



July 23, 2020

Honorable Members of the Rhode Island House of Representatives
Honorable Members of the Rhode Island Senate
Delivered Via Email

Dear Senators and Representatives:

We hope this correspondence finds you both healthy and safe in these difficult times. We are writing to express our support for H-7523A and S-2337A which were recently heard at the House and Senate finance committees. ***This legislation has been dramatically improved, securing additional economic development benefits for Rhode Island while introducing many important protections for Rhode Island taxpayers.*** Importantly, it provides for a comprehensive reporting and oversight framework for the General Assembly throughout the life of the contracts. In addition, this legislation incorporates improvements from the Administration and the House and Senate Finance committee chairs, members, and staffs and has the full support of Governor Raimondo and General Assembly leadership.

This legislation provides the State with extraordinary economic development benefits at a time, due to the pandemic, where our economy needs it more than ever. The legislation:

- Requires ***\$250 million of investment*** in Rhode Island economy by IGT and Twin River;
- Guarantees ***1100 IGT jobs with aggregate payroll of 250% of minimum wage;***
- Enables ***“Shovel-ready” 50,000 square foot expansion of Twin River Casino,*** improving its competitiveness for years to come and creating hundreds of local construction jobs;
- Maximizes the performance of the third largest revenue source while minimizing any risk of technology conversions; and
- Provides an important boost to Providence with both IGT and Twin River Worldwide Holdings maintaining headquarters in our Capitol City through 2043.

The economic impact of this legislation to the Rhode Island economy is simply staggering when one takes into account the multiplier effect of the combined investment and employment: ***the direct and indirect economic activity caused by this legislation is over \$300 million per year, supporting 2,500 jobs which contribute over \$25 million in annual tax revenue.***

We also wanted to address flawed assertions made by House Minority Leader Filippi, his House Republican colleagues and Alan Hassenfeld in correspondence distributed to you over the past few days. They have made assumptions based on an outdated and inapplicable study by Christiansen Capital Advisors (CCA). The CCA report does not consider the proposal contained in this legislation as it is based on the IGT proposal made last year. It fails to consider the

powerful new three-way partnership formed between the State, IGT and Twin River. And it specifically ignores the value of any economic development benefits to Rhode Island.

Despite these omissions, the CCA report nonetheless draws some important conclusions about the VLTs which remain applicable to the three-way partnership contained in this legislation. They include the following:

- “Rhode Island casinos have performed very well despite new competitors entering the market;”
- This approach to VLTs “is a marked improvement over the previous contract [with GTECH in 2003]” and “will place Rhode Island casinos within industry norms for annual [VLT] replacements and conversions;” and
- The VLT lease rates paid in Rhode Island are “similar to rates paid by other jurisdictions” and “while the rates are a little on the high side” they are “within industry norms.”

CCA report, January 15, 2020 (pages 6-7).

Leader Filippi ignores these important conclusions and instead argues that it would be better for the State to fundamentally transform the gaming ecosystem in Rhode Island from a lottery model to a casino model by advocating for the State to purchase VLTs. Unfortunately, the financial analysis provided with this notion is incomplete and inaccurate and would materially harm Rhode Island taxpayers. The proposal for the State to buy VLTs *underestimates the total expenses by well over \$200 million*, ignores the material risk transfer from private companies to the Rhode Island taxpayers in the future, and jeopardizes this highly successful gaming program.

VLTs historically generate over \$300 million annually for the Rhode Island general fund, and this proposal would undermine performance and hurt competitiveness. If the facilities must rely on the annual budget process to secure new machines to offer our guests, we fear we will become increasingly uncompetitive in a highly competitive regional gaming market. For example, if the State of Rhode Island were suddenly to get into the business of purchasing machines, *it would cost over \$100 million in the first year alone, creating a deficit of approximately \$70 - \$80 million*. It is difficult to imagine the State finding the resources for that level of expenditure this year or any year in which there is a projected budget shortfall.

At a time when the State’s priorities are about public health, education, job training and getting Rhode Island businesses open again, the proposal being put forth would force the Lottery to compete for dollars for gaming machines against those other critical priorities. In a very real sense, they are proposing that legislators annually make a choice between the health and welfare of our community and Wheel of Fortune slots machines.

There are other major problems with the proposal for the State to buy the VLTs. There has been much discussion over the past year of the importance of the efficiency process which is designed to ensure that the facilities consistently get the most competitive and best performing VLTs. Under this proposal, the efficiency process is eliminated entirely, leaving the facilities with whatever VLTs the State purchased irrespective of performance. Maryland started its VLT program with the state buying machines and it was a failure. Maryland found the expenses were

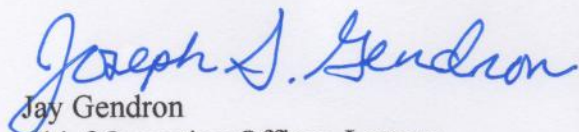
higher than expected and performance was not optimal. Maryland reversed course a few years ago as a result.

The COVID-19 pandemic provides even more reason to embrace legislation that will guarantee jobs and investment as large and small businesses across the State are experiencing unprecedented levels of economic distress. As you know, in May the State's seasonally adjusted unemployment rate was 16.3%. ***This legislation will guarantee good-paying jobs for Rhode Islanders in uncertain economic times.*** In an age when every company in the world is looking for efficiencies and reevaluating brick and mortar headquarters, IGT and Twin River are making important new headquarters and employment commitments to Rhode Island and Rhode Islanders for the next two decades.

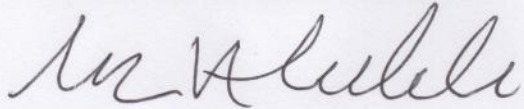
While we could certainly take issue with many additional findings, we will close by noting that the CCA report suggests the state's gaming tax rate goes from over 60% – already among the highest rates nationwide – to over 67%. Our casinos compete with casinos in Massachusetts and Connecticut which have markedly lower tax rates of 25%. ***Asking us to maintain our competitiveness – and continue as the State's third largest revenue source – by shifting an additional 7% to the State and jeopardizing the supply of the best, most competitive VLTs that our customers want and our competitors have – would be irresponsible, mortgaging our collective financial future.***

If you have any questions or would like to discuss this further, please let us know. We genuinely appreciate your consideration and your commitment to the people of Rhode Island.

Sincerely,



Jay Gendron
Chief Operating Officer, Lottery
International Game Technology



Marc Crisafulli
Executive Vice President
Twin River Worldwide Holdings