

**Public Safety and Security Committee
Public Hearing Testimony**

March 2, 2010

HB 5343 (RAISED) AN ACT AUTHORIZING KENO

**Testimony Submitted by:
Connecticut Lottery Corporation**

HB 5343 (RAISED) AN ACT AUTHORIZING KENO

INTRODUCTION

My name is Anne Noble, and I am the President and Chief Executive Officer of the Connecticut Lottery Corporation. Thank you for this invitation today to discuss operating Keno in the State.

For nearly four decades, the CT Lottery has done what it was designed to do - contribute substantial revenue to the State while operating with prudence and diligence. Since 1972, the CT Lottery has returned \$7 billion to the State, a milestone reached just last week. We have awarded more than \$11 Billion to winners.

Historically, the CT Lottery has met its mission by selling a wide variety of games of chance through a network of some 2,700 licensed retailers.

The CT Lottery now stands prepared to implement Keno to help raise money for the State. We do so with core values of social responsibility and integrity.

Today, I will describe for you:

- How Keno is played and operated;
- How Keno will be marketed in the State; and
- The fiscal impact of selling Keno.

THE GAME:

Keno is one of the oldest games of chance. Its origins can be traced back to an ancient Chinese game from the 3rd century B.C., the profits of which were earmarked for the construction of the Great Wall of China.

In Connecticut, the lottery had similar beginnings, having first been established in colonial times for the purpose of funding the construction of the State House and even Yale University.

Today, the CT Lottery offers a variety of games, typically carved into two categories: instant tickets and “draw games,” such as Powerball, Lucky-4-Life, Classic Lotto and the Daily Numbers.

Keno is a draw-style lottery game, categorized in the lottery industry as a “social” product because it is usually offered in venues where people mingle, restaurants, pouring establishments, and other social gathering locations. It is distinct from other draw games due primarily to the frequency of its drawings, which are typically held every 4-6 minutes.

Keno is fun and easy to play. The object is for the player to match his or her selected numbers to those drawn by the CT Lottery’s gaming system.

To best understand how Keno might work here in CT, I will, by way of background, walk you through how the CT Lottery’s current draw games are played.

Please refer to Handout A.

To review Keno, please refer to Handout B.

So, that is the process. But, how does one play, and win, with Keno? The best way to describe that is to review with you a typical wagering slip used to play the game.

Please refer to Handout C.

The amount that a player may win is dependent upon the numbers matched as well as the style of play selected.

Some other key facts: The Keno wager is typically \$1.00, although there are other choices available to the player.

Odds vary by play style and are prominently displayed on a Play Slip as well as on Point-of-Sale materials.

Notably, the CT Lottery would not offer Keno through Video Lottery Terminals. No bells, sirens or horns would accompany the monitors. Nothing about the game would convey the impression that a player's skill can in any way influence a winning result.

In these circumstances, we believe characterizing Keno as an electronic game leads to unwarranted confusion with slot machines and other casino style play.

RESPONSIBLE MARKETING

Just as important as how the game is played is how the CT Lottery intends to bring this game to the marketplace.

The CT Lottery recognizes and understands the concerns of the problem gambling community. It is important that there is clarity concerning the CT Lottery's commitment to bring its products to market responsibly.

The National Council on Problem Gambling asserts that the vast majority of people gamble responsibly. Despite that well acknowledged fact, the personal and family

devastation that accompanies problem gambling is real and painful. Connecticut's most recent State sponsored study on gaming cites the rate of pathological and problem gambling at 1.6% in this State.

While lotteries do not create persons with gambling problems, the CT Lottery is and has been purposeful about understanding problem gambling and taking concrete steps to mitigate any harm.

In January 1999, the CT Lottery co-founded the CT Partnership for Responsible Gambling, a first of its kind collaboration between the Department of Mental Health and Addiction Services and the CT Council on Problem Gambling. The goal is to raise awareness about problem gambling to help those in need. Each partner contributes to the effort by offering its expertise and support. The TV and radio Public Service Announcement that you see are often the result of this alliance.

For many years, the CT Lottery has assumed a leadership role and received national recognition on the subject of responsible gambling. Our Public Service Announcement received an award from the National Council on Problem Gambling in 2007.

The CT Lottery currently provides \$1.9 million to the CT Chronic Gamblers Rehabilitation Treatment Fund, the first public funding mechanism of its kind in the country. With the implementation of Keno, this Lottery would support additional needs-based funding for problem gambling.

Knowing that outreach is vital, we have contributed our resources to assist the University of Connecticut with its problem gambling research programs, and we have reached out to our retailers for their participation in research efforts underway at the Department of Mental Health and Addiction Services.

We adhere to an advertising code of conduct and present CT Lottery products as "a game" and not as a "way out" of financial difficulty. In the most recent economic downturn, we had a mobile billboard communicating just such a message.

