

Gaming Fairness for Minnesota Frequently Asked Questions

Q. Why are Governor Pawlenty and the northern tribes proposing a gaming partnership?

A. To create fairness in the gaming market in Minnesota, both for tribal nations that have not seen the benefits of Indian gaming and for the State of Minnesota. As the executive director of the Minnesota Indian Gaming Association said last year before a Senate committee:

“Maybe 1,000 Indians in Minnesota currently truly benefit from Indian gaming in its current form, while 54,000 others are still waiting and struggling to make ends meet.” Over 40,000 of the Indians who are struggling to make ends meet are enrolled members of the Red Lake, White Earth, and Leech Lake Nations. That’s approximately 85% of the total population of tribal members in the state.

The proposal would allow any interested tribe in Minnesota to participate in the partnership. To this point, the Leech Lake, Red Lake and White Earth nations have agreed to do so.

Q: Does the proposed partnership change anything in the compacts signed in 1989 and 1991?

A: No. The tribal gaming compacts negotiated in 1989 and 1991 that established the existing tribal casinos are not affected by this proposal. Those compacts authorize gaming only on tribal trust land and will be fully honored. It should be noted that while those compacts did allow casinos to begin operating in Minnesota, they did not provide Indian tribes with any exclusive right to operate casinos in the state.

Q: Is it constitutional for the State of Minnesota to operate casino games?

A: Yes. The gaming machines and other lottery games at the facility would be operated by the state through the Minnesota Lottery. This is consistent with the Minnesota Constitution’s requirement that any lottery be operated by the state. Additionally, state lottery operated casinos in Rhode Island, Delaware and West Virginia have been upheld by the court. Other games at the facility will be operated by the participating tribes. Those tribes will also own the facility. It is likely the facility will become a significant property asset for the participating tribes.

Q: Does the proposal require approval by the federal Bureau of Indian Affairs?

A: No. The proposed facility would not operate on tribal trust land and would not be an IGRA (Indian Gaming Regulatory Act) casino. The proposed facility would be a partnership with the participating tribes, but would be on private land subject to regulation by the state and would not need BIA approval.

Q: Is this an undue expansion of gaming in Minnesota?

A: There are currently 18 casinos operating in Minnesota. Surveys have consistently shown that most Minnesotans gamble in some manner. Last year 41% of adults in the state reported visiting one of the existing Indian casinos, 60% played the Minnesota lottery and 83%

participated in some form of gaming.¹ The overwhelming majority of those who visit Minnesota casinos go for entertainment and use the facilities responsibly. Most adults are capable of making appropriate decisions for themselves. There are some who develop problems with gambling. This proposal provides funding to make our strong state services for compulsive gaming even better.

Q: Does casino gaming lead to an increase in crime?

A: In reviewing crime data collected by the Minnesota Bureau of Criminal Apphension, there is no noted increase in crime in the communities where the existing 18 casinos are operated.

A study by the National Institute of Justice found that overall casinos do not have any systematic effect on crime. Data was collected from police departments in seven cities with gambling. Three communities experienced an increase in crime, three saw crime decreased significantly and in one city there was no change.²

Q: Does casino gaming prey on the elderly?

A: A 2003 study funded by the National Institute of Justice looked at the differences between elderly casino gamblers and younger gamblers in eight areas that had new casinos. The report said the data “do not support the view that casino gambling is a major threat to the elderly, preying on the aged and leading them to destructive gambling practices.” The study also said that the elderly “generally exercise better money management and experience proportionally fewer gambling problems than the general population.”³

A study here in Minnesota had similar results. Researchers at the College of St. Benedict/St. John’s University and St. Cloud State University wrote that there is “no evidence that casino gambling activities threaten [older Minnesotans’] well being. For most respondents the social benefits were the most salient parts of this activity and they were well aware of the danger signs of problem behaviors. ... Public concerns and media images may be based on socially constructed assumptions and fears.”⁴

Q: Does casino gaming prey on the poor?

A survey conducted by NFO WorldGroup found that casino customers are not poor, but have higher incomes than the average U.S. household. The median household income of U.S. casino customers is \$50,716, compared to \$42,228 for the overall U.S. population. According to the same survey, casino customers are more likely to have attended college and hold a white-collar job than the average American.

Q: What will the host community receive from the casino?

¹ Minnesota Lottery annual survey taken in April 2004, “Gambling in Minnesota: An Overview,” (September 2004)

² B. Grant Stitt et al., “Does the Presence of Casinos Increase Crime? An Examination of Casino and Control Communities,” *Crime & Delinquency* Vol.49 Issue: 2 (2003), 253-284

³ B. Grant Stitt et al., “Gambling Among Older Adults,” *Experimental Aging Research* 29 (2003): 189-203

⁴ Janet Hope and Linda Havir, “You Bet They’re Having Fun! Older Americans and Casino Gambling,” *Journal of Aging Studies* 16, no. 2 (May 2002): 177-97

A: The host community will receive a payment from the tribal entity that is equal to 2% of total gaming revenues. Once the casino is fully operational, that would be about \$10 million or more annually. The casino revenues could be used by a community for tax relief, police, fire, infrastructure or other community projects, as determined by the city council.

The proposed casino will be located in a willing host community that is selected by the Minnesota Lottery and the tribal entity. The state and the tribes will not force this facility on a community that does not want it.

Q: How much money will flow to the new Community Assets Account?

A: The new Community Assets Account will receive 10% of the state's general fund share – approximately \$12 million or more per year. The Community Assets Account could be used to fund facilities for professional or college sports, the arts or other community priorities such as museums, theaters, planetariums, amateur sports facilities and zoos at the direction of the legislature.

Q: How will construction of the facility be financed?

It is anticipated that the proposed project will be financed through a High Yield Taxable Bond Issuance via the capital markets (*not* a commercial bank loan), which is the typical financial structure utilized for new construction of Gaming operations with little to no equity or credit, where the market supports a substantial anticipated revenue stream. The Issuer will be an entity created by the tribes and wholly owned by the tribal governments.

Q: If the tribes have so little cash for so many tribal members now, how can they get lenders/credit to build such a large facility?

Bondholders lending into the gaming sector on an issuance of this scope are qualified and experienced institutional investors; lending will be based on the feasibility and attractiveness of the project. They will assess anticipated revenue stream, management, location, and lifespan of the gaming revenue and ancillary operations. Unlike a reservation facility, there will be the opportunity to assess a mortgage lien on the land and physical buildings of the facility in addition to the cash flow, furniture, fixtures and equipment. To be perfectly clear however, no security or credit from any of the tribes' existing operations on their existing reservations will be utilized.

Q: Who will the lenders/bondholders be?

Examples of qualified and experienced institutional investors who have historically invested in gaming sector bonds, both non-Indian and Indian are insurance funds, investment portfolios, and hedge funds.

Q: How will the tribes manage the facility?

The tribal governments, the State and the Bondholders will all demand that professional management operate the facility. It is anticipated that a highly experienced team will be hired through an RFP process. Whether these professionals will be secured via a management contract or individually hired is yet to be determined.