



Testimony of Michael Bean, President of Mohegan Sun Pocono
Senate Community, Economic and Recreational Development Committee Hearing
June 10, 2015

Members of the Committee, thank you for providing me the opportunity submit testimony on behalf of Mohegan Sun Pocono.

By way of background, I am in my 10th year here at Mohegan Sun Pocono. I arrived in 2005, before we began construction of the original, expedited Mohegan Sun facility, which ultimately was the first casino in Pennsylvania to open. I have been here through this property's material growth from a slots only racino to a full scale resort casino destination, and also through the growth of the casino industry in the Commonwealth to what it is today. Our investment in this Mohegan Sun Pocono property is approximately \$659 million and we have paid approximately \$1 billion in taxes to the Commonwealth since 2005. We work hard at being a good employer, a good community citizen and at providing an outstanding experience for our guests.

My comments today cover several areas that are aimed at providing casinos in the Commonwealth with the tools necessary to remain viable into the future.

First, it is important to point out, perhaps the obvious, that casinos offer products and services that cannot be transported or exported to other parts of the Commonwealth, to other parts of the country or to other parts of the world. For sustained, long-term growth, we must get more and more people from further and further distances to visit us more often and stay longer. Absent this growth strategy, once local markets are maximized, growth will eventually stop, and as more competition enters the marketplace our businesses will contract.

To get more and more people from further and further distances to visit more often and stay longer, casinos must invest in providing more things to do. Guests need more reasons to visit and to be able to have a different experience every time they visit. Absent a compelling unique selling proposition, guests will choose the casino location that is the most convenient. And as competition continues to come on line in other states, the closest casino will more often than today, be outside of Pennsylvania. Therefore, strategies that include investment in adding more compelling reasons to visit will make sense more and more.

The challenge, however, in Pennsylvania is that the tax rate on casino revenue is very high making the return on investment difficult. Thus, while in the long-run such growth projects make sense, and I would say in many cases are imperative, they can be outright unaffordable on the front end. Therefore, I believe a gaming tax abatement program that provides casinos with short term-tax relief to invest in projects that will draw guests from further distance more often to stay longer makes sense. It would be short term investment for long-term return.

My second point is that in addition to the external competitive threats that Pennsylvania casinos face from other states, Pennsylvania casinos face internal threats from any legislation that expands casino-like gaming not accomplished through existing casinos. Mohegan Sun Pocono opposes any such legislation. It is a simple matter of supply and demand. As existing casinos mature and attain market saturation, additional supply will adversely impact casino revenue without any net positive impact to tax revenue.

My third item has to do with liquor licenses. Here at Mohegan Sun Pocono we see, on average 10,000 guests per day. We have a dynamic property that, in

addition to offering slots, table games and harness racing, has live music on weekends at multiple venues, concerts, a comedy club, a television cooking show, a radio station, retail shops, a luxury spa and 21 bars and restaurants. Our strategy is aimed at being inviting and friendly to guests of all ages who can enjoy the many non-gaming amenities we offer. Additionally, the minimum age to bet on harness racing is 18. Providing a casino liquor license that recognizes the dynamic nature of our business and the volume of people who visit every day is essential. Having become a destination with a hotel, we believe it is appropriate to have expanded or flexible hours for liquor service and to be able to provide complimentary alcoholic drinks to guests regardless of whether or not they are gaming. Casino marketing strategies include incentives like gift give-aways, concert tickets and complimentary meals. Allowing free drinks would make some aspects of our marketing programs much less cumbersome and more seamless to our guests. This is something that occurs in other jurisdictions.

The last item I would like to comment on is Internet and social gaming. Mohegan Sun Pocono is in favor of Internet gaming with certain parameters which are: (1) that Internet gaming be done on an Intrastate basis. This keeps larger companies from coming into Pennsylvania and offering Internet gaming to customers of the

bricks and mortar casinos and thereby adversely impacting both casino revenue and Commonwealth tax revenue; (2) Internet gaming should be limited to existing bricks and mortar casinos to protect their material investments and maintain the regulatory integrity of gaming; (3) the games that are allowed should include both slot machine games and table games; and (4) there be certain market protections for the casinos within Pennsylvania. With regard to social gaming, we are opposed to any legislation that would limit or eliminate social gaming for casinos, particularly when it is allowed in virtually all other forms.

In closing, I applaud the Commonwealth for having the vision to create such thriving industry and for its continued insight to work toward sustaining it well into the future.

Thank you.