Sales to youth are prohibited and supported by our aggressive campaign to inform parents that gambling is not intended for youth and that tickets are not suitable gifts for children.

The CT Lottery created one of the first retailer awareness programs on problem gambling and placed it on all retailers' terminals during our system conversion in 2008.

We train our staff on responsible play and invite experts in that field to talk to our senior management annually.

With respect to Keno, our efforts will include:

- Specialized messaging to encourage players to set time and dollar limits;
- The display of local resources for problem gambling services;
- A recommendation that retail agents adopt policies to limit employees from participating in Keno during scheduled work hours.
- The support of regulatory efforts to require taverns and bars to prohibit lottery sales to visibly intoxicated persons.
- Encouraging establishments offering Keno to provide seating areas and alternative entertainment.
- Developing point-of-sale and marketing campaigns to promote rational, informed and sensible choices about gambling.

The CT Lottery's commitment to responsible gaming is real and sustained, an important component of our business plan to generate revenue for the State.

FISCAL IMPACT:

With regard to revenue, the CT Lottery believes that Keno will have a positive impact on our General Fund transfers, raising millions of dollars for the State of Connecticut as it has done in over a dozen other states, including our neighbors in RI, NY and Massachusetts.

The Lottery will be adding a new source of revenue as well as expanding our distribution base. A refreshed distribution network is important because the CT Lottery is mature with little incremental growth forecast presently from scratch games and new price points.

The CT Lottery would require retail agents that sell Keno to offer our full product line, which could result in additional incremental revenue.

To return \$20 million to the General Fund, gross annual sales must be over \$100 million. First year sales in other jurisdictions have ranged from \$23 million to \$585 million.

We believe that it's possible for gross annual sales to grow as high as \$300 million dollars in future years, though the economy, competing products, and other circumstances may impact such projections. The uncertainty associated with projecting a revenue stream is real.

In addition, initial returns to the General Fund will be dependent on the success of an aggressive implementation schedule, a minimum of six months.

Finally, it is not only the CT Lottery's actions that will affect success but also the resources of our regulatory agency, the vendor running the gaming system and our retailers.

To successfully introduce Keno, the CT Lottery will be required to meet specific deliverables as follows:

- Identify and negotiate with a vendor to run the gaming system and maintain and install all necessary equipment;
- Draft game rules and seek Board and regulatory approval of such rules;
- Recruit and train retailers as well as CT Lottery staff.
- Collaborate with the Division of Special Revenue to license new retailers;
- Develop game specifications, budgets and security plans;
- Develop and test game software and internal control systems;
- Develop and implement appropriate marketing and sales plans;
- Collaborate with experts to develop materials and resources to support the game launch and implementation

A part of Connecticut's landscape since 1972, the CT Lottery has played a critical role in funding important State programs and services, including education, public health, public safety, libraries, and many more.

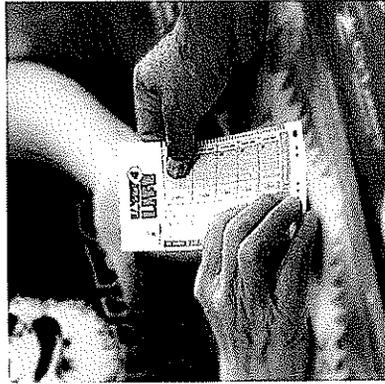
Keno is another way to enhance the CT Lottery's ability to fund those good causes.

Thank you for your time.

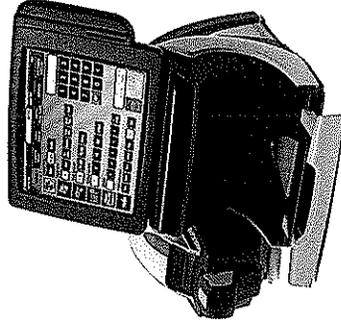


Drawing Game Process

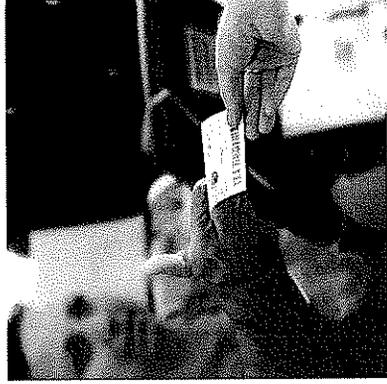
HANDOUT A



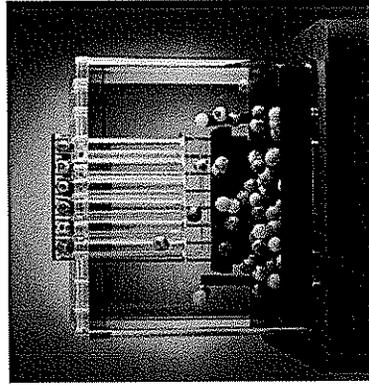
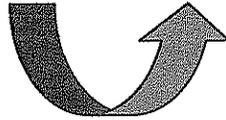
Play Slip completed.



