

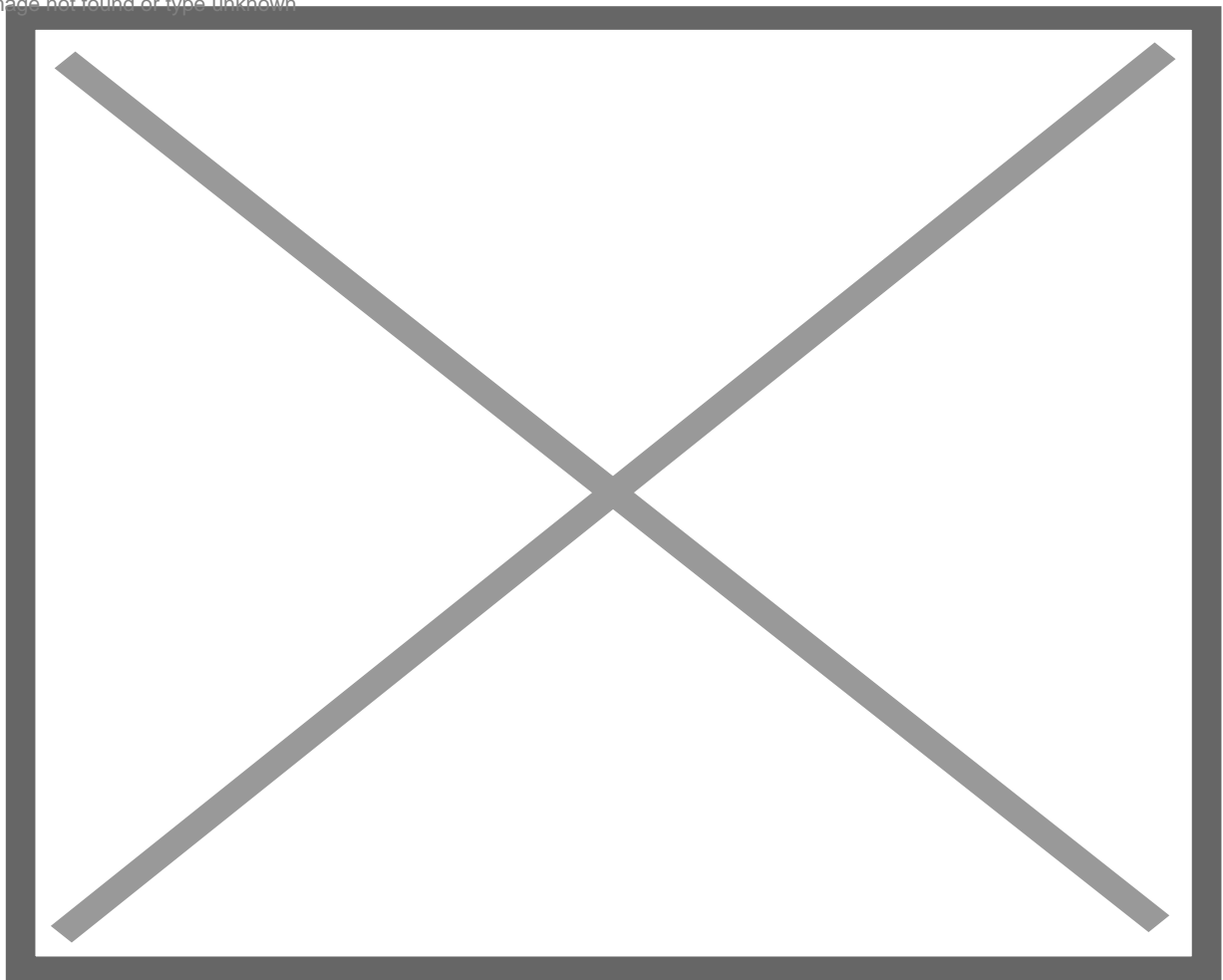
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Letter to the Editor | St. Croix Racetrack Agreement Is Not a Giveaway; It Is a Chance to Restore Horse Racing With a Proven Partner

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Dear Editor,

I read with interest the recent editorial by my friend and former colleague, Marvin Pickering, on the proposed agreement between the V.I. Government and SGVI Inc. to rebuild the Randall “Doc” James Racetrack on St. Croix. I have deep respect for Mr. Pickering, but several of his assertions are inaccurate. I write to correct the record.

Let me begin where we agree. The restoration of horse racing on St. Croix is long overdue and deserves broad support. It is woven into the cultural fabric of our islands, and its return promises recreation, economic activity, and community pride.

Where we part ways is on the heart of his argument, that this proposal grants one operator extraordinary tax advantages, erodes regulatory safeguards, and tilts the playing field. The facts say otherwise. At bottom, this debate compares a video lottery program that has delivered for the Territory with a casino initiative that, by the admission of its own regulators, has not.

