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CONTACT: DR. CLYDE W. BARROW
(508) 999-9265/phone
(978) 340-6234/cell
www.umassd.edu/cfpa/doeconomics.html

MA RESIDENTS SPEND \$829 MILLION, RI RESIDENTS SPEND OVER \$301 MILLION ANNUALLY, AT FOXWOODS AND MOHEGAN SUN RESORT-CASINOS

BAY STATE AND OCEAN STATE RESIDENTS FUEL CONNECTICUT'S DOMINANCE OF NEW ENGLAND'S RESORT-CASINO MARKET

Massachusetts residents continue to comprise the largest percentage of Connecticut's two Native America resort-casinos, accounting for well over a third of their customers, spending an estimated \$829 million annually at Foxwoods and Mohegan Sun, according to a new study released today by the Center for Policy Analysis (CPA) at the University of Massachusetts at Dartmouth.

The findings, contained within the newly published report, "New England Casino Gaming Update --- 2004," also show that Rhode Islanders spend an estimated \$301 million annually at Connecticut's resort-casinos. The report reaffirms earlier studies showing that Massachusetts and Rhode Island residents --- who comprise approximately half of Foxwoods and Mohegan's customers --- are the economic force behind southeastern Connecticut's unprecedented dominance of New England's gaming, destination and entertainment market.

(The complete study, embargoed until Monday, 5:00 am, may be accessed at:
umassd.edu/cfpa/doeconomics.html)

"Massachusetts and Rhode Island residents have made clear their consistent, absolute preference for Connecticut's resort-casinos," said Dr. Clyde W. Barrow, the center's director. "In doing so, Bay State and Ocean State residents have played major roles in the two most successful job-creating, tax-generating, economic development engines in modern New England history."

According to the state of Connecticut's Division of Special Revenue (CDSR), Mohegan Sun and Foxwoods earned nearly \$1.6 billion in slot-machine revenues during 2003 ---

\$794 million by Mohegan Sun, and \$792 million by Foxwoods. This was the first year that Mohegan Sun achieved more slot revenues than Foxwoods.

According to study estimates, Massachusetts residents contributed \$466 million and Rhode Island residents \$169 million as their portions of the nearly \$1.6 million in slot revenues.

Under the compact with the state, a 25% gaming tax is assessed on the resort-casinos' slot revenues; combined, Mohegan Sun and Foxwoods paid \$396.4 million to the Connecticut state treasury in 2003.

Of the nearly \$400 million in slot taxes, the study estimated that Massachusetts and Rhode Island patrons contributed about \$116 million and over \$42 million, respectively, to the Connecticut state treasury as their portions of the 25% slot revenue tax.

Slot revenues are estimated to account for approximately 70% of the resort-casinos' total gaming revenues, with the remaining 30% of gaming revenues provided by table games, poker, bingo, keno and simulcast racing.

The study also found that Massachusetts residents spend an estimated \$196 million and Rhode Island residents \$71 million annually on table games and other non-slot games offered by both casinos. Non-slot games are untaxed.

The original gaming compact negotiated and approved by the state of Connecticut and Foxwood's operators, the Mashantucket Pequot Tribe, taxed *only* slot machine revenues --- at a rate of 25%.

“New England resort-casinos were in their embryonic stage in 1992,” Barrow said, “and early discussions and negotiations centered on taxing slot machine revenues. Since 1992, most states that have authorized commercial casinos have imposed a tax on all gaming revenues.”

Barrow said that Foxwoods' three hotels were originally vital tourism and hospitality inducements for luring Massachusetts and Rhode Island patrons to the region and exposing them to many non-gaming opportunities throughout southeastern Connecticut.

Mohegan Sun, which recently opened a 34-story hotel, has expanded its gaming, tourism and marketing efforts throughout Massachusetts and Rhode Island, and is now aggressively competing with Foxwoods. Both properties have expanded since they first opened; most recently, Mohegan Sun completed a \$1 billion expansion, while Foxwoods is undergoing a \$100 million expansion.

“Foxwoods and Mohegan Sun are prime examples of economic development initiatives that, once fully operational, now serve as tourism and hospitality magnets for the rest of the region,” Barrow added. “People use their stays at the two resort-casinos to

broaden their resort-casino visits from just gaming forays to gaming, destination and entertainment vacations.”

Officials at both Foxwoods and Mohegan Sun have stated publicly their desire to expand and dominate the region’s gaming and destination market and have specifically referenced both Massachusetts and Rhode Island as states where they intend to broaden further their outreach and impact.

