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To: Senator Fonfara, Co-Chair  
Representative Berger, Co-Chair  
Senator Frantz, Ranking Member  
Representative Davis, Ranking Member  
& other distinguished members of the Finance, Revenue and Bonding Committee

From: Anne M. Noble, President and CEO, Connecticut Lottery Corporation  
860-713-2816, [anne.noble@ctlottery.org](mailto:anne.noble@ctlottery.org)

Re: Support for "An Act Concerning Keno"

Date: April 15, 2015

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Good afternoon, Chairpersons Fonfara and Berger, Ranking Members Frantz and Davis, and other distinguished members of the Finance, Revenue and Bonding Committee. My name is Anne Noble, and I am the President and CEO of the Connecticut Lottery Corporation. I appreciate the opportunity to speak to you today on "An Act Concerning Keno."

The CT Lottery strongly supports this bill because it ensures the Lottery will remain a stable and sustained source of revenue for the state in years to come.

Since 1972, the Lottery has added value to Connecticut. In that first year, the Lottery returned \$800,000 to fund state needs. In fiscal year 2014, the Lottery returned a record \$319.5 million, our fifth consecutive record year. In total, we have provided \$8.3 billion to the General Fund, and our retailer partners have earned more than \$1.3 billion. A number of retailers are here today to support passage of CT Keno. The Lottery is a significant revenue stream in the state budget and has, for the last two years, contributed more than both casinos combined.

Consistent with its clear mission to raise revenue in an entrepreneurial manner, the CT Lottery has been doing well and was the only lottery in New England to increase beneficiary returns in fiscal 2014 over fiscal 2013 (Attachment A -*State Revenues from Gambling Show Weakness*

*Despite Gambling Expansion*). However, despite its success, the CT Lottery is fast approaching the limit for generating incremental revenue, which is why this bill is important. Our returns to the state may be jeopardized if restrictions that affect our ability to act in an entrepreneurial manner remain in place. This is especially true if casino expansion off tribal lands is allowed. In fact, we budgeted a slight decrease in General Fund transfers for fiscal 2015. This bill allows the Lottery to offer new products and enhances our ability to market our games fairly and responsibly. Keno would also place CT in parity with the states around us and would ensure our ability to compete effectively in the gaming market space. We strongly support its passage.

This hearing, like others in the past, is a good way to understand Keno. Keno is a lottery game, a game of chance played for entertainment and prizes, and lottery products are popular in Connecticut. But Keno has been repeatedly mischaracterized to you as “electronic gambling,” like it is a slot machine. It is not. It is a lottery draw game sold by our retailers from the same lottery terminal used to sell Powerball, Mega Millions and all similar games. The Lottery’s Director of Recruitment and Retailer Relations will testify shortly to explain how it works, provide you with a brief demonstration, and answer questions you may have regarding the equipment and process needed to sell the product. Keno can be played in restaurants, taverns, civic and fraternal clubs as well as in any existing location where lottery products are already sold. Keno is sold in RI, NY and Massachusetts, where it achieved sales of \$1.5 billion in fiscal 2014 in those states. If you traveled to those states for dinner or entertainment recently, you may or may not have noticed Keno being sold. For those who want to play, it is an added form of entertainment while dining but many never notice it is even available.

Keno will boost sales, broaden our customer base, increase the number of retailers, and ultimately help to ensure consistent or growing General Fund returns, as it has elsewhere. The trajectory of Keno sales by lotteries that sell Keno typically shows an overall steady upward climb, and we would expect the same for Connecticut. In the first three years of operation, Keno is projected to increase gross lottery sales by \$25 million, \$50 million, \$70 million, respectively, more after that, and likely eventually eclipse sales of our biggest game, Powerball. That revenue would mean sustained and even growing returns to the General Fund, rather than the reverse, which is rapidly becoming the status quo for states that are unable to offer new products. Keno

is a way for CT's Lottery to maintain, and possibly increase, our General Fund transfers, especially as we begin to experience other consumer spending options, including potential casino expansion.

We welcome the current conversation about Keno. The CT Lottery is ready to implement Keno, and could likely do so within six months of authorization. We are experienced in launching new games. We have the expertise, infrastructure, and vendor relationships in place to launch and operate this game with the highest standards of integrity and responsibility.

