

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

ECONOMIC IMPACT ASSESSMENT

AUTHOR

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IGT Master Contract for Gaming and Lottery Services to Rhode Island Economic Impact Assessment

SUMMARY

This document provides an 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.

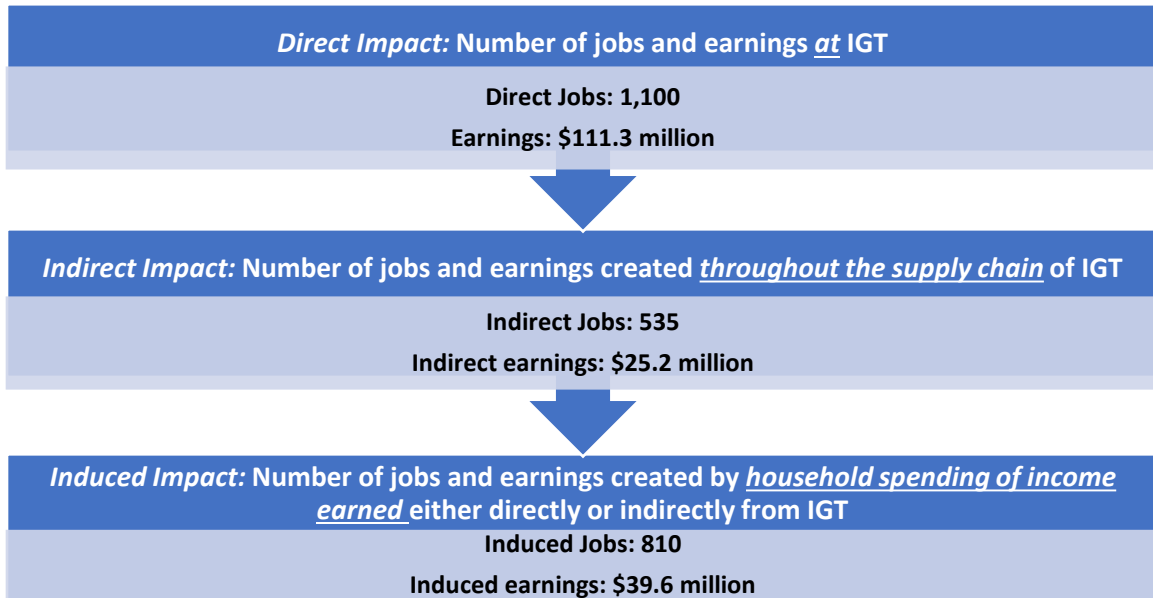
The analysis used employment, earnings and income tax withholding data from IGT. The calculations were conducted using IMPLAN, a proprietary economic impact assessment package that takes data from multiple government sources and employs an estimation method based on classic input-output analysis in combination with regional Social Accounting Matrices (SAM) and multiplier based-models. IMPLAN is a widely used economic impact software model. It 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. The IMPLAN model was used to estimate how the 1,100 direct jobs at IGT contribute to the local economy through their multiplier effects.

The analysis shows that IGT's commitment to maintain 1,100 jobs in Rhode Island will support 2,445 jobs, \$176.1 million in labor income and generate \$329.5 million in value added to the Rhode Island economy in 2019. The economic activity supported by IGT will also generate an additional \$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 operations 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.

DETAILED ESTIMATES

The estimates of the economic impact include the direct, indirect, and induced employment, earnings, and value added effects. Figure 1 provides a detailed breakdown of the direct, indirect, and induced jobs and employment estimates.

FIGURE 1: IGT'S IMPACT ON THE ECONOMY OF RHODE ISLAND



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

- Every 100 jobs at IGT supports another 122 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.
- Every \$100 in labor income paid to IGT workers creates an additional \$58 in labor income throughout the state.

IGT's commitment to maintain 1,100 jobs in Rhode Island will:

- Support a total of 2,445 jobs, including 1,100 direct jobs, 535 indirect jobs, and 810 induced jobs.
 - 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.
- Create \$176.1 million in labor income, from which \$111.3 million is income paid to IGT employees and \$64.8 million through indirect and induced earnings throughout the state.
- Generate \$329.5 million in value added (economic activity) to Rhode Island's Gross Domestic Product (GDP).

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 will support through direct, indirect, and induced economic activity the generation of \$25.9 million in tax revenues for the state and local governments in Rhode Island. This figure 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 this 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 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.