

Public Hearing Testimony

March 3, 2009

**SB 987 (RAISED) AN ACT CONCERNING A SPECIAL LOTTERY WITH A HIGHER
PAYOUT**

Testimony submitted by:
The Connecticut Lottery Corporation

SB 987 (RAISED) AN ACT CONCERNING A SPECIAL LOTTERY WITH A HIGHER PAYOUT

The Connecticut Lottery Corporation submits the following statement in connection with the proposed bill, which mandates that the Connecticut Lottery offer additional lottery games with a minimum prize payout of 65%. Prize payout refers to the percentage of the game revenue that is returned to players.

While the Lottery supports legislation to introduce new games, the Lottery opposes this legislation because the Lottery is already enabled to offer games with a prize payout of 65%, does in fact offer such games and mandating a particular prize payout could negatively impact the ability of the Lottery to effectively manage its games' portfolio to maximize sales and transfers to the General Fund. Importantly, while increasing prize payouts can increase sales, at some point the incremental increase in sales will not be sufficient to increase transfers to the General Fund and a higher prize payout will negatively impact profitability.

Currently, pursuant to CGS §12-812(a) [FN1], the Connecticut Lottery Corporation offers two types of games, Scratch (or "Instant") games and "draw games"(Powerball, Classic Lotto, Midday and Evening draws, and Cash 5). The payout for each game is custom designed and varies by game. In addition, the Lottery is preparing to launch a new draw game this Spring with a prize payout approaching 60%.

More specifically, the average Scratch Ticket prize payout is approximately 67%. The average Draw Game prize payout is approximately 50.6%. The overall average prize payout for all games is approximately 60.6%. Therefore, the Lottery is currently offering just the prize structure proposed by the legislation.

In addition, the proposed legislation is unnecessary because the authority to conduct such games is already set forth in CGS §12-812(a), which the Lottery duly exercises. Prize payout for any game is a carefully balanced business decision driven by game design, market conditions, games portfolio and other considerations.

This legislation could limit the Connecticut Lottery Corporation's flexibility and responsiveness to market forces in determining the type and combination of games offered. This legislation would now mandate that the Connecticut Lottery Corporation offer additional special lottery games without regard to their level of success in raising revenue for the State of Connecticut.

While the Connecticut Lottery already offers Scratch Games with payouts of more than 65%, there are limited draw games that can be structured to have a payout over 65%; Keno, authorized in other states is one such example. Raffles, a game which the Lottery is not presently authorized to sell, also can generate additional revenue for the General Fund, though the prize payout is typically lower than 65% on a raffle game. It is unclear to the Lottery the meaning of "special lottery games" in this proposed legislation.

Should the Public Safety and Security Committee have any questions or require further information in its consideration of SB 987, feel free to contact Anne M. Noble, President & CEO at (860) 713-2815 or James F. McCormack, Corporate Counsel & Director of Government Affairs at (860) 713-2823.

Thank you.

FN1- Sec. 12-812. Duties of president. (a) The president of the corporation, subject to the direction of the board, shall conduct daily, weekly, multistate, special instant or other lottery games and shall determine the number of times a lottery shall be held each year, the form and price of the tickets and the aggregate amount of prizes, which shall not be less than forty-five per cent of the sales unless required by the terms of any agreement entered into for the conduct of multistate lottery games. The proceeds of the sale of tickets shall be deposited in the lottery fund of the corporation from which prizes shall be paid, upon vouchers signed by the president, or by either of two persons designated and authorized by him, in such numbers and amounts as the president determines. The corporation may limit its liability in games with fixed payouts and may cause a cessation of sales of tickets of certain designation when such liability limit has been reached.