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Southland Gaming Makes Its Case for St. Croix Racetrack Deal, Citing $650 Million in Lottery Contributions and $17.5 Million Rebuild Plan

In this sponsored article, Southland Gaming VI, Inc. defends the proposed St. Croix racetrack agreement, citing $650 million in lottery contributions, its regulatory record, and a planned $17.5 million-plus rebuild of the Randall “Doc” James Racetrack.

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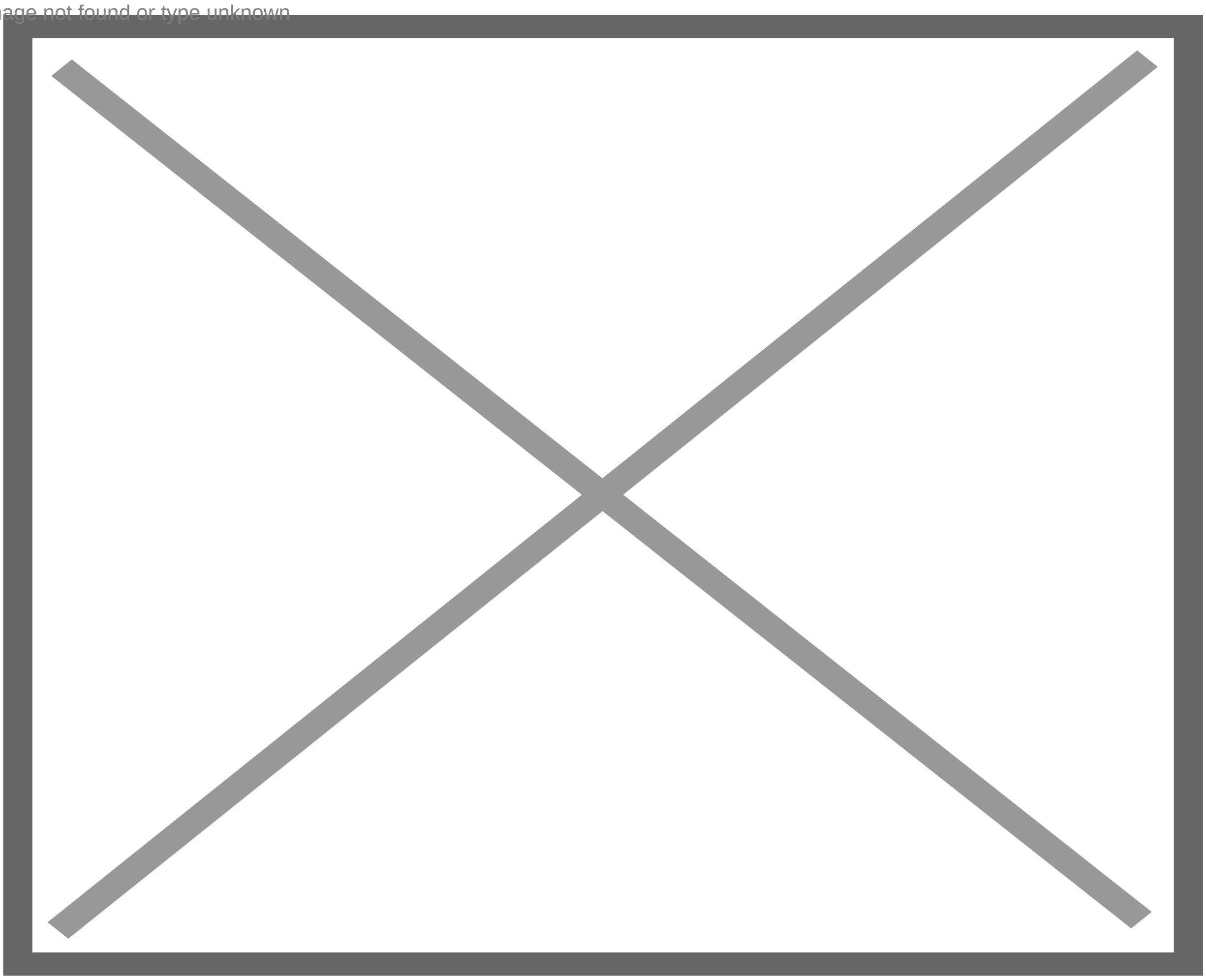

The restoration of horse racing on St. Croix is long overdue and deserves broad community support. Woven into the cultural fabric of the Virgin Islands, its return promises recreation, economic activity, and renewed community pride. On that point, there is little disagreement. Where recent public debate has diverged is on the terms of the proposed agreement between the V.I. government and Southland Gaming VI, Inc. (SGVI) to rebuild the Randall "Doc" James

Racetrack — with critics suggesting the deal grants one operator extraordinary tax advantages, erodes regulatory safeguards, and tilts the playing field. A closer look at the record tells a different story.

A Lottery in Trouble — and a Proven Fix

The U.S. Virgin Islands is home to the longest-running traditional lottery in the United States. By the late 1990s, however, that lottery was losing money and unable to fund important government programs — the result of, illegal foreign lottery ticket sales, numbers rackets, and illegal gambling machines operating outside any regulatory framework. A video lottery program was implemented to curb illegal gambling and keep those dollars here in the territory.