Consider the “tax advantages” first. The Government’s take from the casinos tops out at 12 percent, with no gross receipts taxation; from video lottery the Lottery’s share averages 32 percent plus the government receives gross receipts tax. Casino operators pay a graduated tax of 8, 10, and 12 percent and have never paid gross receipts taxes, while both SGVI and our 46 retailers pay gross receipts taxes on their share of video lottery revenue. The tax on racetrack gaming in the proposed legislation is substantially the same rate VIGL was obligated to pay if they had built the racetracks. The proposed Entertainment Centers revenue to the VI Lottery is capped at 34 percent, plus gross receipts tax. So when the editorial speaks of a “reduced” cap, reduced compared to what? If there is an imbalance, it favors the Lottery and the government.

Mr. Pickering rightly notes that the Casino Control Commission has spent three decades building licensing standards, suitability investigations, and compliance oversight. No one disputes that those safeguards matter; the question is how faithfully they have been honored. At its most recent Senate budget hearing, the Commission testified that hundreds of casino-industry employees are still waiting for their background investigations to be completed, many for more than a year. Attorney Oliver David, head of Gaming Enforcement, acknowledged, that those applicants have been permitted to work in the casinos anyway. I will let the public judge how that squares with rigorous oversight.

As for public trust, it bears remembering that a former chair of the Commission was convicted in connection with the misappropriation of Commission funds, a lesson the Commission’s own history illustrates. The Virgin Islands Lottery, by contrast, conducts background investigations on its contractor, and every one of its retailer owners and we are current.

The editorial also lists an eight-year extension of the Video Lottery Services Agreement and a 20-year contract to supply terminals at the racetrack as though they were unprecedented. They are not. VIGL held a 20-year contract for the very same purpose..

Mr. Pickering poses several questions that deserve direct answers. He asks what justifies granting one operator benefits unavailable to others. The answer is simple: no one else has offered to build the St. Croix racetrack. He asks whether racino gaming should face the same requirements as casinos. Recall the casino record: VIGL failed to meet several obligations at the Caravelle, it built neither the new hotel rooms its license required nor the 400-person conference room it promised. Under most standards those failures would have cost them their license. Instead legislation was passed that relieved them. SGVI, by comparison, is held to strict requirements identical to other video lottery jurisdictions, and it has never sought a concession, a variance, or forgiveness.

He asks how the agreement affects existing safeguards. It strengthens them. And he asks what precedent it sets. The better question is what precedent was set when a casino operator was let off the hook after breaking its public promises, then abandoned St. Croix after eight years. This proposal sets a different one: a sensible development agreement with a proven entity that has delivered for the Territory time and again.

The editorial describes a casino industry contributing millions to our economy. Mr. Pickering has not always been so generous. At his own final budget hearing before the Commission, he conceded that “It’s disappointing that the original intent of the act, which was to stimulate hotel

development ... has not so far materialized.” Some senators went further, calling the casino concept a failure. The casinos never created new rooms or new money; they renovated existing ones.

The video lottery program tells a different story. It generates real revenue for the Territory, sustains a robust regulatory framework, and has created tangible jobs within the St Thomas/St John District. and the proposed St. Croix racetrack project is projected to create many jobs in St Croix. It is worth noting that when VIGL was going to build the St Croix track and install 200 slot machines, no one raised the alarm about jobs lost at the Caravelle or Divi, the very jobs now being invoked against this deal.

Regulators in states where video lottery is legal rely on Video Lottery Central Systems (VCS). These systems are architecturally independent from the terminals themselves. They monitor play, ensure transaction integrity and provide real time revenue and event data. According to Gaming Laboratories International (GLI), an internationally recognized gaming laboratory, a central system provides the necessary oversight by monitoring game play and ensuring transaction integrity.

This system along with the actual VLT's are certified by GLI. Every terminal and central system is built to industry standards, tested and certified by GLI, who consequently is the same laboratory the Casino Control Commission itself relies on. The controls are concrete: no terminal enters the Territory without GLI certification and Lottery approval, none is placed without Lottery approval of the site, and none can be played until Lottery personnel test and enroll it on the central system. Every retailer, owner, and location is vetted before any terminal goes live.

Finally, the editorial worries about financial imbalance and unequal treatment. On this we partly agree, though not as the author intends. As the numbers above show, the video lottery gives the Government more, not less, the imbalance runs in the public's favor, not against it. The “oversight” of casinos, meanwhile, has included amending the law again and again to accommodate an operator unwilling to meet its commitments.

Mr. Pickering and I agree that the return of horse racing is worthy of support, and that fairness, accountability, and regulatory integrity must be protected. We simply disagree about where those qualities are found. The video lottery program is well regulated, transparent, and accountable.

Submitted on Monday by: Gov't House on behalf of Raymond Williams, Executive Director of the Virgin Islands Lottery.