

2014 -- H 8294

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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 STATE AFFAIRS AND GOVERNMENT -- AUTHORIZING STATE-
OPERATED CASINO GAMING AT NEWPORT GRAND SUBJECT TO STATEWIDE AND
LOCAL VOTER APPROVAL

Introduced By: Representatives Abney, and Martin

Date Introduced: June 05, 2014

Referred To: House Judiciary

(by request)

It is enacted by the General Assembly as follows:

1 SECTION 1. Sections 42-61.2-2.2 and 42-61.2-7 of the General Laws in Chapter 42-61.2
2 entitled "Video Lottery Terminal" are hereby amended to read as follows:

3 **42-61.2-2.2. State authorized to operate casino gaming at Newport Grand. --** (a)

4 State-operated casino gaming shall be authorized at the facility of the licensed video lottery
5 terminal retailer known as "Newport Grand" located in the ~~town~~ city of Newport; provided, ~~that :~~

6 (1) That the requirements of Article VI, Section 22 of the Rhode Island Constitution are
7 met with respect to said facility at the general election ~~next to be~~ held ~~after enactment of this~~
8 ~~section.~~ in November of 2014; and

9 (2) That the proposed amendment to the Rhode Island Constitution requiring that prior to
10 a change in location where gambling is permitted in any city or town, there must be a referendum
11 in said city or town and approval by the majority of those electors voting in said referendum on
12 said proposed change in location in said city or town, is also approved statewide at the statewide
13 general election to be held in November of 2014.

14 (b) With respect to the Newport Grand facility, the authorization of this section 2.2 shall
15 be effective upon:

16 (1) The certification by the secretary of state that the qualified voters of the state have
17 approved the expansion of gambling at such facility to include casino gaming and also approved
18 the amendment to the Rhode Island Constitution regarding a change in the location of where

1 [gambling is permitted in any city or town](#); and

2 (2) The certification by the board of canvassers of the city of Newport that the qualified
3 electors of the city of Newport have approved the expansion of gambling at such facility to
4 include casino gaming.

5 (c) The general assembly finds that:

6 (1) The operation of casino gaming at Newport Grand will play a critical role in the
7 economy of the state and enhance local revenues;

8 (2) Pursuant to Article VI, Section 15 of the Rhode Island Constitution and the specific
9 powers, authorities and safeguards set forth in subsection (c) herein in connection with the
10 operation of casino gaming, the state shall have full operational control over the specified
11 location, [subject to the restrictions of Article V, Section 22 of the Rhode Island Constitution](#), at
12 which casino gaming shall be conducted;

13 (3) It is in the best interest of the state to have the authorization to operate casino gaming
14 as specified at Newport Grand;

15 (4) Pursuant to the provisions of subdivision 42-61.2-2.1(b)(4), and by action of the
16 governor, an extensive analysis and evaluation of competitive casino-gaming operations was
17 completed, which concluded that the viability of Newport Grand as a video lottery terminal
18 facility is threatened by the location of casino gaming in Southeast Massachusetts.

19 (5) The legislature ~~shall, has~~ by enactment of comprehensive legislation, during the 2012
20 [and 2014 sessions](#), ~~session, determine~~ [determined](#) the terms and conditions pursuant to which
21 casino gaming would be operated in the state if it is authorized as set forth herein.

22 (d) Notwithstanding the provisions of any other law and pursuant to Article VI, Section
23 15 of the Rhode Island Constitution, the state is authorized, [subject to the restrictions of Article](#)
24 [V, Section 22 of the Rhode Island Constitution](#), to operate, conduct and control casino gaming at
25 Newport Grand subject to subsection (a) above. In furtherance thereof, the state, through the
26 division of state lottery and/or the department of business regulation, shall have full operational
27 control to operate the foregoing facilities, the authority to make all decisions about all aspects of
28 the functioning of the business enterprise, including, without limitation, the power and authority
29 to:

30 (1) Determine the number, type, placement and arrangement of casino-gaming games,
31 tables and sites within the facility;

32 (2) Establish with respect to casino gaming one or more systems for linking, tracking,
33 deposit and reporting of receipts, audits, annual reports, prohibitive conduct and other such
34 matters determined from time to time;

1 (3) Collect all receipts from casino gaming, require that Newport Grand collect casino-
2 gaming gross receipts in trust for the state through the division of state lottery, deposit such
3 receipts into an account or accounts of its choice, allocate such receipts according to law, and
4 otherwise maintain custody and control over all casino-gaming receipts and funds;

5 (4) Hold and exercise sufficient powers over Newport Grand's accounting and finances
6 to allow for adequate oversight and verification of the financial aspects of casino gaming at the
7 facility, including, without limitation:

8 (i) The right to require Newport Grand to maintain an annual balance sheet, profit and
9 loss, and any other necessary information or reports; and

