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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2014

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A N A C T

RELATING TO REVENUE PROTECTION

Introduced By: Representative Marvin L. Abney

Date Introduced: June 05, 2014

Referred To: House Finance

(by request)

It is enacted by the General Assembly as follows:

1 SECTION 1. Purpose. The general assembly hereby finds that:

2 (a) The Newport Grand facility located in the City of Newport ("Newport Grand") is an  
3 important source of revenue for the state of Rhode Island, having been licensed by the Rhode  
4 Island department of business regulation to conduct pari-mutuel wagering, and at which the  
5 Division (as defined herein) operates games of the Rhode Island Lottery.

6 (b) In a study commissioned by the Rhode Island department of revenue, Christiansen  
7 Capital Advisors, LLC anticipated that competition from gaming facilities recently authorized in  
8 Massachusetts could have a twenty-five to forty percent (25-40%) negative impact on state  
9 revenues generated from state-operated gaming in Rhode Island, amounting to losses to the state  
10 of one hundred million dollars (\$100,000,000) or more in annual revenue.

11 (c) Revenues generated from state-operated gaming in Rhode Island constitute the third  
12 largest source of revenue to the state, behind only revenue generated from income taxes and sales  
13 and use taxes.

14 (d) Accordingly, competition from gaming facilities in Massachusetts presents an  
15 imminent threat to revenues generated by the state, and thus an imminent threat to the public  
16 welfare.

17 (e) It is therefore imperative that action be taken to ameliorate the anticipated adverse  
18 effects on state revenues from competition from gaming facilities recently authorized in  
19 Massachusetts.

1 (f) It is also imperative that action be taken to preserve and protect the state's ability to  
2 maximize revenues at Newport Grand in an increasingly competitive gaming market by  
3 expanding critical revenue-driving promotional programs through legislative authorization and  
4 necessary amendments to contracts, previously authorized by the general assembly, to position  
5 the promotional programs for long-term success.

6 (g) It is also in the best interest of the state to preserve public confidence in the integrity  
7 of Rhode Island gaming by authorizing the division to promulgate regulations to direct and  
8 control state-operated table gaming (as defined herein).

9 (h) It is the intent of the general assembly that this act address the referendum question to  
10 be submitted to statewide and city of Newport voters at the next general election in November of  
11 2014 asking such voters to approve casino gaming at Newport Grand.

12 (i) It is also the intent of the general assembly that this act satisfies the general assembly's  
13 obligations pursuant to § 42-61.2-2.1(b)(4).

14 (j) It is also the intent of the general assembly that this act, being necessary to address an  
15 imminent threat to the public welfare, as aforesaid, shall be liberally construed so as to effectuate  
16 its purposes, including without limitation, the state's attempt to minimize certain commercial risks  
17 faced by Newport Grand, LLC (as defined herein) by entering into agreements with the division.

18 SECTION 2. Definitions. For the purposes of this act, the following terms shall have the  
19 following meanings:

20 (1) "Division" means the division of lotteries within the department of revenue and/or  
21 any successor as party to the Newport Grand Master Contract and the GTECH Master Contract.

22 (2) "GTECH Master Contract" means that certain Master Contract made as of May 12,  
23 2003 pursuant to chapters 32 and 33 of the public laws of 2003, as amended from time to time.

24 (3) "Initial promotional points program" means that promotional points program  
25 authorized in section 4(a)(ii) of Part B as to Newport Grand of chapter 16 of the public laws of  
26 2010, as amended by section 8 of chapter 151, article 25 of the public laws of 2011.

27 (4) "Newport Grand, LLC" means that limited liability company defined in chapter 16 of  
28 the public laws of 2010, part B, section 2(l).

29 (5) "Newport Grand Master Contract" means that certain Master Video Lottery Terminal  
30 Contract made as of November 23, 2005 by and between the division and Newport Grand Jai  
31 Alai, LLC, as amended from time to time.

32 (6) "Prior marketing year" means the prior state fiscal year.

33 (7) "Promotional points" means the promotional points issued pursuant to any free play  
34 or other promotional program operated by the division at a licensed video lottery terminal facility

1 (including, without limitation, the promotional points programs at Newport Grand authorized  
2 pursuant to chapter 16 of the public laws of 2010, Part B as to Newport Grand, section 4(a)(ii),  
3 chapter 151, article 25 of the public laws of 2011, section 8(a)(i), and section 7 hereof as to  
4 Newport Grand), which are downloaded to a video lottery terminal by a player.

