

NATIONAL COUNCIL OF LEGISLATORS FROM GAMING STATES
COMMITTEE ON CASINOS
DUCK KEY, FLORIDA
JANUARY 14, 2005
DRAFT MINUTES

The Committee on Casinos of the National Council of Legislators from Gaming States (NCLGS) met at Hawk's Cay Resort, in Duck Key, Florida, on January 14, 2005, at 12:00 p.m. Assemblyman Tom Harman from California, Chair of the Committee, presided.

Other members of the Committee present were:

Rep. Kevin Ryan, CT
Sen. Steve Geller, FL

Other legislators present were:

Rep. Pamela Thornburg, DE
Sen. Pete Brungardt, KS
Sen. William Larkin, Jr., NY
Rep. Nick Kotik, PA
Rep. Anthony Melio, PA
Rep. Chris Sainato, PA
Rep. Tim Solobay, PA

Others present were:

Susan Nolan, Nolan Associates, NCLGS Executive Director
Ann Henstrand, MultiState Associates, Inc.

MINUTES

The Committee voted unanimously to accept, as submitted, the minutes of its June 4, 2004, meeting in Santa Fe, New Mexico.

TAX ISSUES

Mr. Richard Klemp, the regional vice president of Harrah's Entertainment, Inc. discussed the high tax rates of casinos in Illinois.

Illinois has the highest casino tax in the country at 50 percent top marginal rate, which increased to 70 percent last year for companies who have revenues higher than \$250 million, said Mr. Klemp. He said this applied to four casinos in Chicago, including the Joliet, owned by Harrah's. The state also increased the admission fees from \$2 to \$5,

he said. Companies responded by discouraging customers from their business, said Mr. Klemp. Harrah's ended its breakfast buffets and stopped a lot of its marketing, he said. A lot of business went to the casinos in Indiana, Mississippi, and Missouri, he said.

Mr. Klemp said that Governor Rod Blagojevich predicted that the high tax rate and increased admission cost would give the state \$200 million net revenue from casinos. He said, however, the actual revenue was \$84 million. As a result, 1,000 employees in the state were laid off, and Harrah's laid off a few hundred employees, said Mr. Klemp. Businesses in other states increased while Illinois gained a reputation as a bad state in which to do business, he said.

Mr. Klemp said the tax rate is supposed to return to 50 percent after June 30, 2005. He said that Illinois is also considering legislation to add positions to riverboats, which are currently limited to 1,200 gaming positions. He said that a machine is considered as one position and a gaming table is five.

In response to a question by Sen. Geller regarding capital spending in casinos, Mr. Klemp said that several hotel and expansion projects have been put on hold. The companies that have casinos in other states are investing their capital in those casinos instead of the ones in Illinois, he said.

Mr. William Bartholomay, the director of new market development for WMS Gaming, Inc., said that net gaming revenues decreased for 24 consecutive months when Illinois increased their original tax rate of 35 percent to 50 percent, and again when it increased to the current 70 percent. He said that revenue is now slowly increasing, yet on a very low base. This shows that a high tax rate is inconsistent with the maximization of a state's revenue, he added. He said this hurts his company since participation games, which gives his company its highest revenue, are the first to leave casinos.

STATE-FEDERAL INITIATIVES REGARDING CASINOS CALIFORNIA

Assem. Harman said that two initiatives regarding Indian gaming that were on the November ballot in California were defeated. He said that card clubs sponsored one and a coalition of tribes sponsored the other. These initiatives were controversial and the governor did not support them, he said.

CONNECTICUT

Rep. Ryan said that the Bureau of Indian Affairs had recognized more tribes in Connecticut, yet the state's Attorney General and the local townships had appealed the decision. He said two tribes were recognized as one tribe. He said that an anti-casino group was concerned about the tribes being recognized, as they might then develop more casinos. The group worked hard for the state to eliminate Las Vegas Nights, which was a statute allowing tribes to have table games in the state, said Rep. Ryan. Currently, the two tribes are fighting to be recognized independently and are fighting the appeal. After

that, Rep. Ryan thinks they will tell the Court that they are entitled to have casinos, even though the state eliminated Las Vegas Nights.

Rep. Ryan reported on the expansion of two casinos—Foxwoods Resort Casino, which opened up a Hard Rock Café and will soon open two golf courses, and Mohegan Sun Casino, which eliminated their pool hall and poker room and added more slot machines.

NEW YORK

Sen. Larkin said that New York passed a bill in 1995 allowing anyone to operate a casino, not just tribes. Yet in 1997 when this bill was up for a second passage, he said, the balcony in the Senate Chamber was crowded with Donald Trump's staff members. He said the bill failed.

In an effort to respond to New York's need for money after September 11, 2001, Governor George Pataki approved six casinos and eight racinos, said Sen. Larkin. Sen. Larkin said that New York has a \$6 billion land claim to settle. There are about 14 anti-gambling entities involved, he said, including "Save the Air," a group concerned with how air pollution will increase with people traveling to these casinos through various counties. "Save the Air" hired a law firm that exceeded \$25 million in billings to date from 2001, he said. New York will pass a new bill approving five casinos in Sullivan County, said Sen. Larkin. For this to be possible, the state will convert the main road into a state road to the tune of \$400 million, he said.

Sen. Larkin said that the Stockbridge-Munsee, the tribe that runs Mohegan Sun Casino in Connecticut, offered New York the best plan, willing to put \$600 million on the table as soon as the governor signs the bill. The Senecas offer the same proposal, yet have too many lobbyists discussing too many issues with the state, said Sen. Larkin. Sen. Larkin said New York needs to set standards, as too many lobbyists are involved in this issue. The state is \$7.5 billion short and has to pay \$6 billion for the Indian claim, he said.

FLORIDA

Sen. Geller said that Western Florida had adopted a bill by local referendum authorizing the two most populous counties to have slot machines at pari-mutuels, by local referendum. After the vote, the state will work out a tax and regulatory scheme, he said.

NEW JERSEY

Sen. Buono said that New Jersey recently formed a committee on wagering, tourism, and historic preservation, of which she is the chair. The committee passed legislation allowing the House of Blues to come into New Jersey and revenue-share their gaming proceeds, she said, adding that it would be good for Atlantic City. The Borgata Hotel Casino and Spa is very successful and attracts younger people, yet at the expense of other casinos, she said. The committee is responding to this, she said. She said there is a new executive director of Casino Redevelopment and Development of Authority, which

she hopes will help that. Sen. Buono said that the committee is trying to diversity and draw people to Atlantic City for shopping endeavors, restaurants, and entertainment. It created public subsidies and enticements for more development, she said.

ADJOURNMENT

There being no further business, the meeting adjourned at 12:30 p.m.

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