“We know from our 1999 study that Foxwoods, then southeastern Connecticut’s only true resort-casino, was the overwhelmingly preferred gaming-and-entertainment destination for the majority of Massachusetts and Rhode Island residents,” Barrow added. “But now that Mohegan Sun is on the same level playing field, offering hotel, hospitality, convention and entertainment facilities comparable to Foxwoods, we believe that Mohegan Sun’s lure and impact with Massachusetts and Rhode Island patrons has increased and will continue to increase.”

Barrow said that with 41,000 people daily and hundreds of thousands of people patronizing those two resort-casinos throughout the weekends and holiday periods, “there’s also a natural and positive economic impact that will spread out from the resort-casino properties to the unrelated private-sector businesses within the region.”

That’s why, Barrow cautioned, “our estimates of Massachusetts and Rhode Island residents visiting Foxwoods and Mohegan Sun, and the monies they are spending throughout southeastern Connecticut, should be treated as conservative and prudent estimates.

Barrow said that during five of the past twelve months, for the last three months in a row, and for 2003 as a whole, Mohegan Sun achieved more slot revenues than Foxwoods. “That’s a clear indication,” Barrow said, “that Mohegan Sun and Foxwoods are now likely operating at comparable levels of penetration within the Massachusetts and Rhode Island patron base.”

For example, Barrow said, according to CDSR’s 2003 data, patrons last year wagered \$19.5 billion on both resort-casinos’ slot machines. “That’s what’s called ‘coin-in, or the ‘handle,’” Barrow said. “It is the amount of money recorded as having been wagered on all slot machines.”

The slot revenue data, Barrow said, “allows us to estimate that, in 2003 alone, Massachusetts residents wagered nearly \$6 billion and Rhode Island residents \$2 billion” on Foxwoods and Mohegan Sun’s slot machines. “Those are extraordinary numbers,” Barrow added. “Foxwoods and Mohegan Sun enjoy unprecedented dominance; they’re the envy of the gaming, hospitality and entertainment world; and their consistent, decade-long success underscores just how strong and deep the thirst for destination-style, resort-casino and entertainment is within New England and, particularly, among Massachusetts and Rhode Island residents.”

Barrow said that while Massachusetts and Rhode Island residents wagered nearly \$11 billion at Foxwoods and Mohegan Sun in 2003, “that doesn’t count any of the monies spent by Massachusetts and Rhode Island residents during the past decade and more on hotels, meals, entertainment and retail purchases at both resort-casinos.”

Barrow reiterated that since most overnight stays at Foxwoods and Mohegan Sun are by out-of-state visitors, “again, Massachusetts and Rhode Island residents are likely to account for the majority of monies being spent.”

Barrow said that a “conservative” estimate of annual non-gaming spending at both resort-casinos on hotels, meals, entertainment and retail purchases is \$167 million by Massachusetts residents and \$61 million by Rhode Island residents.

Economists estimate that New England is a \$4-\$4.5 billion casino gaming market and believe that the region is underserved, with well over \$2 billion annually in casino gaming revenues remaining untapped.

“The conventional wisdom when Foxwoods first opened in 1992 was ‘who’s going to want to visit a casino in the southeastern Connecticut woods,’” Barrow said.

“As Foxwoods instantly became successful, the conventional wisdom was then that a second casino --- Mohegan Sun --- wouldn’t be able to compete with Foxwoods and would just eat into Foxwoods revenues. Instead, Foxwoods expanded, the gaming market grew, gaming revenues increased, and Mohegan Sun is now equal to Foxwoods in every important economic indicator.”

Barrow said that the real lesson from Foxwoods and Mohegan Sun’s success is more than just the 28,000 jobs that the resort-casinos have created or the billions of dollars in tax revenues generated for the state of Connecticut over the last 10 years, but the revitalization and transformation of southeastern Connecticut’s economy as the premier gaming, destination and entertainment region of New England and their unprecedented value as economic development generators.

“Foxwoods and Mohegan Sun have become economic-incubators for southeastern Connecticut,” Barrow said, “bolstering both existing private-sector businesses and spawning new private-sector development.”

During the past few months, private developers have announced major economic development plans in southeastern Connecticut which will, if brought to market, enhance further that region’s gaming, tourism, entertainment and hospitality lure to Massachusetts and Rhode Island residents.

