

DOR Rhode Island Department of Revenue
Lottery Division

May 23, 2023

The Honorable Marvin L. Abney, Chair
House Finance Committee
State House
Providence, RI 02903

RE: 2023 H 6348 (AN ACT RELATING TO STATE AFFAIRS AND GOVERNMENT -
VIDEO LOTTERY GAMES, TABLE GAMES AND SPORTS WAGERING)

Dear Chairman Abney:

I am writing on behalf of the Rhode Island Lottery to express concerns with the above-captioned legislation, which would permit iGaming in the State of Rhode Island.

While the Rhode Island Lottery believes there is a legislative path for authorizing iGaming, and is supportive of iGaming, it is the Rhode Island Lottery's position that the bill—as drafted—is likely unconstitutional and must be revised to conform with the authorization under the 2012 and 2016 Voter Referendums related to casino gaming. We have entered into discussions with your legal counsel and will assist with any such redraft.

Additionally, the Rhode Island Lottery has revenue-based concerns with respect to the bill. The proposed legislation sets the State's revenue allocation at fifty percent (50%) from "online slot gaming" and eighteen percent (18%) from "online table gaming" revenue. The Rhode Island Lottery respectfully requests your consideration of an increase in these iGaming revenue allocations to the State. This request is based on several factors, including significantly lower vendor operating costs associated with iGaming products versus traditional casino product offerings. The State's revenue allocation from traditional casino products is approximately sixty-one (61%) of VLT net terminal income and 15.5% of table game gross gaming revenue. Additionally, the Rhode Island Lottery anticipates a significant cannibalization of the Rhode Island Lottery's iLottery products, which had sales growth of 47% in FY '22 and 40% year-to-date—and which have a higher profit margin for the State than the proposed iGaming "online slot gaming" product. Therefore, increasing the State's revenue share from iGaming would help maximize the State's profit and offset anticipated revenue losses related to iLottery products.



1425 Pontiac Avenue, Cranston, RI 02920 | Tel. (401) 463-6500 Fax (401) 463-5669
www.rilot.com

Similarly, the bill does not address the responsibility of transaction fees charged by third parties for funds transfers from a customer's bank account into the customer's digital wallets. The Rhode Island Lottery respectfully requests the responsibility for payment of such third-party transaction fees, which can be significant, be assigned to the vendor(s).

Further, the Rhode Island Lottery has several operational concerns with the framework presented in the bill. First, the legislation appears to impose certain limitations on the Rhode Island Lottery's current operations. For example, the proposed legislation appears to curtail certain traditional lottery products purchased online in an effort to disadvantage such traditional products against iGaming products. It is the Rhode Island Lottery's position that if such restrictions were enacted, it may constrain our ability to provide products offered currently to our players, negatively impacting revenue received from such high growth products. The Rhode Island Lottery respectfully requests that such limitations be removed from the bill.

Second, the bill may create confusion where it inserts "casino games" into the unclaimed prize money statute, R.I. Gen. Laws § 42-61.2-9, because gaming chips are not analogous to the physical or electronic tickets targeted in that statute. There is no way to track the one-year expiration date of physical gaming chips used in connection with casino games. Accordingly, the Rhode Island Lottery suggests that the "casino game" reference not be included in the proposed changes to the unclaimed prize statute, and, instead, that it be specific to iGaming.

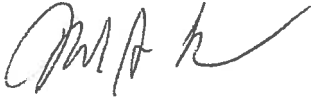
Third, while the bill includes iGaming in the statute for compulsive and problem gambling programs under R.I. Gen. Laws §42-61.2-14, the bill does not include additional funding for educational and treatment resources. The Rhode Island Lottery strongly urges such supplemental resources to enhance responsible gambling in connection with iGaming.

Fourth, the legislation defines the roles of certain vendors by naming specific entities. While the General Assembly's right to legislate exclusivity is well established, the Rhode Island Lottery respectfully suggests that there be a requirement that said entities have an underlying master contract with the Rhode Island Lottery.

Lastly, the Rhode Island Lottery has additional operational concerns around the implementation date of iGaming. The Rhode Island Lottery has been focused on two other large system conversions, which are well underway and scheduled for completion in the late Summer and Fall of 2023. Furthermore, for the Rhode Island Lottery to execute its operational and regulatory oversight properly, it would need to hire and train a material number of incremental staff, negotiate contracts with the two entities, and develop rules and regulations for iGaming. Unfortunately, the time frame for implementation by January 1, 2024 is not advised and would create the risk for a problematic or delayed implementation. Instead, the Rhode Island Lottery believes that a time frame of April 1, 2024 is aggressive but likely achievable for iGaming.

Based on the foregoing, the Rhode Island Lottery respectfully requests you not to pass the proposed legislation in its current form and stands ready to discuss these concerns and any questions you may have.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark A. Furcolo', with a stylized flourish at the end.

Mark A. Furcolo
Director

cc: The Honorable Gregory J. Constantino
Honorable Members of the House Finance Committee