Even as the rates of problem gambling decline nationally (Attachment B - *U.S. Problem Gambling Stable Despite Expansion*), we recognize that, for a small portion of the population, gambling can be a problem and the Lottery must address that issue, no matter the rate. When Keno was authorized in 2013, we were required to contribute an additional \$400,000 annually to the Chronic Gambler's Rehabilitation Fund. When Keno was repealed, the additional \$400,000 annual contribution was not. So by the end of this fiscal year, the Lottery will have contributed close to one million additional dollars to problem gambling without a single Keno ticket ever being sold. We will continue to support needs-based funding of responsible gambling efforts. Of twenty-nine U.S. lotteries that responded to a 2013 National Association of State and Provincial Lotteries survey (Attachment C), regarding problem gambling funding, results showed that the CT Lottery provided the greatest financial support, regardless of population. The Lottery takes seriously its commitment to market games responsibly. Working in collaboration with the CT Council on Problem Gambling and the Department of Mental Health and Addiction Services, Keno's launch will include two public awareness campaigns on problem gambling. We will continue to train retailers and employees to ensure that those who need and want help, get help. We will encourage play as entertainment, teaching consumers to be well informed and to understand the odds and risks. Our consultation and collaboration with mental health experts will continue and flourish.

Information about the CT Lottery's long-standing and precedent-setting commitment to social responsibility is included on [www.ctlottery.org](http://www.ctlottery.org). Our efforts include proactive inquiries about game design to leading experts in the field of problem gambling. Relevant to this bill is an inquiry made to Dr. Jeff Derevensky (Attachment D), a renowned researcher of child and adolescent high-

risk behaviors regarding keno and youth gambling. According to Dr. Derevensky, Keno is not particularly attractive to youth.

Finally, I want to address our unequivocal support for two other important provisions of this bill. First, Section 2 of the bill removes antiquated language that prohibits the Lottery from using the internet to offer promotional play or effective loyalty programs, which are enjoyed by customers of many lotteries as well as by patrons of the tribal casinos. Second, Section 4 of this bill protects the CT Lottery's exclusive right to operate and sell lottery games off of tribal reservations, a matter of particular importance as casino expansion is discussed and debated.

Thank you for your time, and I am happy to answer questions.



**THE NELSON A.  
ROCKEFELLER INSTITUTE OF GOVERNMENT**

*The public policy research arm of the State University of New York*



**Data Alert**  
**March 23, 2015**

**For Immediate Release**

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**State Revenues from Gambling Show Weakness  
Despite Gambling Expansion**

*Lucy Dadayan*

***NOTE: This report covers tax and fee revenues collected from major types of gambling activities for fiscal years 2013 and 2014. We will release a more detailed analysis of the trends observed before and after the Great Recession in the forthcoming "Blinken Report."***

This Data Alert examines four types of legalized gambling from which states earn significant revenues — lotteries, casinos, racinos, and pari-mutuel wagering. We also provide an overview of revenues from video gaming in states for which we were able to obtain data. In this Data Alert, we define revenues as money collected from various taxes and fees transferred to state and local governments.

State-sanctioned and operated gambling has expanded in recent years. Currently 43 states operate lotteries, 17 states operate commercial casinos, 13 states operate racinos, and over 40 states have pari-mutuel wagering. Among the states with casino and racino operations, seven states operate both types of facilities: Indiana, Iowa, Louisiana, Maryland, Ohio, Pennsylvania, and West Virginia.

All states except Hawaii and Utah collect revenue from one or more types of gambling. In Alaska, legal gambling occurs only where sponsored by Native American tribes.

States derive the bulk of gambling-related revenues from three major sources—lotteries, casinos, and racinos. While casinos experienced dramatic growth during the 1990s, that trend shifted downward over the past decade. In recent years, much of the growth has shifted to racinos—hybrids of casinos and racetracks—as more states have approved such facilities. Pari-mutuel betting, once the major source of gambling revenue for states, now represents less than 1.0 percent of such revenue.

