

*IGT MASTER CONTRACT FOR GAMING AND
LOTTERY SERVICES TO RHODE ISLAND*

*IMPLAN AND REMI ECONOMIC IMPACT
ASSESSMENTS*

AUTHOR
Edi Tebaldi, Ph.D.
Professor of Economics
Bryant University

OCTOBER 2019

IGT Master Contract for Gaming and Lottery Services to Rhode Island IMPLAN AND REMI Economic Impact Assessments

Objective

This document provides an update of the assessment of the economic impact and tax incidence implications of the 2019 IGT Master Contract for Gaming and Lottery Services to Rhode Island in return for IGT's commitment to maintain 1,100 jobs in the state released in August 2019. The analysis does not consider situations in which the number of jobs either exceeds or falls below this contractual commitment.

Methods

This analysis compares a new set of economic impact estimates obtained using REMI (Regional Economic Models, Inc.) to the figures previously released using IMPLAN.

REMI is a proprietary economic model that has been developed throughout the years. REMI was founded in 1980 and has been widely used to provide economic impact assessment and guide policy decisions. This analysis utilizes the version named REMI PI+, which utilizes historical data from 2001 to 2017 and 160 economic sectors. REMI PI+ provides no tax incidence estimates.

IMPLAN is also a proprietary economic impact assessment package that was designed in 1976 as an economic impact modeling system under the direction of the USDA Forest Service. In 1985 the University of Minnesota took over the responsibility to manage IMPLAN. It is currently supported and managed by MIG Inc, an independent private organization.

REMI and IMPLAN utilize data from multiple government sources and employ estimation methods based on input-output analysis and multiplier based-models. REMI, however, includes a dynamic forecast model, which allows considering the long-term impact of policy changes.

Both IMPLAN and REMI were used to estimate how the 1,100 direct jobs at IGT contribute to the local economy through their multiplier effects, which include the *direct*, *indirect*, and *induced* employment, earnings, and output effects. The *direct impact* refers to the employment, income, and output at IGT. The *indirect impact* refers to the inter-industry impacts in which providers of goods and services use the payments from IGT to engage in subsequent rounds of input purchases (employee wages, equipment, rents, raw materials, etc.) that create additional employment, income, and output in the state economy. The *induced effect* refers to economic activity generated by the spending of income earned directly from IGT as well as the income earned via the indirect impact on local business and services. This spending further stimulates the private sector and, thus, induces the creation of additional jobs, income, and output in the state.

The analysis used employment, earnings and income tax withholding data provided by IGT.

RESULTS

The analysis shows that IGT's business activity in Rhode Island generates significant direct, indirect, and induced economic effects in the state and is estimated to support between 2,339 and 2,445 jobs and between \$172 and \$176.1 million in labor income in 2019. The economic activity supported by IGT is projected to support the generation of \$25.9 million in tax revenues for the state and local governments in Rhode Island. In 2018, IGT has also made \$543 thousand in charitable contributions to organizations in Rhode Island. Because the contract extends from 2023 to 2043 and IGT's employment in Rhode Island may be larger than the minimum employment numbers determined by the contract, the economic impact estimates above represent a lower-bound scenario and may increase (in real terms, not due to inflation) due to the potential expansion of IGT's operations in the state.

IGT's economic activities have a robust employment multiplier effect throughout the state.

Every 100 jobs at IGT supports between 111 (REMI) and 122 (IMPLAN) jobs in other industries of the Rhode Island economy.

The strong employment multiplier results from high-paying direct jobs at IGT and related spending by households, which induces significant economic activity throughout the state.

IGT's commitment to maintain 1,100 jobs in Rhode Island supports between 2,339 jobs (REMI) and 2,445 jobs (IMPLAN) in Rhode Island (Table 1). These figures include the 1,100 jobs at IGT and between 1,239 (REMI) and 1,345 (IMPLAN) indirect and induced jobs. Both IMPLAN and REMI indicate that most of the direct and induced jobs supported by IGT are in real estate, legal services, restaurant and accommodation, artists and performers, accounting, retail, health care, education and marketing industries.

TABLE 1: IGT'S EMPLOYMENT IMPACT, RHODE ISLAND, 2019

Employment Impact	IMPLAN	REMI
Direct jobs: Number of jobs <u>at</u> IGT	1,100	1,100
Indirect and Induced jobs: Number of jobs created <u>throughout the supply chain</u> of IGT and jobs created by <u>household spending of income earned</u> either directly or indirectly from IGT	1,345	1,239
Total Employment Impact	2,445	2,339

IGT's economic activities create income in other industries via the multiplier effect.

Every \$100 in labor income paid to IGT workers creates between \$55 (REMI) and \$58 (IMPLAN) in additional labor income throughout the state.

IGT is estimated to support between \$172 million (REMI) and \$176.1 (IMPLAN) million in labor income in Rhode Island, from which \$111.3 million is income paid to IGT employees and

between \$60.7 million (REMI) and \$64.8 million (IMPLAN) is income generated through indirect and induced earnings throughout the state (Table 2).

TABLE 2: IGT'S EARNINGS IMPACT, RHODE ISLAND, 2019

Earnings Impact	IMPLAN	REMI
Direct earnings: Earnings <u>at</u> IGT	\$111.3 million	\$111.3 million
Indirect and Induced Earnings: Earnings created <u>throughout the supply chain</u> of IGT and by <u>household spending of income earned</u> either directly or indirectly from IGT	\$64.8 million	\$ 60.7million
Total Earnings Impact	\$176.1 million	\$172 million

The employment, earnings, and overall economic activity supported by IGT is estimated to support between \$326 million (REMI) and \$329.5 million (IMPLAN) in output in Rhode Island.

IGT's employees receive wages significantly higher than the average wage statewide.

In June 2019, the average annual wage of IGT workers was \$101,165, which is 109 percent higher than the average wage of workers in the private sector in Rhode Island (\$48,370).

IGT's activities generates tax revenues for state and local governments.

IGT's commitment to maintain 1,100 jobs in Rhode Island is estimated to support through direct, indirect, and induced economic activity the generation of \$25.9 million (IMPLAN) in tax revenues for the state and local governments in Rhode Island. REMI PI+ provides no estimates of the tax incidence.

The IMPLAN figure accounts for the direct, indirect, and induced tax effects and includes:

- \$11.2 million in sales taxes;
- \$6.8 million in commercial, industrial, and residential property taxes including \$1.1 million in property taxes payments by IGT to the cities of Providence and West Greenwich;
- \$5.4 million in personal income taxes, including income tax payments made by IGT employees and induced/indirect income taxes;
- \$0.8 million in corporate taxes;
- \$1.7 million in other taxes and fees collected by the state and local governments.

IGT's business activities will also support \$12.7 million in income taxes and \$5.4 million in corporate profit taxes for the federal government.

Disclaimer

IGT commissioned and funded the analysis.

IGT provided payroll, employment and income tax withholding data used as input in the analytical work.

Dr. Edi Tebaldi, Professor of Economics at Bryant University, prepared this analysis at the request and for IGT. The analysis was objective and conducted without interference of IGT staff. The views and opinions of the author expressed herein do not state or reflect those of Bryant University. The author has exercised due and customary care in conducting this analysis. The author assumes no liability for any loss resulting from errors, omissions, or misrepresentations made by others.