5 (8) "Supplementary promotional points program" means that promotional points program  
6 authorized in section 7 hereof as to Newport Grand.

7 SECTION 3. Except as otherwise amended by this act, the terms, conditions, provisions  
8 and definitions of chapters 32 and 33 of the public laws of 2003, chapters 322 and 323 of the  
9 public laws of 2005, chapter 16 of the public laws 2010, chapter 151, article 25 of the public laws  
10 of 2011 and chapter 24 and 25 of the public laws of 2012 are hereby incorporated by reference  
11 and shall remain in full force and effect.

12 SECTION 4. Section 42-61.2-7 of the General Laws in Chapter 42-61.2 entitled "Video  
13 Lottery Terminal" is hereby amended to read as follows:

14 **42-61.2-7. Division of revenue. [Effective June 30, 2011.] --** (a) Notwithstanding the  
15 provisions of section 42-61-15, the allocation of net terminal income derived from video lottery  
16 games is as follows:

17 (1) For deposit in the general fund and to the state lottery division fund for  
18 administrative purposes: Net terminal income not otherwise disbursed in accordance with  
19 subdivisions (a)(2) -- (a)(6) herein;

20 (i) Except for the fiscal year ending June 30, 2008, nineteen one hundredths of one  
21 percent (0.19%) up to a maximum of twenty million dollars (\$20,000,000) shall be equally  
22 allocated to the distressed communities as defined in section 45-13-12 provided that no eligible  
23 community shall receive more than twenty-five percent (25%) of that community's currently  
24 enacted municipal budget as its share under this specific subsection. Distributions made under  
25 this specific subsection are supplemental to all other distributions made under any portion of  
26 general laws section 45-13-12. For the fiscal year ending June 30, 2008 distributions by  
27 community shall be identical to the distributions made in the fiscal year ending June 30, 2007 and  
28 shall be made from general appropriations. For the fiscal year ending June 30, 2009, the total  
29 state distribution shall be the same total amount distributed in the fiscal year ending June 30,  
30 2008 and shall be made from general appropriations. For the fiscal year ending June 30, 2010, the  
31 total state distribution shall be the same total amount distributed in the fiscal year ending June 30,  
32 2009 and shall be made from general appropriations, provided however that \$784,458 of the total  
33 appropriation shall be distributed equally to each qualifying distressed community. For each of  
34 the fiscal years ending June 30, 2011, June 30, 2012, and June 30, 2013 seven hundred eighty-

1 four thousand four hundred fifty-eight dollars (\$784,458) of the total appropriation shall be  
2 distributed equally to each qualifying distressed community.

3 (ii) Five one hundredths of one percent (0.05%) up to a maximum of five million dollars  
4 (\$5,000,000) shall be appropriated to property tax relief to fully fund the provisions of section 44-  
5 33-2.1. The maximum credit defined in subdivision 44-33-9(2) shall increase to the maximum  
6 amount to the nearest five dollar (\$5.00) increment within the allocation until a maximum credit  
7 of five hundred dollars (\$500) is obtained. In no event shall the exemption in any fiscal year be  
8 less than the prior fiscal year.

9 (iii) One and twenty-two one hundredths of one percent (1.22%) to fund section 44-34.1-  
10 1, entitled "Motor Vehicle and Trailer Excise Tax Elimination Act of 1998", to the maximum  
11 amount to the nearest two hundred fifty dollar (\$250) increment within the allocation. In no event  
12 shall the exemption in any fiscal year be less than the prior fiscal year.

13 (iv) Except for the fiscal year ending June 30, 2008, ten one hundredths of one percent  
14 (0.10%) to a maximum of ten million dollars (\$10,000,000) for supplemental distribution to  
15 communities not included in paragraph (a)(1)(i) above distributed proportionately on the basis of  
16 general revenue sharing distributed for that fiscal year. For the fiscal year ending June 30, 2008  
17 distributions by community shall be identical to the distributions made in the fiscal year ending  
18 June 30, 2007 and shall be made from general appropriations. For the fiscal year ending June 30,  
19 2009, no funding shall be disbursed. For the fiscal year ending June 30, 2010 and thereafter,  
20 funding shall be determined by appropriation.