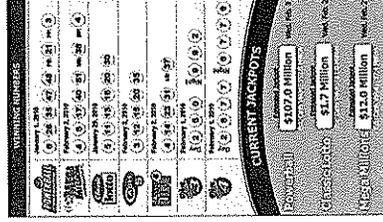
Play Slip and money given to Lottery Retailer; ticket is purchased.



Consumer receives ticket.



Drawing personnel conduct drawing events to select winning numbers. Event is televised. Purchasers and/or Retailers verify winning tickets through the Ticket Checker or terminal.



Winning numbers released to public.

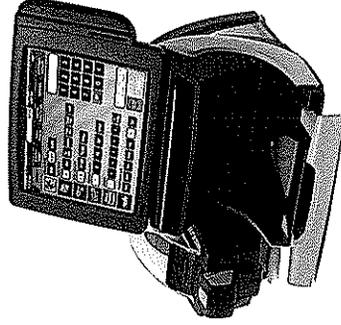


Keno Drawing Game Process

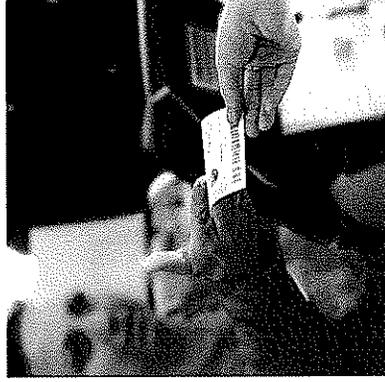
HANDOUT B



Play Slip completed.



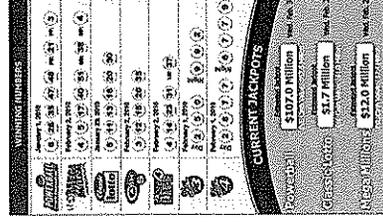
Play Slip and money given to Lottery Retailer; ticket is purchased.



Consumer receives ticket.

1	2	3	4	5	6	7	8	9	10
11	12	13	14	15	16	17	18	19	20
21	22	23	24	25	26	27	28	29	30
31	32	33	34	35	36	37	38	39	40
41	42	43	44	45	46	47	48	49	50
51	52	53	54	55	56	57	58	59	60
61	62	63	64	65	66	67	68	69	70
71	72	73	74	75	76	77	78	79	80

Random Number Generator technology is used to select winning numbers. Winning Numbers are displayed on television monitors installed in Retailer Locations. Purchasers and/or Retailers verify winning tickets through the Ticket Checker or terminal.



Winning numbers released to public.



PLAY SLIP FACSIMILE

KENO

How Many Spots Do You Want to Play? **1** (0) (1) (2) (3) (4) (5) (6) (7) (8) (9) (10)

How Much Do You Want to Play? **1** (1) (2) (3) (4) (5) (6) (7) (8) (9) (10)

How Many Games? **1** (1) (2) (3) (4) (5) (6) (7) (8) (9) (10)

Pick Your Numbers Or Select "Quick Pick":

(01) (02) (03) (04) (05) (06) (07) (08) (09) (10)
 (11) (12) (13) (14) (15) (16) (17) (18) (19) (20)
 (21) (22) (23) (24) (25) (26) (27) (28) (29) (30)
 (31) (32) (33) (34) (35) (36) (37) (38) (39) (40)
 (41) (42) (43) (44) (45) (46) (47) (48) (49) (50)
 (51) (52) (53) (54) (55) (56) (57) (58) (59) (60)
 (61) (62) (63) (64) (65) (66) (67) (68) (69) (70)
 (71) (72) (73) (74) (75) (76) (77) (78) (79) (80)

1 QUICK PICK

How Many More Games Do You Want to Play? **1** (1) (2) (3) (4) (5) (6) (7) (8) (9) (10)

Choose the desired number ("Spots") to play, and wager.

Pick numbers.

Choose how many games to play.

The amount that a player may win is dependent upon numbers matched as well as style of play selected.

WAGER TICKET FACSIMILE

KENO

A 5-Spot

B 07 10 19 23 58

C \$1 Game **D** 1 Game **E** 00001

Game Number: 00001 **E**

Tues. Jun. 21, X **F** \$1.00

- A** Number of Spots being played.
- B** Numbers selected.
- C** Wager amount per game.
- D** Number of games played.
- E** Game Number.
- F** Draw Date, Total Price.

Please Note:
 Play Slip and Ticket displayed are for discussion purposes only, and are not indicative of CT Lottery game development.