COMMITTEE OF THE WHOLE

for the

PROPOSED FRANCHISE AGREEMENTS AND LEGISLATION FOR THE CONSTRUCTION AND OPERATION OF THE RANDALL “DOC” JAMES RACETRACK ON ST. CROIX AND THE CLINTON E. PHIPPS RACETRACK ON ST. THOMAS

SUBMITTED BY:

Kevin A. Williams Sr.

Office of the Governor

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Good morning, Honorable Senate President Milton Potter, members of the 36th Legislature, legislative staff, other testifiers, and members of the viewing and listening audience. I am Kevin A. Williams Sr., Chief of Staff at the Office of the Governor. I appear today on behalf of Governor Albert Bryan Jr. and the Office of the Governor in strong support of Bill No. 36-0313 - the agreement before this body concerning the restoration and long-term operation of horse racing in our Territory.

I am joined today by my distinguished colleagues from the Governor’s leadership team: Commissioner Vincent Roberts, Department of Sports, Parks, and Recreation; Assistant Commissioner Vincent Richards, Department of Property and Procurement; Dr. Haldane Davies, Director of the Bureau of Economic Research; Director Raymond Williams, Virgin Islands Lottery; and Attorney Michele Baker, outside counsel for this proposal. They are here with me to address your questions, provide clear data, including revenue projections, and demonstrate that horse racing will generate meaningful returns for the Virgin Islands.

Members of the Legislature, today’s Committee of the Whole is about keeping a promise made publicly to the people of the Virgin Islands. In his 2026 State of the Territory Address, Governor Albert Bryan Jr. acknowledged both the progress made on St. Thomas and the work still required to restore horse racing on St. Croix. The Governor stated:

> “This past year, we hosted six major race days at the Clinton E. Phipps Racetrack, generating hundreds of thousands of dollars in prize money, new economic activity, and a renewed sense of pride in this ‘Sport of Kings.”

He then turned his attention to St. Croix, recognizing both the opportunity and the responsibility before this Administration and stated:

> “Meanwhile, we ended our relationship with VIGL, and now the potential for horse racing will again be moving forward on St. Croix.”

Rather than making an open-ended commitment, the Governor made a specific pledge to this Legislature and to the people of the Virgin Islands:

> He stated: “If we are to return horse racing to St. Croix, this effort will require a little more than concrete and steel. Our administration is pursuing a comparable public-private partnership similar to the Clinton E. Phipps, Sr. racetrack agreement, only bigger. Under that framework, we can expect to see real investment in the rebuilding of the Randall ‘Doc’ James Racetrack.”

That commitment has now been honored.

Today is the culmination of a commitment made before this body almost eight months ago. The Administration promised to negotiate an agreement, bring it before the Legislature, and allow the elected representatives of the people to decide its future. Here we are today.

Since the original public-private proposal was submitted to the 36th Legislature on April 28, 2026, we have met continuously with stakeholders and received constructive input from many constituents, members of this body, industry experts, the Flamboyant Park Horsemen Association, the St. Thomas-St. John Horsemen Association, and the V.I. Horse Racing Commission. We believe the revised proposal before you today addresses many of the concerns raised, including gaming regulation, St. Thomas gaming rights, tax provisions, purse payments, and the agreement's long-term impact on the Virgin Islands horse racing industry.

In general, the latest revised proposal requires Southland Gaming to remain the official race promoter for at least five years, increases the St. Thomas-St. John Horsemen Association's racino revenue from 3% to 10%, removes a previously proposed full gross receipts tax exemption for track entertainment, and institutes strict quarterly gaming revenue reporting, alongside comprehensive anti-doping provisions.

While total racetrack reconstruction may take up to three years, immediate legislative action is vital to advance the sport's strategic importance, including the preservation of horse racing as a deep-rooted cultural and recreational tradition for generations of Virgin Islanders. Once the agreement is approved, St. Thomas will have a permanent promoter, and the franchisee, SGVI, will be able to move forward with improvements to the Clinton E. Phipps Sr. Racetrack. Racing can continue in the St. Thomas District without temporary agreements, and the Government will be relieved of the responsibility and expense of maintaining the facility, saving thousands of dollars that DSPR currently spends on its upkeep.

Senators, the agreement before you serves as a critical avenue for teaching discipline, responsibility, and hard work to young men and women interested in the horse racing industry. At the same time, it will drive economic revitalization by generating jobs and steady income for horsemen, trainers, jockeys, and local vendors without requiring ongoing taxpayer funding.

As you know, the viability of horse racing in the Territory is currently asymmetric: St. Thomas has experienced a successful revival at the Clinton E. Phipps Sr. Racetrack, while the larger Randall “Doc” James Racetrack on St. Croix has remained inactive since the destructive hurricanes of 2017 and awaits redevelopment.

Horse racing has successfully resumed at the Clinton E. Phipps Sr. Racetrack, driven by temporary partnership investments between the Department of Sports, Parks, and Recreation and Southland Gaming of the Virgin Islands (SGVI). The track has hosted many successful racing events, including the annual Carnival races. Approving this integrated proposal is the key to finally reviving Virgin Islands horse racing Territory-wide through a coordinated approach.