According to published reports, on the southeastern Connecticut drawing board is a proposed \$800 million theme park and movie studio, expected to employ over 4,500

people, and a proposed \$450 million NASCAR raceway complex and entertainment facility, also expected to employ more than 4,000 people.

“If built, these two facilities will further cement southeastern Connecticut as the preferred, year-round, gaming, destination and entertainment region of New England.” Barrow said. “Their very existence will directly enhance Foxwoods and Mohegan Sun’s marketing efforts to continue to lure Massachusetts and Rhode Island patrons, and to expand their dominance of New England’s resort-casino gaming market.”

Barrow said that recent discussion in Massachusetts that the state may entertain gaming expansion legislation in 2004 “is certainly possible,” but cautioned that while it is “unlikely” that the governor and state legislature will approve any new form of gaming expansion, “if it happens, the most likely scenario would be approval of slot machines at the state’s four race tracks --- two of which are in southeastern Massachusetts near the Rhode Island border.

But that isn’t going to worry Foxwoods or Mohegan Sun, Barrow added, “as their Massachusetts and Rhode Island customer base is unthreatened by any gaming expansion short of a competitive resort-casino.”

It’s more likely, Barrow said, “that slots at the tracks, particularly at Raynham-Taunton and Plainridge, are going to set up a dynamic where Massachusetts begins to compete with Rhode Island for the convenience gaming market” --- a market currently dominated by Lincoln Park and Newport Grand’s video lottery terminals (VLT).

Lincoln and Newport have been very successful in carving out a convenience-gaming niche despite the existence of the world’s two most successful casinos just across the state border.

“Rhode Island’s VLT facilities have prospered because Lincoln and Newport don’t compete with the destination-style, resort-casino amenities offered by Foxwoods and Mohegan Sun,” Barrow said, “nor does Lincoln or Newport currently face slot or VLT competition from Massachusetts’ two nearby racetracks.”

Barrow said that both Foxwoods and Mohegan Sun, as resort-casinos, and Lincoln Park and Newport Grand, which are commonly referred to as “racinos,” have vastly different customer bases. “People go to Foxwoods and Mohegan Sun to do more than just gamble,” Barrow added, “while people go to Lincoln Park and Newport Grand *only* to gamble on VLT’s.”

Therefore, Barrow said, “Foxwoods and Mohegan Sun’s only real threat, assuming a competitive tax rate, is a resort casino being built closer to the metropolitan Boston/metropolitan Providence population.”

Lincoln and Newport's greatest threat, Barrow added, "would be slot machines at Massachusetts four race tracks, specifically the two located closest to the Rhode Island border in southeastern Massachusetts."

Barrow said that while Lincoln Park's customer base may be comprised of up-to-a-third of Massachusetts residents, and Newport Grand's possibly 20%, the two southeastern Massachusetts tracks would recapture "many, but not all" Massachusetts players at the Rhode Island facilities.

"By approving slots at the tracks," Barrow said, "Massachusetts state government might anticipate eventually wresting \$75 million to \$100 million from Rhode Island state government's VLT revenues."

Under that scenario, Barrow said, "Ironically, Massachusetts and Rhode Island state governments would compete for a limited pool of "racino" revenues, while their own states' residents, in ever-growing numbers, will continue to patronize both Foxwoods and Mohegan Sun. Therefore, Connecticut's two resort-casinos would continue to be competition-free to expand and dominate New England's estimated \$4-\$4.5 billion casino-resort market."

But as Massachusetts and other New England state governments explore possible gaming expansion, Barrow said that the Rhode Island and Connecticut gaming versions offer clear, stark differences between gaming expansion based on fiscal objectives versus economic objectives.

"Rhode Island's embrace of VLT's is based on maximizing tax revenues to the state," Barrow said. "There is very little real job creation, and there is no discernible economic development or tourism growth emanating from the Rhode Island gaming model. Slots at Massachusetts race tracks would likely mirror Rhode island's minimal job creation and lack of any economic development and tourism growth."

Connecticut's resort-casino model, Barrow said, "while also based on maximizing state tax revenues, is also geared to phenomenal job creation, significant economic development and robust tourism growth."

Barrow said that what state governments need to determine as they consider gaming expansion is whether the intention is to address short-term fiscal needs or long-term revenue, job, economic development and tourism growth.

"If a state government wants only to address a budget deficit, then slots at the track will help do just that," he said. "But of all the forms of casino-related gaming, they're the most vulnerable to competition."

Conversely, Barrow added, “If a state government wants to address a budget deficit, but also desires to create significant job, economic development and tourism growth, then the resort-casino model is the obvious choice.”