When tax revenue weakens during economic downturns, states often consider expanded gambling operations among other options for balancing budgets. That has been no exception during the Great Recession and its aftermath. Since the recession began in December 2007, over a dozen states have enacted various measures to expand gambling. For example, states introduced new forms of gambling such as video games, sports betting, card rooms, and iGaming. Four states—including Maine, Maryland, Ohio, and West Virginia—legalized casino operations. Several states—including Delaware, Maine, Maryland, Pennsylvania, and Rhode Island—legalized poker and other table game operations at their casinos and racinos. New York and nine other states entered into an agreement to create a new multistate lottery game. In New Hampshire, a 10 percent tax was put on gambling winnings greater than \$600

annually. Internet gambling, or the so-called iGaming, appears to be the next target for many states. Currently, internet gambling is legal only in three states — Delaware, Nevada, and New Jersey.

Table 1 shows state-by-state revenue collections in major gambling revenue for fiscal years 2013 and 2014. Table 2 shows the percent change in gambling revenues from fiscal year 2013 to 2014.

In fiscal year 2014, gambling revenue has weakened. States' revenues from the gambling showed soft growth at 0.6 percent in fiscal 2014 compared to fiscal 2013. After adjusting for inflation, revenues from gambling declined by 0.8 percent in fiscal 2014. Revenues from gambling showed a mixed picture in fiscal 2014. Revenue from lottery operation, the most significant source of all gambling revenue, showed a 0.6 percent growth for the nation in fiscal 2014. Revenues from casino operations, the second largest source of all gambling revenue, declined by 1.4 percent. Revenue collections from racino operations increased by 1.5 percent, while revenues from pari-mutuel wagering declined by 3.5 percent. Tables 1 and 2 also show revenues collected from video gaming activities in five states. In fiscal 2014, revenues from video gaming showed 19 percent growth. The large growth in video gaming revenues comes largely from Illinois, where video gaming operations were legalized only recently, in July of 2009.

The growth is not evenly distributed among regions. States in the Mid-Atlantic, New England, Plains, and Rocky Mountain regions saw declines in revenues from gambling while states in the Far West, Great Lakes, Southeast, and Southwest saw growth in fiscal 2014 compared to fiscal 2013. The largest growth was recorded in the Great Lakes region at 3.1 percent, while the largest decline was reported in the Plains region at 3.9 percent. Growth in the Great Lakes region is mostly attributable to two states, Illinois and Ohio. In Illinois, gambling revenues were boosted mostly by newly legalized video gaming operations. The growth in Ohio came from two new casinos and three new racinos.

Of the 47 states with gambling revenue, 27 states reported declines over the year, with nine states reporting declines of more than 5 percent.

The recent geographic expansion of gambling created stiff competition for certain regions of the nation. Therefore, the weakening of the growth in gambling revenues is also attributable to market saturation. Within certain regions, expansion of gambling means rivalry for the same pool of consumers. For example, Pennsylvania enjoyed strong growth in revenues from casino and racino operations until the opening of new casinos and racinos in the neighboring states of Maryland, New York City, and Ohio.

Table 1: Gambling Revenues from Major Types of Gambling, FY 2013 and FY 2014 (\$ millions)  
Video Lottery Terminal (VLT) revenues included in racinos