10 (ii) The authority and power to conduct periodic compliance or special or focused audits
11 of the information or reports provided, as well as the premises with the facility containing records
12 of casino gaming or in which the business of Newport Grand's casino-gaming operations are
13 conducted;

14 (5) Monitor all casino-gaming operations and have the power to terminate or suspend
15 any casino-gaming activities in the event of an integrity concern or other threat to the public trust,
16 and in furtherance thereof, require the licensed video lottery retailer to provide a specified area or
17 areas from which to conduct such monitoring activities;

18 (6) Define and limit the rules of play and odds of authorized casino-gaming games,
19 including, without limitation, the minimum and maximum wagers for each casino-gaming game;

20 (7) Have approval rights over matters relating to the employment of individuals to be
21 involved, directly or indirectly, with the operation of casino gaming at Newport Grand;

22 (8) Establish compulsive gambling treatment programs;

23 (9) Promulgate, or propose for promulgation, any legislative, interpretive and procedural
24 rules necessary for the successful implementation, administration and enforcement of this
25 chapter; and

26 (10) Hold all other powers necessary and proper to fully effectively execute and
27 administer the provisions of this chapter for its purpose of allowing the state to operate a casino-
28 gaming facility through a licensed video lottery retailer hosting said casino gaming on behalf of
29 the state of Rhode Island.

30 (e) Subject to subsection (a) above, the state, through the division of state lottery and/or
31 the department of business regulation, may expand Newport Grand's existing video lottery license
32 issued, or issue Newport Grand a new casino-gaming license, to permit casino gaming to the
33 extent authorized by this act.

34 (f) Subject to subsection (a) above, all rules and regulations shall be promulgated by the

1 state, through the division of state lottery and the department of business regulation, in
2 accordance with the authority conferred upon the general assembly pursuant to Article VI,
3 Section 15 of the Rhode Island Constitution. In accord therewith, subject to subsection (a) above,
4 the state, through the division of state lottery and/or the department of business regulation, shall
5 have authority to issue such regulations as it deems appropriate pertaining to control, operation
6 and management of casino gaming as specifically set forth in subsections (b), (c) and (d).

7 (g) Any referendum in the city of Newport regarding the expanding of types or locations
8 of gambling in said city as provided for in subsection (a) of this section shall become effective
9 only upon the approval of an amendment to the Rhode Island Constitution requiring that, prior to
10 a change in location where gambling is permitted in any city or town, there must be a referendum
11 in said city or town and the approval of the majority of those electors voting in said referendum
12 on said proposed change in location in said city or town.

13 **42-61.2-7. Division of revenue. [Effective June 30, 2011.] --** (a) Notwithstanding the
14 provisions of section 42-61-15, the allocation of net terminal income derived from video lottery
15 games is as follows:

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

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

1 distributed equally to each qualifying distressed community.

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

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

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

20 (2) To the licensed video lottery retailer:

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

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

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

32 (b) (i) Prior to the effective date of the UTGR Master Contract, to the present licensed
33 video lottery retailer at Lincoln Park which is not a party to the UTGR Master Contract, twenty-
34 eight and eighty-five one hundredths percent (28.85%) minus seven hundred sixty-seven

1 thousand six hundred eighty-seven dollars (\$767,687);

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

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

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

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

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

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

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

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

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

33 (i) Effective November 9, 2009 until June 30, 2013, the allocation shall be one and two
34 tenths percent (1.2%) of net terminal income of authorized machines at Newport Grand for each

1 week the facility operates video lottery games on a twenty-four (24) hour basis for all eligible
2 hours authorized, and

3 (ii) Effective July 1, ~~2013~~ 2015, provided that both:

4 (I) The ~~the~~ referendum measure ~~authorized by Section 1 of Chapters 24 and 25 of the~~
5 ~~Public Laws of 2012 is approved statewide and in the City of Newport,~~ authorizing casino
6 gaming at Newport Grand is approved statewide and by the city of Newport at the statewide
7 general election to be held in November of 2014; and

8 (II) The proposed amendment to the Rhode Island Constitution requiring that prior to a
9 change in location where gambling is permitted in any city or town, there must be a referendum
10 in said city or town and approval by the majority of those electors voting in said referendum on
11 said proposed change in location in said city or town, is approved statewide at the statewide
12 general election to be held in November of 2014, in which event then the allocation shall be one
13 and forty-five hundredths percent (1.45%) of net terminal income of authorized video lottery
14 terminals at Newport Grand; and

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

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

21 (ii) Effective July 1, 2013, provided that the referendum measure authorized by Article
22 25, Chapter 151, Section 4 of the Public Laws of 2011 is approved statewide and in the Town of
23 Lincoln, the allocation shall be one and forty-five hundredths percent (1.45%) of net terminal
24 income of authorized video lottery terminals at Twin River; and

