenities or additional retail, restaurant and entertainment venues. In fact, if we are able to implement table games this upcoming year, there is a real potential we will be able to proceed with further capital investment and development of other amenities at Mohegan Sun at Pocono Downs.

Of course, as just noted, the real potential benefits of table games are contingent upon the tax rate and license fees that will be imposed. As analyzed by the Innovation Group in their report, the tax rate will dictate the number of table games and the number of jobs created. It is simple economics: Higher tax rate means less tables and less jobs. Based upon the Innovation report, a 12% tax rate would generate 16,366 total jobs while a 21% tax rate would generate 10,490 total jobs—a 36% reduction in jobs. As an operator who has experience in running one of the largest table game operations in the country, we believe these numbers are economic reality. I would like to take a moment put these numbers in context from the perspective of a property operation as analysis on paper does not always give us a real perspective.

For every 18 slot machines, on average less than one individual is necessary to directly operate these units. In contrast, it takes many individuals to operate each and every table game. The math is astounding. Accordingly, to justify the operation of any particular table, there must be sufficient volume at such table to more than offset the significant operating expenses. Those expenses, which include dealers, floor supervisors, security, and other positions is essentially fixed. And while there are small amounts of variable expenses, the reality is that the tax rate is the only remaining component in the revenue-expense formula. Hence, the higher the tax rate, the higher the volume must be at any table to justify its operation.

As a result, those tables with minimum bet thresholds at smaller denominations such as \$5 and \$10 can only break-even or run at a profit at tax rates that are far more reasonable. Based upon our calculations, we believe we could successfully operate such lower denomination games at the 12% tax rate proposed in Senate Bill 1033. As the rate increase, the number of these units would likely decrease, and at a certain point (and not the far above 12%) will result in the complete elimination of these lower denomination games. The end result would be less tables, less jobs and less product offering for our guests. Ultimately, it would also mean less capital investment at the property. Most important, however, is that the sacrifice of these jobs and other potential economic benefits will not be for the sake of higher tax revenues. Because the supply of tables will decrease as the tax rate increases, most, if not all of the incremental taxes collected by a higher tax rate

will be off-set by lower revenues. This is a lose-lose proposition for the operators, residents of the community and the Commonwealth due to less jobs, less table game choices and less capital reinvestment. The only party who benefits for a greater tax rate in Pennsylvania are the casinos of competing jurisdictions such as New Jersey who can operate the full compliment of table games at all denominations since they operate at a tax rate that is under 9%.

I believe it is also worthy to note that not only do table games create jobs, but they create **quality** jobs. At our facility in Connecticut , we operate with a couple thousand employees dedicated for table game operations. Including tips, Mohegan Sun dealers this past year have been paid on average approximately \$20 dollars per hour, Floor Supervisors are paid on average \$25 per hour and Pit Managers are paid on average \$32 per hour. Keep in mind we train all of these positions, so that almost all of these positions will be hired from the local workforce.

Upon legislative approval of table games, we believe we could roll out table games within approximately 6 months. Within this time period, we would build-out additional space within our existing facility footprint, install all necessary table game and surveillance equipment, hire and train all personnel and execute all other ancillary requirements to meet this timeline.

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