The bottom-line on either model, Barrow said, is similarity of product and location.

“If you’re going to compete with Foxwoods and Mohegan Sun for the resort-casino, hospitality and entertainment dollar,” Barrow said, “you must be able to provide a similarly competitive product, and your facility must be located as close or closer to the population-rich Greater Boston-Greater Providence metropolitan regions than are Foxwoods and Mohegan Sun.”

If Massachusetts is going to compete with Rhode Island for the “racino” dollar, “then Massachusetts race tracks --- offering slots --- would be geographically advantaged to do just that,” Barrow added.

Right now, Barrow said, “the product many Massachusetts and Rhode Island residents clearly want is the resort-casino experience --- and the closest opportunity to fulfilling that experience is in southeastern Connecticut.”

Other findings in the study update include: Connecticut residents account for 28% of Foxwoods patrons and spend an estimated \$429 million; they comprise 46% of Mohegan Sun’s customer base and spend an estimated \$570 million at Connecticut’s newest Native American resort-casino.

Among the other New England states, New Hampshire residents represent 3% of Foxwoods and 1.8% of Mohegan Sun patrons, spending an estimated \$45 million and \$22 million at each resort-casino. Maine and Vermont residents combined comprise approximately 2.2% of Foxwood’s casino patron base and 1.2% of Mohegan’s patron base; altogether, they spend an estimated \$48 million annually at both resort-casinos.

Barrow said that New Hampshire, Maine and Vermont residents, combined, spend \$115 million annually at Connecticut’s resort-casinos.

“These patrons,” he added, “have to travel through Massachusetts to reach southeastern Connecticut. They are resort-casino patrons who, like the overwhelming majority of Massachusetts and Rhode Island gaming patrons, do not patronize Lincoln Park or Newport Grand --- and will likely ignore slots at Massachusetts race tracks.”

But those North Country Foxwoods and Mohegan patrons, like those in Massachusetts and Rhode Island, “would likely frequent a resort-casino that is located closer to the metropolitan Boston-metropolitan Providence region. That has to be Foxwoods and Mohegan Sun’s greatest concern.”

In October 1995, the CPA undertook its first comprehensive patron-origination study of Foxwoods, which was then New England's only resort-casino. The study, which examined 10,950 automobiles and 232 charter buses during a five-day period, found that Massachusetts residents comprised 33% and Rhode Island residents 14% of Foxwoods customer base, respectively.

In February 1999, the CPA undertook the first-ever comprehensive review of both Foxwoods and Mohegan Sun, examining 13,393 automobiles and 384 charter buses. Combined, Massachusetts residents comprised 36% of Foxwoods and 23% of Mohegan Sun's customer base, while Rhode Island residents accounted for over 13% of Foxwoods and 8% of Mohegan Sun's patron base, respectively.

The CPA's 2004 casino update reviewed both its 1995 and 1999 patron origination studies, a 2000 economic analysis by the University of Connecticut's Center for Economic Analysis, the Connecticut Division of Special Revenues' monthly and annual reports on slot machine revenues, a 1993 Arthur W. Wright Associates economic impact report commissioned by Foxwoods, and a 1997 economic study of Foxwoods undertaken by the Connecticut State Lottery. The CPA then developed an economic model based on the most recent U.S. Census Bureau statistics and utilized the accompanying data to deduce the most recent revenue and economic estimates.

The methodology and results of the CPA's 1999 study were published by the Journal of Travel Research in 2003 after extensive peer review. The Journal of Travel Research is one of the nation's leading academic and scholarly journals devoted to the study of travel and tourism policy.

Dr. Barrow is Director of the Center for Policy Analysis and Chancellor Professor of Policy Studies at the University of Massachusetts - Dartmouth, where he specializes in political economy and public policy with an emphasis on regional economic development issues, economic base and industry analysis. Dr. Barrow has authored numerous applied policy monographs for federal, state, and local governments, labor unions, and non-profit agencies, while serving as a consultant to those organizations.

The CPA was established in 1985 as a multidisciplinary research unit dedicated to the creation and dissemination of knowledge that facilitates economic, social and political development. The center aims to enhance the economic and social well-being of citizens by providing research, information, and technical assistance to government, non-profit, and educational agencies. The Center for Policy Analysis has completed more than 150 applied research projects over the last five years for state and local governments, private business organizations, school departments, labor unions and other non-profit organizations in Massachusetts.