25 (5) To the Narragansett Indian Tribe, seventeen hundredths of one percent (0.17%) of net
26 terminal income of authorized machines at Lincoln Park up to a maximum of ten million dollars
27 (\$10,000,000) per year, which shall be paid to the Narragansett Indian Tribe for the account of a
28 Tribal Development Fund to be used for the purpose of encouraging and promoting: home
29 ownership and improvement, elderly housing, adult vocational training; health and social
30 services; childcare; natural resource protection; and economic development consistent with state
31 law. Provided, however, such distribution shall terminate upon the opening of any gaming facility
32 in which the Narragansett Indians are entitled to any payments or other incentives; and provided
33 further, any monies distributed hereunder shall not be used for, or spent on previously contracted
34 debts; and

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

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

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

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

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

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

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

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

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

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

29 (2) To UTGR, Net Table Game Revenue not otherwise disbursed pursuant to above
30 subsection (f)(1); provided, however, on the first date that such Table Game Retailer's net
31 terminal income for a full State fiscal year is less than such Table Game Retailer's net terminal
32 income for the prior State fiscal year, as set forth in subsection (f)(1)(ii) above, one percent (1%)
33 of this Net Table Game Revenue shall be allocated to the town of Lincoln for four (4) consecutive
34 State fiscal years.

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

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

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

10 SECTION 2. Pursuant to Article VI, section 22 of the Rhode Island Constitution, the
11 following question shall be submitted by the secretary of state to the qualified electors of the state
12 at the statewide general election to be held in November of 2014, and the secretary of state shall
13 certify the election results:

14 "Shall an act be approved which would authorize the facility known as 'Newport Grand'
15 in the city of Newport to add state-operated casino gaming, such as table games, to the types of
16 gambling it offers only and exclusively at the facility located at 150 Admiral Kalbfus Road,
17 Newport?"

18 SECTION 3. Pursuant to Article VI, section 22 of the Rhode Island Constitution, the
19 following question shall be submitted by the local board of canvassers to the qualified electors of
20 the city of Newport at the statewide general election to be held in November of 2014, and the
21 results thereof shall be certified to the secretary of state:

22 "Shall an act be approved which would authorize the facility known as 'Newport Grand'
23 in the city of Newport to add state-operated casino gaming, such as table games, to the types of
24 gambling it offers only and exclusively at the facility located at 150 Admiral Kalbfus Road,
25 Newport?"

26 SECTION 4. Unless otherwise amended by this act, the terms, conditions, provisions,
27 and definitions of chapters 322 and 323 of the public laws of 2005 and chapter 16 of the public
28 laws of 2010 are hereby incorporated herein by reference and shall remain in full force and effect.

29 SECTION 5. The question, to be submitted to the qualified electors relating to the
30 expansion of gaming at Newport Grand, shall appear on the ballots as the first referendum
31 question. The question to be submitted to the qualified electors relating to the amendment to the
32 Rhode Island Constitution regarding the location of gambling in a municipality shall appear on
33 the ballots as the second referendum question.

34 SECTION 6. This act shall take effect upon passage. Provided, the provisions of Section

1 1 of this act shall remain in effect only if the question submitted to the voters at the general
2 election to be held in November of 2014 relating to the expansion of gaming at Newport Grand is
3 approved by a majority of the electors voting both statewide and in the city of Newport, and if the
4 amendment to the Rhode Island Constitution regarding the location of gambling in a municipality
5 submitted to the voters in the same election is approved by a majority to the electors voting
6 statewide. In the event either or both questions does not receive sufficient voter approval to take
7 effect, then the provisions of Section 1 of this act shall be repealed upon the certification by the
8 Secretary of State of the results of said votes.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF

A N A C T

RELATING TO STATE AFFAIRS AND GOVERNMENT -- AUTHORIZING STATE-
OPERATED CASINO GAMING AT NEWPORT GRAND SUBJECT TO STATEWIDE AND
LOCAL VOTER APPROVAL

1 This act would authorize a voter referendum on the approval of state-operated casino
2 gaming at the Newport Grand facility. Such referendum would take place at the statewide
3 general election to be held in November of 2014. Such expansion could only take place if, in
4 addition to state and local voter approval of the referendum, there was also statewide voter
5 approval of a constitutional amendment dealing with changes in the location of where gambling is
6 permitted in any city or town. The act would also amend the allocation of net terminal income of
7 authorized video lottery terminals at Newport Grand, if both measures pass.

8 This act would take effect upon passage. Provided, the provisions of Section 1 of this act
9 would remain in effect only if the question submitted to the voters at the general election to be
10 held in November of 2014 relating to the expansion of gaming at Newport Grand is approved by
11 a majority of the electors voting both statewide and in the city of Newport, and if the amendment
12 to the Rhode Island Constitution regarding the location of gambling in a municipality submitted
13 to the voters in the same election, is approved by a majority of the electors voting statewide. In
14 the event either or both questions does not receive sufficient voter approval to take effect, then
15 the provisions of Section 1 of this act would be repealed upon the certification by the Secretary of
16 State of the results of said votes.

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