21 (2) To the licensed video lottery retailer:

22 (a) (i) Prior to the effective date of the NGJA Master Contract, Newport Jai Ali twenty-  
23 six percent (26%) minus three hundred eighty four thousand nine hundred ninety-six dollars  
24 (\$384,996);

25 (ii) On and after the effective date of the NGJA Master Contract, to the licensed video  
26 lottery retailer who is a party to the NGJA Master Contract, all sums due and payable under said  
27 Master Contract minus three hundred eighty four thousand nine hundred ninety-six dollars  
28 (\$384,996).

29 (iii) Effective July 1, 2013 the rate of net terminal income payable to Newport Grand,  
30 LLC under the Newport Grand Master Contract shall increase by two and one quarter percent  
31 (2.25%) points. The increase herein shall sunset and expire on June 30, 2015 and the rate in effect  
32 as of June 30, 2013 shall be reinstated.

33 (b) (i) Prior to the effective date of the UTGR Master Contract, to the present licensed  
34 video lottery retailer at Lincoln Park which is not a party to the UTGR Master Contract, twenty-

1 eight and eighty-five one hundredths percent (28.85%) minus seven hundred sixty-seven  
2 thousand six hundred eighty-seven dollars (\$767,687);

3 (ii) On and after the effective date of the UTGR Master Contract, to the licensed video  
4 lottery retailer who is a party to the UTGR Master Contract, all sums due and payable under said  
5 Master Contract minus seven hundred sixty-seven thousand six hundred eighty-seven dollars  
6 (\$767,687).

7 (iii) Effective July 1, 2015, provided that the referendum measure to be held at the  
8 general election in November of 2014 authorizing casino gaming in the city of Newport is  
9 approved statewide and in the city of Newport and provided further that Newport Grand  
10 commences and continues to offer table games, the rate of net terminal income payable to  
11 Newport Grand, LLC under the Newport Grand Master Contract shall increase by one and one-  
12 half percentage (1.5%) points.

13 (3) (i) To the technology providers who are not a party to the GTECH Master Contract  
14 as set forth and referenced in Public Law 2003, Chapter 32, seven percent (7%) of the net  
15 terminal income of the provider's terminals; in addition thereto, technology providers who  
16 provide premium or licensed proprietary content or those games that have unique characteristics  
17 such as 3D graphics, unique math/game play features or merchandising elements to video lottery  
18 terminals may receive incremental compensation, either in the form of a daily fee or as an  
19 increased percentage, if all of the following criteria are met:

20 (A) A licensed video lottery retailer has requested the placement of premium or licensed  
21 proprietary content at its licensed video lottery facility;

22 (B) The division of lottery has determined in its sole discretion that the request is likely  
23 to increase net terminal income or is otherwise important to preserve or enhance the  
24 competitiveness of the licensed video lottery retailer;

25 (C) After approval of the request by the division of lottery, the total number of premium  
26 or licensed propriety content video lottery terminals does not exceed ten percent (10%) of the  
27 total number of video lottery terminals authorized at the respective licensed video lottery retailer;  
28 and

29 (D) All incremental costs are shared between the division and the respective licensed  
30 video lottery retailer based upon their proportionate allocation of net terminal income. The  
31 division of lottery is hereby authorized to amend agreements with the licensed video lottery  
32 retailers, or the technology providers, as applicable, to effect the intent herein.

33 (ii) To contractors who are a party to the Master Contract as set forth and referenced in  
34 Public Law 2003, Chapter 32, all sums due and payable under said Master Contract;

1 (iii) Notwithstanding paragraphs (i) and (ii) above, there shall be subtracted  
2 proportionately from the payments to technology providers the sum of six hundred twenty-eight  
3 thousand seven hundred thirty-seven dollars (\$628,737);

4 (4) (A) To the city of Newport one and one hundredth percent (1.01%) of net terminal  
5 income of authorized machines at Newport Grand, except that:

6 (i) Effective November 9, 2009 until June 30, 2013, the allocation shall be one and two  
7 tenths percent (1.2%) of net terminal income of authorized machines at Newport Grand for each  
8 week the facility operates video lottery games on a twenty-four (24) hour basis for all eligible  
9 hours authorized, and

10 (ii) Effective ~~July 1, 2013, provided that the referendum measure authorized by Section 1~~  
11 ~~of Chapters 24 and 25 of the Public Laws of 2012 is approved statewide and in the City of~~  
12 ~~Newport, July 1, 2015, provided that the referendum measure to be held at the general election in~~  
13 ~~November of 2014 authorizing casino gaming in the city of Newport is approved statewide and in~~  
14 ~~the city of Newport and provided further that Newport Grand commences and continues to offer~~  
15 ~~table games,~~ the allocation shall be one and forty-five hundredths percent (1.45%) of net terminal  
16 income of authorized video lottery terminals at Newport Grand; and

