

**Governor Deval L. Patrick**  
**Testimony on Resort Casino Proposal**  
**March 15, 2008**  
As Prepared for Delivery

Good morning, Chairman Bosley, Chairman Hart and members of the Committee. Thank you for convening today's hearing on our bill to create commercial resort casinos in Massachusetts. We appreciate having this opportunity to present our views for the record.

Before I get into the substance, I would like to re-state one point I made when I introduced this legislation: that casinos in Massachusetts will be neither the "cure all" for our economic and fiscal needs nor the end of civilization as we know it. It's worth remembering that the centerpieces of our economic agenda -- the life sciences initiative, the energy bill, the oceans bill, the several bond bills to create jobs and invest in our infrastructure, our education investments -- have moved or are now moving through the Legislative process, and I thank you all for that.

The debate around this proposal has been spirited, which is fine, and occasionally acrimonious, which is not. Sometimes it has even been funny: the most amusing part for me is having the same people argue in one minute that these facilities will produce little or no revenue and few new jobs, and then in the next that they will be so successful that they will suck all the economic life out of the surrounding communities. I would like us to try taking a deep breath and stepping back.

I believe that allowing resort casinos to operate in Massachusetts has real benefits to working people, to cities and towns, and to the tourism sector. But I also acknowledge that there are thoughtful perspectives on the other side of this question, and always have. I hope we can have a respectful debate about the merits of this proposal.

Many of your colleagues in House Leadership have made up their minds. That is unfortunate. This is a serious proposal, one that will provide new economic activity, new jobs and property tax relief. I do not believe it is too much to ask that we have a debate and a vote on the merits without resorting to undue pressure from House leadership. Full and open debate on the floor of the House is the only opportunity for members to offer ideas to make this legislation stronger.

For example, cities and towns throughout the Commonwealth are struggling with the costs of providing services; school districts are laying-off teachers and staff and having to charge fees to use the student parking lot, join a club or play a sport; police are being laid off even in high crime areas; fire stations and public libraries are being closed. These are realities, not rhetoric. And they are realities in the communities each one of you represents. We are open to proposals that would dedicate all or part of these new revenues to unrestricted local aid or Chapter 70. Indeed, we are open to any idea that makes this legislation stronger. But we cannot even get to that kind of give and take without a full and open debate on the floor of the House and Senate.

I have no illusions about the plans in the House for this legislation. But I am here anyway, because what you do in this committee will determine whether that full and open debate is even possible. I am simply asking that an open debate begin – rather than end – today.

Several senior members of my administration are here this morning to address the specifics of our proposal:

- Secretary O’Connell will address the business model and revenue projections on which we based our proposal.
- Secretary Bump will address the opportunities to create new jobs, both the quality and quantity.
- Secretary Burke will discuss the law enforcement concerns and the ways we have proposed to address them.
- Secretary Bigby will discuss the very real social and human impact that comes from gambling and how we have provided a more robust response than any other jurisdiction in America.
- Finally, Secretary Kirwan will address how we propose to dedicate the revenues that will be netted to the state.

Let me now briefly summarize the basic features of the proposal, and make a couple of observations that other members of my team may not touch upon.

We have proposed to authorize up to three commercial resort-style casinos, facilities that would be destinations for tourists, business travelers and conventioners as well as residents. They would be dispersed in different regions of the state to take advantage of differences in the tourist market. They would not be just gambling halls, but consist of meeting and entertainment facilities, restaurants and shopping, hotels and recreation facilities, as well as gaming facilities, so that they would be attractive to a range of interests and tastes. As you will hear, there are financial and social reasons to go in that direction instead of in the direction of convenience gambling.

Local communities would decide whether such a resort was right for them; if a community does not want a resort in their community, they won't have one. Resort developers -- not taxpayers -- would bear the cost for road and other infrastructure improvements and expansions necessary to make the new facilities work and promote other economic activity. And the resort would thereafter guarantee a regular annual revenue stream to the host and surrounding communities -- before any proceeds to the state -- to cover the cost of public safety and other ongoing impacts.

With the support of independent, expert financial advisors, a Massachusetts Gaming Control Authority will conduct a competitive auction process to award up to three operating licenses. At least one of these would have a tribal component. With competitive bids in each of three regions, a minimum fee of \$200 million per license, and annual operating fees of at least 27% of gross gaming revenues, requiring

applicants to compete for a license from the Authority assures both the maximum capital investment and maximum value to Massachusetts.

