

2019 -- H 6266

LC002933

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2019

A N A C T

ENABLING THE STATE LOTTERY DIVISION OF THE DEPARTMENT OF REVENUE TO  
CONTRACT WITH IGT GLOBAL SOLUTIONS CORPORATION

Introduced By: Representatives Mattiello, Shekarchi, Kennedy, Abney, and Edwards

Date Introduced: June 28, 2019

Referred To: House Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Purpose. The purpose of this Act is to authorize the State Lottery Division  
2 of the Department of Revenue (the "Division") to agree to an extension of the Division's  
3 partnership with IGT Global Solutions Corporation, a Delaware corporation ("IGT"), including  
4 the continuance of a significant presence in the State. This Act shall be liberally construed to  
5 effectuate its purposes.

6 SECTION 2. Authorization and Empowerment of State Lottery Division.  
7 Notwithstanding any provisions of the general laws of the State or regulations adopted thereunder  
8 to the contrary, including, but not limited to, the provisions of Chapter 2 of Title 37, Chapter 61  
9 of Title 42, Chapter 64 of Title 42 and Chapter 148 of Title 42, the Division is hereby authorized  
10 and empowered to enter into an amendment (the "Master Contract Amendment") to the Master  
11 Contract dated as of May 12, 2003 by and between the Division and IGT, as amended (authorized  
12 pursuant to Chapter 33 of the 2003 Public Laws) (the "Master Contract"), which would extend the  
13 term of the Master Contract by twenty (20) years to June 30, 2043 and would, among other  
14 matters:

15 (i) Extend the term of the On Line Gaming Agreement dated as of January 29, 1997  
16 between IGT and the Division, as amended (including, without limitation, by Section 11 of the  
17 Master Contract) (the "On Line Lottery Agreement"), for an additional twenty (20) years to June  
18 30, 2043;

1 (ii) Extend the term of the Video Lottery Central Computer System Agreement dated as  
2 of December 20, 2001 between IGT and the Division, as amended (including, without limitation,  
3 by Section 12 of the Master Contract) (the "Video Lottery Agreement"), for an additional twenty  
4 (20) years to June 30, 2043;

5 (iii) Extend the term of the Video Lottery Terminal Technology Provider License  
6 Agreement dated as of September 28, 2000 between IGT and the Division, as amended  
7 (including, without limitation, by Section 13 of the Master Contract) (the "VLT Agreement"), for  
8 an additional twenty (20) years to June 30, 2043;

9 (iv) Extend the term of the Instant Ticket Vending Machine Agreement dated October 21,  
10 1999 between IGT and the Division and IGT (the "Instant Ticket Vending Machine Agreement"),  
11 as amended (including, without limitation, pursuant to Section 8.2 of the Master Contract), for an  
12 additional twenty (20) years to June 30, 2043;

13 (v) Extend the term of the Instant Ticket Agreement dated as of June 30, 2016 between  
14 the Division and IGT (the "Instant Ticket Agreement"), as amended, for twenty (20) years to June  
15 30, 2043;

16 (vi) Extend the term of the Website Services Agreement dated as of January 9, 2019  
17 between the Division and IGT (the "Website Services Agreement") for twenty (20) years to June  
18 30, 2043;

19 (vii) Provide for the purchase by IGT from the Division for the price of \$25,000,000  
20 (\$12,500,000 of which shall be paid on or before June 30, 2021 and \$12,500,000 of which shall  
21 be paid on or before June 30, 2022) the right to be (A) the exclusive provider to the Division of  
22 products and services pertaining to:

- 23 (1) Online lottery systems, on line lottery terminals and related equipment;
- 24 (2) Central communication systems (as defined in Section 42-61.2-1 of the general laws);
- 25 (3) Instant ticket vending machines;
- 26 (4) Instant tickets; and
- 27 (5) The processing of on line, instant ticket and video lottery transactions; and

28 (B) The exclusive provider to the Division of the number of video lottery terminals (as  
29 defined in Section 42-61.2-1 of the general laws) currently provided to the Division until the date  
30 which is the later of the date which is two (2) years following the effective date of the Master  
31 Contract Amendment and June 30, 2021;

32 (viii) Provide that (A) the rates pursuant to which the Division compensates IGT pursuant  
33 to the On Line Lottery Agreement shall be as follows:

1	<b>Annual Sales</b>	<b>Rate</b>
2	Sales to \$275 million	5.00%
3	Sales from above \$275 million to \$400 million	4.00%
4	Sales above \$400 million	5.00%

5 and (B) the rates pursuant to which the Division compensates IGT pursuant to the Video Lottery  
6 Agreement, the VLT Agreement, the Instant Ticket Vending Machine Agreement, the Instant  
7 Ticket Agreement and the Website Services Agreement shall remain unchanged;

8 (ix) Obligate IGT to, among other matters:

9 (A) Invest or cause to be invested by an Affiliate or an Eligible Third Party in the  
10 aggregate at least \$150,000,000 in the State (the "Investment Obligation") in connection with  
11 acquiring interests in real property, improving real property and performing its obligations under  
12 the Master Contract, as amended by the Master Contract Amendment (the "Amended Master  
13 Contract"), including, without limitation, the provision of goods in connection with the business  
14 operations of IGT or any Affiliate in the State (the "Investment Obligation Assets");

15 (B) Employ, cause to be employed by an Affiliate or cause to be self-employed in the  
16 State during each calendar year commencing with 2019 at least 1,100 full time equivalent  
17 employees at compensation rates not less than 150% of the minimum wage in effect from time to  
18 time pursuant to Section 28-12-3 of the general laws (the "Employment Obligation");

19 (C) Assume responsibility for the lottery related activities performed by lottery sales  
20 representatives currently employed by the Division from the Division and in connection therewith  
21 offer employment to such lottery sales representatives; and

22 (D) Grant the Division the option to make proposals to IGT that IGT locate in the State  
23 certain employees not located in the State (the "Employee Location Obligation");

24 (x) Grant the Division the right to terminate the Amended Master Contract if (i) IGT fails  
25 to perform the Investment Obligation, (ii) IGT fails to perform the Employment Obligation, or  
26 (iii) IGT fails to perform the Employee Location Obligation in addition to any rights the Division  
27 has to terminate the Video Lottery Agreement, the VLT Agreement, the Instant Ticket Vending  
28 Machine Agreement, the Instant Ticket Agreement and the Website Services Agreement; and

29 (xi) Contain such other terms and conditions as the Division and IGT may agree.

30 As used in this Section 2:

31 (1) "Affiliate" means a Person that directly, or indirectly through one or more  
32 intermediaries, Controls, is Controlled by or is under common Control with IGT.

33 (2) "Control" means the possession, directly or indirectly, of the power to direct or cause  
34 the direction of the management and policies of a Person, whether through the ownership of

1 voting securities, by contract or otherwise.

2 (3) "Eligible Third Party" means any Person which (acting jointly with IGT or at the  
3 direction of IGT) owns, leases or finances any of the Investment Obligation Assets.

4 (4) "Person" means a natural person, corporation, limited liability company, partnership  
5 (general or limited), joint venture, estate, trust or unincorporated association, any federal, state,  
6 county, or municipal government or any bureau, department or agency thereof, any fiduciary  
7 acting in such capacity, on behalf of any of the foregoing, or any other legal or business entity or  
8 organization.

9 SECTION 3. Section 42-61.2-1(2) of the General Laws in Chapter 42-61.2 entitled  
10 "Video-Lottery Games, Table Games and Sports Wagering" is hereby amended to read as  
11 follows:

12 (2) "Central communication system" means a system approved by the lottery division,  
13 linking all video\_lottery ~~machines~~ terminals at a ~~licensee~~ licensed, video lottery retailer location  
14 to provide auditing program information and any other information determined by the lottery  
15 division. In addition, the central communications system must provide all computer hardware and  
16 related software necessary for the establishment and implementation of a comprehensive system  
17 as required by the lottery division. The central communications licensee may provide a maximum  
18 of ~~fifty percent (50%)~~ eighty five percent (85%) of the video\_lottery terminals.

19 SECTION 4. Additional Provisions. The Master Contract Amendment shall also include  
20 provisions that require IGT to regularly update hardware and software; annually replace a  
21 minimum of six percent of video-lottery terminals; maintain a minimum of five percent of video-  
22 lottery terminals as premium or royalty games with games performing at less than one hundred  
23 fifty percent (150%) of floor average for any calendar year subject to review by the Division for  
24 replacement or modification; and abide by enforceable performance standards that require a  
25 reduction of the percent of video-lottery terminals in the event that IGT's efficiency rating falls  
26 below the contractually obligated level of ninety-seven percent. In addition, all vendor fees shall  
27 be net of twenty percent (20%) promotional points.

28 SECTION 5. Inconsistencies. Insofar as the provisions of this Act are inconsistent with  
29 the provisions of any other general or special law of the State, the provisions of this Act shall  
30 control.

31 SECTION 6. Agreement. The State and IGT agree that the provisions of this Act are not  
32 intended to modify in any way the relative rights and obligations of the Division and IGT under  
33 the Master Contract Amendment.

1 SECTION 7. [Effectiveness](#). This act shall take effect upon passage.

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EXPLANATION  
BY THE LEGISLATIVE COUNCIL  
OF

A N A C T

ENABLING THE STATE LOTTERY DIVISION OF THE DEPARTMENT OF REVENUE TO  
CONTRACT WITH IGT GLOBAL SOLUTIONS CORPORATION

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- 1 This act would enable the state lottery division of the department of revenue to enter into
- 2 a contract extension with IGT Global Solutions Corporation.
- 3 This act would take effect upon passage.

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