Photo provided by SGVI

SGVI, or one of its predecessor companies, has been a licensed video lottery operator since 1991. After a competitive bid process, SGVI emerged as the Lottery's contractor to implement and operate video lottery terminals (VLTs) in retail establishments, resorts, and entertainment centers across the territory. The program launched in 2003 following legislative approval, and the results have significantly surpassed the goals set by government officials at the time.

Under the terms of video lottery services agreement, the Lottery's only expense is regulation. SGVI is obligated to pay for everything else, including but not limited to, the terminals, the central system, all networking equipment and upgrades on an ongoing basis, all staff, insurance, facilities, capital improvements, vehicles, literally all costs and expenses associated with the operation of video lottery. Every terminal and the central monitoring system placed in the territory are built by recognized, regulated gaming manufacturers to standards developed by industry regulators and tested and certified by Gaming Laboratories International (GLI) — the same internationally recognized laboratory the Casino Control Commission itself relies on. No terminal enters the territory without GLI certification and V.I. Lottery approval; none is placed without Lottery inspection and approval of the site; and none can be played tested until enrolled onto the Central Monitoring System (CMS) by Lottery personnel. Every retailer, owner, and location is vetted by the Lottery before any terminal goes live, and the CMS provides a fully transparent, auditable record with 100 percent accuracy.


Photo provided by SGVI

The Numbers Favor the Public, Not the Operator

Much of the recent criticism has centered on tax treatment, suggesting the video lottery program receives preferential terms. The comparative record suggests otherwise. Casino gaming taxes top out at 12 percent, with no obligation to pay Gross Receipts taxes. Video lottery, by contrast, returns an average of 32 percent of revenue to the V.I. Lottery, and both SGVI and the Lottery's 41 retailers pay Gross Receipts tax on their share of video lottery revenue. The tax rate proposed for racetrack gaming under the new legislation is substantially the same rate (VIGL) was obligated to pay had it built the racetracks itself, and the proposed Entertainment Centers revenue share to the V.I. Lottery is 34 percent, plus Gross Receipts tax. By these figures, any imbalance favors the public, not the operator.

Questions have also been raised about regulatory oversight and precedent. It is worth recalling that at a recent Senate budget hearing, the Casino Control Commission testified that hundreds of casino-industry employees were still awaiting completed background investigations, some for more than a year — and that those applicants had nonetheless been permitted to work in the casinos in the meantime. A former Commission chair was previously convicted in connection with the misappropriation of Commission funds. The V.I. Lottery's record stands in contrast: background investigations are conducted on its contractor, and every retailer owner remains current on licensing requirements.

As for precedent, an eight-year extension of the Video Lottery Services agreement to coincide with the 20-year contract to supply racetrack terminals and pay purses and all operating costs have been characterized as unusual. They are not: VIGL previously held a 20-year contract for same purpose. And where the casino industry is concerned, VIGL failed to meet several of its own obligations at the Caravelle — never building the new hotel rooms its license required, nor the 400-person conference room it had promised — failures that, under most standards, would have jeopardized its license. Instead, legislation was amended to relieve those obligations. SGVI, by comparison, has never sought a concession, a variance, or forgiveness, and is held to requirements identical to those in other video lottery jurisdictions.

A Program That Delivers for the Territory

The video lottery program's financial contribution to the Virgin Islands is significant and growing: video lottery's total contributions to date exceed $650 million. That revenue funds a broad array of causes, including the Education Initiative Fund for public schools, the Pharmaceutical Assistance Program that helps senior citizens afford medication, the General Fund, GERS, the Horse Race Commission, the Office of Veterans Affairs, and numerous local non-profits. Players of illegal games have migrated to a legal, regulated, and taxed system — and the once-struggling V.I. Lottery is now profitable, sustainable and contributes to the General Fund.

That same track record now extends to horse racing. Following the devastation of Hurricanes Irma and Maria, Southland Gaming invested an initial $16.5 million to rebuild the Clinton E. Phipps Racetrack on St. Thomas and now provides $100,000 in purses per race day, raising the standard for the sport across the territory. If awarded the franchise for the Clinton Phipps racetrack SGVI will invest another $3MM in infrastructure there. St. Croix now has the same opportunity: Southland Gaming is proposing to invest $17.5 plus million to rebuild the Randall "Doc" James Racetrack, along with a comparable $100,000-per-race-day purse commitment.

Shared Goals, Different Records

There is broad agreement that horse racing's return to St. Croix deserves support, and that fairness, accountability, and regulatory integrity must be protected. The disagreement is over which program has actually delivered on those principles. The video lottery program is well-regulated, transparent, and accountable - audited with 100 percent accuracy, certified to international standards and responsible for more than $650 million in contributions to the Virgin Islands government programs and communities. This proposal represents a continuation of that record: a development agreement with a proven partner that has consistently met - and exceeded – its commitment to the territory.

Editor's Note: *This is paid sponsored content submitted on behalf of Southland Gaming VI, Inc. The views, claims and opinions expressed are those of the sponsor and do not necessarily reflect the views of the V.I. Consortium, its editors or staff.*