Our proposal provides security to cities and towns against drops in lottery proceeds -- security they do not enjoy today and that would close occasional gaps in lottery proceeds such as the \$124 million shortfall projected for the next fiscal year.

To ensure the integrity of gaming operations, we propose separate investigatory and enforcement functions, rigorous reporting requirements and monitoring functions as well as tough new criminal and civil penalties, and ethics rules more stringent than what currently exist in Massachusetts for any similar authority or agency. The full cost of regulation and enforcement will be assessed against the casinos.

We have proposed to dedicate 2.5% of gross gaming revenues to prevent and treat compulsive gambling, as well as drug and alcohol abuse and other related public health concerns, the largest such allocation in the country, and 50 times what we commit today for gambling prevention and treatment programs. Here again, these programs get paid for first.

That's the basic proposal. As I said, my team will address the details. Let me leave you with just a couple of observations.

First, I want you notice that we are scrutinizing the gaming business differently than we would any other new business proposition. I hope and expect you will discuss the competing estimates of temporary and permanent jobs, and the other economic benefits. And we feel confident of ours. But every new business proposition features competing estimates. You will consider the impact on existing businesses. But every new competitor risks some impact on existing businesses. I accept and appreciate that this is a part of the analysis that you must do. But try to keep a measure of perspective. The fact that slot sales have slipped in Connecticut by a few percent in the last year ought be no more disqualifying for this industry in Massachusetts than it would be for the next IT company whose revenues were off last year. Private investors bear all of the financial risk under our proposal.

Second, I want to point out that -- with due respect to the strong views held by many of you and your colleagues -- the people want resort casinos. One in four Massachusetts adults engages in gaming at out of state resort casinos. Every year, Massachusetts residents are making their entertainment choices clear by travelling to other parts of the country and spending their money – over \$1 billion per year in Connecticut and Rhode Island alone. A Boston Globe poll found 53% of MA residents in favor of legalized gaming (9/30/07); a Boston Herald poll found 55% of MA residents in favor of gaming (10/06/07).<sup>1</sup> Now, I do not believe that we should make policy based solely on public opinion. But I do think we should be cognizant of the fact that the people who elect us support this proposal.

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<sup>1</sup> Kiley and Partners found that 52 percent of MA residents supported legalized casino gaming in Massachusetts in a July 3, 2007 survey. In the Kiley poll, 38 percent of MA residents opposed legalized casinos in MA, compared to 34 percent in the Globe poll and 27 percent in the Boston Herald poll.

Third, I also feel obliged to remind you that cities and towns need the benefits of this proposal. You know just as I do that communities all over this Commonwealth are laying off teachers, closing schools and firehouses, raising fees, and continuing to defer maintenance on local roads and bridges. There are nine property tax override petitions pending already.<sup>2</sup> Last year most of them failed, because property taxes are already too high.<sup>3</sup> If you reject this proposal, it will be the fourth proposal in a row for generating new recurring revenue for local communities that has been rejected by House Leadership. House Leadership has opposed letting local communities decide to add a penny to the meals or hotel tax, opposed closing an out-of-date loophole that benefits the telephone company and has long outlived its intended purpose, and now opposes this. Given what we know are the critical needs in cities and towns in every part of the Commonwealth, I ask those of you who oppose this proposal to consider whether that is the record we want, Democrats and Republicans, as we approach the end of another legislative session. We are running out of time in this session. And we need a more sustainable idea than simply writing a bigger check on the state's savings account, the rainy day fund – especially if a recession is on the horizon.

Fourth, three resort casinos will not alter the character of Massachusetts. Wisconsin has 28 casinos and bingo halls; Iowa has some 16 gaming facilities [10

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<sup>2</sup> The Boston Globe, Boston.com Override Central, March 15, 2008.

<sup>3</sup> Massachusetts Department of Revenue, Division of Local Services, Municipal Databank, Fiscal 2000 – 2008 Overrides.

riverboat casinos; 3 commercial land-based casinos; and 3 racinos]<sup>4</sup>. In neither case does anyone think of casinos as defining the character of those states. I just cannot believe that having between one and three facilities here is going to define our character. We have 6,687 fast food outlets in Massachusetts<sup>5</sup>, and yet fast food does not define the character of the Commonwealth that comes to mind for any of us or anyone else.