We can all agree that horse racing is deeply rooted in our Virgin Islands heritage and that the Randall “Doc” James Racetrack historically served as the heart of this tradition. The loss of the St. Croix track left horsemen, horse racing enthusiasts, and the broader community without this significant recreational and economic activity. Previous attempts with another developer were unsuccessful, and today we are pleased to have a path forward to secure the future of horse racing in the Territory.

Clarifying the Scope: Horse Racing vs. Broader Gaming Reform

Some discussion has understandably focused on the Governor's broader proposal to modernize gaming regulation within the Virgin Islands.

The Administration continues to believe that a unified regulatory framework represents sound public policy. We continue to support that vision, as was stated in the Governor's 2026 State of the Territory Address. However, it is equally important to emphasize what today's legislation is - and what it is not.

The return of horse racing on St. Croix should not depend upon the enactment of a unified gaming regulator, nor should the consideration of a unified gaming regulator delay the restoration of horse racing. These are complementary policy initiatives, but they are separate legislative questions.

- One addresses the long-awaited restoration of an important cultural, economic, and sporting institution.
- The other addresses the long-term modernization and reform of the governmental entities that regulate gaming in the Territory.

The Administration believes both initiatives deserve legislative support because each advances the public interest. But neither should be viewed as a prerequisite for the other. Today's vote is about whether the people of St. Croix will finally see horse racing restored under a modern, enforceable, and accountable framework. The question of broader gaming consolidation can and should proceed through its own legislative process and on its own merits.

Evaluating the Revised Deal

After years of uncertainty, deteriorating infrastructure, interrupted racing, unsuccessful prior arrangements, dependence on partners that lacked the means to fulfill their contractual responsibilities, and understandable frustration among horsemen and the wider community, today's hearing is about the Virgin Islands finally creating a stable foundation for the return of horse racing on St. Croix. I can recall the press constantly asking the Governor about progress on horse racing in St. Croix. The people want horse racing to return. We represent the people, and we are doing their will.

The people of St. Croix have heard many unfulfilled promises concerning the Randall "Doc" James Racetrack. The Administration recognizes that unfortunate history and understands that skepticism is justified when a community has waited so long. That is why the agreement must be evaluated not on promises alone, but on its legal responsibilities, required investment, clear goals, regulatory oversight, and enforceable consequences if the parties fail to perform. Most importantly, analyzing the entity with which the Government will have a long-term relationship is equally important. Check the record. SGVI has honored its agreements with the Government, paid its fair share of taxes, and gone above and beyond to fulfill its commitments. That is honorable.

The present agreement reflects extended negotiations, legislative scrutiny, stakeholder consultation, and substantial revisions. No party received everything it requested. That is the nature of a legitimate negotiation and compromise. This revised framework, however, narrows the focus, strengthens accountability, and responds directly to legislative and community feedback.

Private Capital and Detailed Racetrack Reconstruction

A central benefit of this agreement is the commitment of private capital to restore horse racing. As this body is acutely aware, our Territory has many competing public needs, including schools, hospitals, roads, public safety, housing, utilities, and essential services. Every dollar committed to one project is a dollar that cannot be used elsewhere.

As we address school maintenance, crime, and health care, we must seek alternative solutions to fund the cultural and recreational demands of our people without sacrificing scarce public resources. Today is not a choice between one or the other. We can support both recreational facilities and vital governmental needs.

Likewise, Senators, today is not a choice between St. Croix and St. Thomas. It is not a choice between horse racing and gaming. The agreements before you give us both. Act No. 7169 created racino legislation to help sustain a struggling horse racing industry and make it viable. Horse racing, therefore, cannot exist without a gaming component. That is what is before you today. Your support of the agreement will ensure that the additional entertainment centers generate new revenues for the Government to help balance the General Fund and meet other public needs.

Under Version 3 of this agreement, Southland Gaming of the Virgin Islands (SGVI) assumes substantial and direct responsibility for financing, developing, provisioning, and supporting our horse racing facilities.

This is not an open-ended arrangement or a grant without conditions. The agreement is structured around substantial and enforceable terms, as well as financial and development commitments:

SGVI is committed to a minimum investment of $27 million (of which $25 million is dedicated to direct facility construction). To ensure that construction is completed without leaving taxpayers holding the bag, the agreement requires a $12 million performance bond.

For the Randall "Doc" James Racetrack, this includes the full reconstruction of the racetrack, barns, receiving barn, quarantine barn, veterinary and saddling barns, as well as brand-new jockey locker rooms. The running surface must be completed within eight (8) months of agreement execution. Full racetrack construction must be completed within thirty-six (36) months.

<u>Territorial Racetrack Enhancements</u>:

Across both districts, the public will benefit from planned enhancements, including:

1. Picnic areas, children's play areas, event spaces, and bandstands.
2. Safety upgrades, such as new railing systems and a state-of-the-art public-address system for stable areas.
3. Upgraded starting gates for the Clinton E. Phipps Racetrack.
4. Crucial maintenance of assets like water trucks and tractors.
5. Modern digital additions, including new signage, Jumbotrons, audiovisual systems, and point-of-sale parimutuel wagering systems.
6. Operational infrastructure, including parking lot lighting, dedicated gaming centers, and backup generators.