17 (B) To the town of Lincoln one and twenty-six hundredths percent (1.26%) of net  
18 terminal income of authorized machines at Twin River except that,

19 (i) Effective November 9, 2009 until June 30, 2013, the allocation shall be one and forty-  
20 five hundredths percent (1.45%) of net terminal income of authorized machines at Twin River for  
21 each week video lottery games are offered on a twenty-four (24) hour basis for all eligible hours  
22 authorized, and

23 (ii) Effective July 1, 2013, provided that the referendum measure authorized by Article  
24 25, Chapter 151, Section 4 of the Public Laws of 2011 is approved statewide and in the Town of  
25 Lincoln, the allocation shall be one and forty-five hundredths percent (1.45%) of net terminal  
26 income of authorized video lottery terminals at Twin River; and

27 (5) To the Narragansett Indian Tribe, seventeen hundredths of one percent (0.17%) of net  
28 terminal income of authorized machines at Lincoln Park up to a maximum of ten million dollars  
29 (\$10,000,000) per year, which shall be paid to the Narragansett Indian Tribe for the account of a  
30 Tribal Development Fund to be used for the purpose of encouraging and promoting: home  
31 ownership and improvement, elderly housing, adult vocational training; health and social  
32 services; childcare; natural resource protection; and economic development consistent with state  
33 law. Provided, however, such distribution shall terminate upon the opening of any gaming facility  
34 in which the Narragansett Indians are entitled to any payments or other incentives; and provided

1 further, any monies distributed hereunder shall not be used for, or spent on previously contracted  
2 debts; and

3 (6) Unclaimed prizes and credits shall remit to the general fund of the state; and

4 (7) Payments into the state's general fund specified in subdivisions (a)(1) and (a)(6) shall  
5 be made on an estimated monthly basis. Payment shall be made on the tenth day following the  
6 close of the month except for the last month when payment shall be on the last business day.

7 (b) Notwithstanding the above, the amounts payable by the Division to UTGR related to  
8 the Marketing Program shall be paid on a frequency agreed by the Division, but no less  
9 frequently than annually.

10 (c) Notwithstanding anything in this chapter 61.2 of this title 42 to the contrary, the  
11 Director is authorized to fund the Marketing Program as described above in regard to the First  
12 Amendment to the UTGR Master Contract.

13 (d) Notwithstanding the above, the amounts payable by the Division to Newport Grand  
14 related to the Marketing Program shall be paid on a frequency agreed by the Division, but no less  
15 frequently than annually.

16 (e) Notwithstanding anything in this chapter 61.2 of this title 42 to the contrary, the  
17 Director is authorized to fund the Marketing Program as described above in regard to the First  
18 Amendment to the Newport Grand Master Contract.

19 (f) Notwithstanding the provisions of section 42-61-15, the allocation of Net Table Game  
20 Revenue derived from Table Games at Twin River is as follows:

21 (1) For deposit into the state lottery fund for administrative purposes and then the  
22 balance remaining into the general fund:

23 (i) Sixteen percent (16%) of Net Table Game Revenue, except as provided in subsection  
24 (f)(1)(ii);

25 (ii) An additional two percent (2%) of Net Table Game Revenue generated at Twin  
26 River shall be allocated starting from the commencement of Table Game activities by such Table  
27 Game Retailer, and ending, with respect to such Table Game Retailer, on the first date that such  
28 Table Game Retailer's net terminal income for a full State fiscal year is less than such Table  
29 Game Retailer's net terminal income for the prior State fiscal year, at which point this additional  
30 allocation to the State shall no longer apply to such Table Game Retailer.

31 (2) To UTGR, Net Table Game Revenue not otherwise disbursed pursuant to above  
32 subsection (f)(1); provided, however, on the first date that such Table Game Retailer's net  
33 terminal income for a full State fiscal year is less than such Table Game Retailer's net terminal  
34 income for the prior State fiscal year, as set forth in subsection (f)(1)(ii) above, one percent (1%)

1 of this Net Table Game Revenue shall be allocated to the town of Lincoln for four (4) consecutive  
2 State fiscal years.

3 (g) Notwithstanding the provisions of section 42-61-15, the allocation of Net Table  
4 Game Revenue derived from Table Games at Newport Grand is as follows:

5 (1) For deposit into the state lottery fund for administrative purposes and then the  
6 balance remaining into the general fund: eighteen percent (18%) of Net Table Game Revenue.