Finally, let me say that it is the social costs that give me the most pause. They are the reason why I started out so skeptical of casino gambling in Massachusetts. I want to especially acknowledge Senator Tucker here, whom I have found to be the most compelling and thoughtful about these arguments.

For one thing, as I see it, none of the data is very good. What we do know is that for a proportion of those who patronize casinos, gambling and other addictive behaviors are a problem. We know that that proportion is small – between 1.9 and 3.3 percent – but that for the individual or family affected it can be profound.<sup>6</sup> We also know that the impact is greatest in a radius of up to 50 miles of a casino.<sup>7</sup>

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<sup>4</sup> Source: Iowa data from the American Gaming Association; Wisconsin data from the National Indian Gaming Commission, “Gaming Tribe Report,” [updated February 5, 2008].

<sup>5</sup> E.O. of Labor and Workforce Development, ES-202 data for Q3 2007.

<sup>6</sup> Lifetime prevalence of disordered or pathological gambling equals 1.9% of adults and 3.3% of adolescents Gambling and Related Mental Disorders: A Public Health Analysis; Shaffer and Korn; Annual Review Public Health 2002. 23:171-212

<sup>7</sup> Gambling addiction rates double within a 50-mile radius of a gambling facility. (Source: National Gambling Impact Study, 1999.)

The first thing to consider is that some 4.4 million of the 6.4 million residents of Massachusetts already live within 50 miles of a casino or racino<sup>8</sup> – right now. In the Northeastern states alone, over nine million gaming trips are made each year, and over half these trips are made to New Jersey and Connecticut.<sup>9</sup> Massachusetts residents spend over a billion dollars a year in Connecticut and Rhode Island casinos alone, and about 30% of what they spend, they spend not on gambling but on restaurants, recreation, hotels and other amenities that are contingent to the gaming halls<sup>10</sup>. That's leaving aside the fact that the lottery and Keno are ubiquitous in our state. Bear in mind that we are likely to have an Indian casino in Massachusetts sooner or later.<sup>11</sup>

There are other industries, of course, that present a risk to people. But we don't ban them. We regulate them. Compared to 3 percent of the people who gamble who have a problem with gambling, about 10 percent of the people who drink have a problem with drinking and 18 percent of adults smoke.<sup>12</sup> In every one of those examples, the hazards of the product or activity are as great as or greater than in the case of casino gambling; yet in none of these cases do we ban the activity outright. We regulate it. That is all we are proposing to do here.

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<sup>8</sup> Residents living within 50 miles of a casino or racino in Rhode Island and Connecticut; Massachusetts population based on the 2006 population estimates from the U.S. Bureau of the Census.

<sup>9</sup> TMS study (national travel and tourism company) of casino and gaming visitation in the nine Northeast target markets of Massachusetts. 63 percent of the 9.1 million gaming trips are to NJ or CT.

<sup>10</sup> NEW ENGLAND CASINO GAMING UPDATE, 2007, Professor Clyde Barrow, p.18.

<sup>11</sup> The testimony of Judith Shapiro and Professor Kevin Washburn will provide insight into the IGRA process.

<sup>12</sup> Alcohol addiction rate of 10.6% for adults and 9.9% for youth National Survey on Drug Use and Health; Smoking percentage is from Behavioral Risk Factors Surveillance Study (telephone survey);

I do not take this discussion lightly. I understand and appreciate the beliefs and passions that are part of this debate. It is in that light, that I ask you to think about the options before the legislature in addressing the challenges this state faces. If enacted, this legislation would immediately provide benefits to the state in a way that minimizes any negative consequences. Before you is a proposal that will create over 20,000 permanent jobs, a minimum of ten thousand construction jobs, inject billions of dollars into the Massachusetts economy on a yearly basis, provide stability to the lottery that does not presently exist, and generate hundreds of millions of dollars in new revenue to the state to allow us to meet some of the challenges that we face.

As I mentioned at the outset, let this be the beginning of the debate and not the end. I ask you to bring your best thinking and best ideas to the table here today and on to the floor of your chambers. If you have a better idea about where to dedicate the revenues, what is it? If you think there is a better way to create these jobs for workers or deliver these benefits to our tourist industry or to support cities and towns, I encourage you to come forward with your ideas and engage in this process.

Let's work together on whatever your ideas are. I believe that the people of Massachusetts expect more from us than they are getting.

Thank you.