<u>Financial and Franchise Terms</u>

Some have asked whether the agreement is too favorable to the private operator. The Administration believes the proper measure of fairness is the total value received by the people of the Virgin Islands, balanced against the clear obligations of the franchisee.

SGVI will serve as the promoter for both racetracks for a minimum of five (5) years, with a total franchise term of eight (8) years. The agreement also provides a guaranteed purse obligation for 20 years, subject to compliance with the franchise and promotion agreement.

- **<u>Operator Rights:</u>** SGVI holds the rights to conduct live racing, parimutuel wagering, telephonic betting, simulcast wagering, and on-track events.
- **<u>Direct Government Revenues:</u>**

1. An annual $5,000 license fee and $5,000 franchise fee.
2. Annual payments totaling $125,000 to the Racing Commission, paid in quarterly installments to fund essential regulatory operations.

All payments and benefits are subject to annual performance evaluations, quarterly reporting, independent audits, and rigorous on-site inspection requirements. While the agreement provides exemptions from excise and gross receipts taxes for racetrack-related activities to spur development during the construction and racing-operation phases, it establishes a graduated payment structure equal to 25% to 50% of the 5% gross receipts tax for entertainment events as track operations mature.

The risk associated with growing this industry rests squarely with the private operator. If SGVI fails to perform, it will lose these benefits.

Furthermore, this agreement details a balanced tax and revenue-sharing framework:
VLT taxes in the St. Thomas District will be capped at 34%, and the racino revenue share payable to the Government will be 25%. Under the modified VLT agreements, two new entertainment centers will be authorized to begin operations on St. Thomas. SGVI's exclusivity period is extended only for eight additional years to align directly with the term of the contract.

We must also reject the assertion that St. Croix's economy can only sustain a fixed or declining number of customers. Our objective is to grow the economy by creating an additional entertainment destination, attracting new spending, and giving residents and visitors more reasons to participate in St. Croix's economy and entertainment offerings.

Empowering the Horsemen & Restoring the Sport

Horse racing cannot succeed without the participation and confidence of our horsemen. Under this agreement, horsemen are true partners. The Horsemen Association will receive a 10% share of VLT revenue generated from on-track gaming. Horsemen will actively participate in decisions regarding purse adjustments on race days.

This agreement will restore integrity to the sport and promote animal welfare by requiring drug-testing programs to resume in both districts.

SGVI is legally responsible for providing and funding veterinary services, including mandatory pre-race examinations, post-race testing, laboratory services, and all associated supplies and equipment.

St. Thomas operations require a minimum of eight (8) race days annually, with a minimum purse of $100,000 per race day, a $30,000 annual donation to the Horse Retirement Organization, and two (2) annual scholarships totaling $10,000 to support our youth. The scholarship amount will increase annually by 5%.

St. Croix operations require a minimum of twelve (12) race days annually, with robust guaranteed purse commitments ranging from $800,000 to $1.6 million during the initial years of the agreement to support local horse owners, trainers, and breeders. Similar scholarship requirements also exists.

To ensure transparency, the Horsemen Association will be required to submit qualified financial statements to continue receiving these revenues.

CONCLUSION

Members of the 36th Legislature, this agreement presents a choice between a defined path forward and continued uncertainty. Some have argued that the Territory should delay this decision for another administration, conduct another procurement process, or continue negotiations indefinitely. The Administration respectfully disagrees. Further delay has a real cost to our horsemen, their animals, our vendors, our youth, and the St. Croix economy. In case it needs to be said, the cost of rebuilding the St. Croix facility will only increase if we delay. Delay is not a real option. In fact, we have taken our time to negotiate this agreement, and it has been before the Legislature for approximately four months. In comparison, the Water Island agreement was negotiated and transmitted to this body after the horse racing agreement, yet it has already been signed into law. There can be no credible argument that this agreement is being rushed.

We confidently assure you that we have negotiated as much as we can. What we have before us is a workable, legally binding, highly structured agreement that benefits everyone.

Voting in favor of this agreement means:

- Establishing clear responsibilities.
- Requiring performance in exchange for benefits.
- Putting $27 million in private capital in play, instead of risking public funds.
- Restoring a culturally and historically significant industry.
- Securing a firm $12 million performance bond to protect St. Croix.

The Bryan-Roach Administration has worked tirelessly to improve this agreement, respond to your concerns, and protect the public interest. Senators, we have worked collaboratively to approve major economic projects, including the solar farms in Estates Fortuna and Bovoni, the Crown Bay development agreement, the Water Island development agreement, and the ownership of the Frenchman’s Reef resort. Let us work together to bring some of this economic opportunity to St. Croix. We respectfully urge the members of the 36th Legislature to ratify the agreement, allow us to finally bring the horses back to the Randall “Doc” James Racetrack, and restore a piece of our culture to St. Croix.

Senators, thank you for the opportunity to testify before you today. I remain available to answer any questions.