7 (2) To Newport Grand LLC, Net Table Game Revenue not otherwise disbursed pursuant  
8 to above subsection (g)(1) provided, however, on the first date that such Table Game Retailer's  
9 net terminal income for a full State fiscal year is less than such Table Game Retailer's net  
10 terminal income for the prior State fiscal year, one percent (1%) of this Net Table Game Revenue  
11 shall be allocated to the city of Newport for four (4) consecutive State fiscal years.

12 SECTION 5. Chapter 42-61.2 of the General Laws entitled "Video Lottery Terminal" is  
13 hereby amended by adding thereto the following section:

14 **42-61.2-5.1. Exclusion of minors.** – No person under the age of eighteen (18) years may  
15 play a video lottery game or a table game authorized by this chapter, nor shall any licensed video  
16 lottery or table game retailer knowingly permit a minor to play a video lottery machine or table  
17 game or knowingly pay a minor with respect to a video lottery credit slip or table game chip.  
18 Violation of this section shall be punishable by a fine of five hundred dollars (\$500).

19 **42-61.2-8.1. Penalty for manipulation or tampering.** – Any person who, with intent to  
20 manipulate the outcome, payoff, and/or operation of a video lottery terminal or table game,  
21 manipulates the outcome, prize, or operation of a video lottery terminal or table game by physical  
22 or electronic means shall be guilty of a felony punishable by imprisonment for not more than ten  
23 (10) years or by a fine of not less than ten thousand dollars (\$10,000), or both.

24 SECTION 6. The provisions of §§ 46-61.1-13, 42-61.2-14, and 42-61.2-15 of the general  
25 laws in chapter 42-61.2 entitled "Video Lottery Terminal" shall apply and take effect as to  
26 Newport Grand only if the referendum authorizing casino gaming at Newport Grand is approved  
27 by a majority of the voters voting on the question both statewide and in the city of Newport at the  
28 general election to be held in November of 2014.

29 SECTION 7. Authorized Procurement of Third Amendment to the Newport Grand  
30 Master Contract.

31 (a) Notwithstanding any provision of the general or public laws to the contrary, within  
32 ninety (90) days of the enactment of this act, the division is hereby expressly authorized and  
33 directed to enter into with Newport Grand, LLC a Third Amendment to the Newport Grand  
34 Master Contract to effectuate the terms and conditions of this act relative to video lottery



1 terminals, including, without limitation, the following:

2 (1) There is hereby authorized a supplementary promotional points program at Newport  
3 Grand (in addition to the initial promotional points program), pursuant to the terms and  
4 conditions established from time to time by the division during the term of the Newport Grand  
5 Master Contract. The approved amount of the supplementary promotional points program shall  
6 not exceed six percent (6%) of Newport Grand net terminal income of the prior marketing year.  
7 For avoidance of doubt, the aggregate approved amount of the initial and supplementary  
8 promotional points programs, in total, shall therefore not exceed ten percent (10%) of the amount  
9 of net terminal income of Newport Grand of the prior marketing year, plus an additional seven  
10 hundred and fifty thousand dollars (\$750,000) allocated pursuant to the terms of chapter 151,  
11 article 25 of the public laws of 2011, section 8(a)(i).

12 (2) The requirements of this section 7 related to the supplementary promotional points  
13 program shall take effect on and after July 1, 2014. To the extent such promotion is already in  
14 effect as of the date of passage of this act, this section provides a continued authorization for such  
15 program.

16 SECTION 8. This act shall take effect upon passage.

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EXPLANATION  
BY THE LEGISLATIVE COUNCIL  
OF  
A N A C T  
RELATING TO REVENUE PROTECTION

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1           This act would provide for new percentages for the allocation of net terminal income of  
2 authorized video lottery terminals at Newport Grand if state-operated casino gaming is authorized  
3 at that facility. The act would also make Newport Grand subject to certain sections of the general  
4 laws pertaining to table game enforcement, hours of operation, and compulsive and problem  
5 gambling programs, if such state-wide casino gaming is authorized. The act also reauthorizes the  
6 promotional points program at Newport Grand. The act also reinstates previously deleted sections  
7 of the general laws pertaining to exclusion of minors and penalties for manipulating or tampering  
8 with video lottery terminals or table games.

9           This act would take effect upon passage.

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