



State of Rhode Island and Providence Plantations

State House
Providence, Rhode Island 02903-1196
401-222-2080

Gina M. Raimondo
Governor

August 29, 2019

The Honorable Nicholas A. Mattiello
Speaker of the House
Rhode Island House of Representatives
Room 323, State House
Providence, Rhode Island 02903

The Honorable Dominick J. Ruggiero
Senate President
Rhode Island Senate
Room 318, State House
Providence, Rhode Island 02903

Dear Speaker Mattiello and Senate President Ruggiero:

On June 27, 2019, we collectively announced an agreement in principle with IGT for a continued partnership with the Rhode Island Lottery that would secure IGT's significant presence in the State of Rhode Island for the next two decades. As you know, under the terms of the agreement in principle, IGT will be responsible for a \$25 million payment to the State, \$150 million in capital investments over the next 20 years, and at least 1,100 jobs in Rhode Island.

I received your request for the documents that you would like to review in advance of your legislative hearings and enclose the response. I look forward to a full public vetting of this proposal at your hearings this Fall.

Sincerely,

A handwritten signature in blue ink, appearing to read "Gina M. Raimondo".

Gina M. Raimondo

DOR Rhode Island Department of Revenue
Lottery Division

August 29, 2019

The Honorable Nicholas A. Mattiello
Speaker of the House
Rhode Island House of Representatives
Room 323, State House
Providence, Rhode Island 02903

The Honorable Dominick J. Ruggerio
Senate President
Rhode Island Senate
Room 318, State House
Providence, Rhode Island 02903

Dear Speaker Mattiello and Senate President Ruggerio:

Governor Raimondo forwarded me your letter dated August 13, 2019 and asked that the Rhode Island Lottery respond in detail to your requests by August 30, 2019. We look forward to a full public vetting of this proposal at your hearings this Fall. In advance of those hearings, we are providing you with the following responses and documents:

1. Any contract must first be authorized by the General Assembly, following the same process that created the current contract in 2003. Accordingly, one does not exist.
2. A detailed chart of all of the terms of the agreement in principle for the proposed contract extension. As requested, we identified any items that were specifically excluded from the agreement in green. We have also highlighted in yellow the specific items you requested be part of the terms of the contract extension during our ongoing negotiations. (Pages 1 - 11).
3. A copy of the current master contract between the State and IGT authorized by the General Assembly in 2003, as well as all related contract amendments and letter agreements. In addition, although they are not currently part of the master contract between the State and IGT, because we would propose to incorporate both the Instant Ticket Printing contract and the Web Services contract into the contract extension (in order to lock in current pricing so that the Lottery would not be subject to future price increases over the life of the extension) we are providing copies of the relevant contracts and amendments for those two items as well. (Pages 12 - 218).
4. Since the General Assembly's passage of the enabling legislation for the Master Contract, IGT has provided the Rhode Island Lottery with annual certifications regarding its compliance with the current contract's employment requirement. Copies of those certifications for Calendar Years 2005-2011 and 2018 are enclosed. As you are aware, an audit performed by Taxation indicated a shortfall in the FTE requirement for Calendar Year 2012 (IGT was 10 FTEs short, the audit revealed 990 FTEs instead of 1,000). At that time, IGT was forthright and acknowledged that if an audit were performed using the same methodology for Calendar Year 2013, the results would



also indicate a small shortfall. The Employment Obligation Agreement executed in July 2014 included monetary penalties for FTE shortfalls in Calendar Year 2012 and 2013. A subsequent audit by Taxation of Calendar Years 2014 and 2015 also indicated shortfalls, resulting in the Sixth Amendment to the Master Contract requiring certain goods and services be provided at reduced or no charge in exchange for those shortfalls and providing until Calendar Year 2018 for IGT to bring employment levels back above 1,000. Copies of the above-referenced documents related to IGT's employment levels for Calendar Years 2012-2017 are enclosed. IGT met the employment obligation in calendar year 2018 and the certification to that effect is enclosed. In addition, pursuant to IGT's 2005 Development Agreement with the then-EDC (Economic Development Corporation), IGT provides certifications to the Commerce Corporation regarding its FTE count every six months. Copies of those letters are also enclosed. The State does not keep records for any private employer that contain job titles and associated hours/salary/benefits of their individual employees. However, we relayed your request to IGT and IGT will respond to you with this information. (Pages 219 - 280).

5. The Appleseed report commissioned by the Rhode Island Commerce Corporation was compiled using the industry standard IMPLAN model. IMPLAN is a software tool for estimating economic impacts. <https://www.implan.com/> [implan.com] is a link to the IMPLAN website where the various aspects of the model are described in detail. <http://implan.com/data/> [implan.com] is a link which describes the data sources the model uses as well as the process they go through to ensure the data is reliable. For IGT direct jobs, Appleseed used an average salary of \$100,000. Appleseed did not assume every job earned \$100,000, but used a distribution of the wages that comes to an average of \$100,000. Salaries for indirect jobs were estimated using the IMPLAN model with an average salary of \$56,000. A copy of the Appleseed report is attached. (Pages 281-286).
6. Throughout the course of negotiations, the Rhode Island Lottery performed extensive research into lottery contracts in other states and consulted with the North American Association of State and Provincial Lotteries (NASPL), of which the Rhode Island Lottery is a member. Copies of those documents are enclosed. NASPL's contact information is: 7470 Auburn Road, LL1, Concord, OH 44077; (440) 361-7962. In addition, the Rhode Island Lottery consulted with attorney Michael Brandt of Willkie Farr & Gallagher, the Lottery's long-time outside counsel, regarding the contract extension. His contact information is: Michael E. Brandt, Willkie Farr & Gallagher LLP, 787 Seventh Avenue, New York, NY 10019; (212) 728-8962. (Pages 287- 1349).

Sincerely,



Gerald Aubin
Director