State	Fiscal Year 2013						Fiscal Year 2014					
	Lottery	Casino	Racino	Video Gaming	Pari-mutuel	Total	Lottery	Casino	Racino	Video Gaming	Pari-mutuel	Total
<b>United States</b>	<b>18,026.7</b>	<b>5,366.4</b>	<b>3,142.2</b>	<b>489.1</b>	<b>145.6</b>	<b>27,170.0</b>	<b>18,139.9</b>	<b>5,293.1</b>	<b>3,188.1</b>	<b>582.0</b>	<b>140.5</b>	<b>27,343.6</b>
<b>New England</b>	<b>1,481.5</b>	<b>50.6</b>	<b>315.8</b>		<b>12.6</b>	<b>1,860.5</b>	<b>1,454.2</b>	<b>50.8</b>	<b>318.2</b>		<b>11.2</b>	<b>1,834.4</b>
Connecticut	312.1				6.9	319.0	319.5				6.1	325.6
Maine	52.9	50.6			2.1	105.5	51.9	50.8			1.8	104.5
Massachusetts	955.8				1.8	957.6	929.8				1.2	931.1
New Hampshire	74.3				0.7	75.0	72.4				0.8	73.2
Rhode Island	63.4		315.8		1.2	380.4	58.1		318.2		1.2	377.5
Vermont	22.9					22.9	22.6					22.6
<b>Mid-Atlantic</b>	<b>4,944.0</b>	<b>1,129.8</b>	<b>1,927.2</b>	<b>0.5</b>	<b>37.1</b>	<b>8,038.7</b>	<b>4,847.0</b>	<b>1,186.6</b>	<b>1,897.5</b>	<b>1.4</b>	<b>36.7</b>	<b>7,969.2</b>
Delaware	43.3		189.2	0.5	0.1	233.1	44.4		163.9	1.4	0.1	209.8
Maryland	545.2	305.4	29.2		1.2	881.1	521.1	353.8	25.1		3.1	903.1
New Jersey	1,085.0	250.6				1,335.6	965.0	257.1				1,222.1
New York	2,203.1		871.0		22.6	3,096.7	2,235.0		937.7		21.8	3,194.4
Pennsylvania	1,067.4	573.8	837.8		13.2	2,492.1	1,081.5	575.7	770.8		11.8	2,439.8
<b>Great Lakes</b>	<b>2,693.7</b>	<b>1,703.0</b>	<b>161.5</b>	<b>36.3</b>	<b>19.3</b>	<b>4,613.7</b>	<b>2,738.9</b>	<b>1,596.6</b>	<b>259.3</b>	<b>145.6</b>	<b>18.4</b>	<b>4,758.8</b>
Illinois	819.4	558.0		36.3	5.9	1,419.5	815.4	516.6		145.6	6.5	1,484.2
Indiana	225.1	646.4	106.0		2.5	980.0	251.1	542.7	111.3		2.5	907.6
Michigan	739.8	273.3			4.6	1,017.7	738.1	264.0			4.3	1,006.3
Ohio	752.5	225.4	55.5		6.2	1,039.6	764.9	273.4	148.0		5.0	1,191.4
Wisconsin	156.8					156.8	169.3					169.3
<b>Plains</b>	<b>730.1</b>	<b>786.7</b>	<b>101.6</b>		<b>5.9</b>	<b>1,624.3</b>	<b>704.9</b>	<b>749.2</b>	<b>100.8</b>		<b>6.1</b>	<b>1,561.0</b>
Iowa	84.9	207.9	101.6		3.9	398.4	74.0	198.6	100.8		3.9	377.3
Kansas	74.5	97.4				171.9	74.3	95.6				169.9
Minnesota	135.1				0.6	135.7	127.0				0.5	127.5
Missouri	280.0	464.2				744.2	277.5	438.8				716.3
Nebraska	40.0				0.1	40.1	38.0				0.1	38.1
North Dakota	7.9				0.7	8.7	7.8				1.2	9.0
South Dakota	107.7	17.1			0.5	125.4	106.2	16.2			0.5	122.9
<b>Southeast</b>	<b>4,502.6</b>	<b>700.1</b>	<b>552.0</b>	<b>395.2</b>	<b>42.3</b>	<b>6,192.2</b>	<b>4,692.8</b>	<b>692.6</b>	<b>524.7</b>	<b>377.9</b>	<b>40.8</b>	<b>6,328.9</b>
Alabama					1.6	1.6					1.5	1.5
Arkansas	90.5				3.1	93.6	81.7				3.1	84.8
Florida	1,424.3		152.5		23.4	1,600.2	1,495.4		174.0		25.3	1,694.7
Georgia	927.5					927.5	945.1					945.1
Kentucky	223.8				4.8	228.7	226.1				2.4	228.5
Louisiana	160.2	432.2	61.0	182.1	7.1	842.6	170.7	441.0	58.7	175.9	6.2	852.3
Mississippi		263.8				263.8		247.8				247.8
North Carolina	478.5					478.5	503.1					503.1
South Carolina	305.2					305.2	330.7					330.7
Tennessee	339.7					339.7	337.3					337.3
Virginia	486.5					486.5	538.6					538.6
West Virginia	66.4	4.1	338.4	213.1	2.3	624.4	64.2	3.8	292.0	202.1	2.3	564.4
<b>Southwest</b>	<b>1,505.9</b>		<b>84.1</b>		<b>9.5</b>	<b>1,599.4</b>	<b>1,504.6</b>		<b>87.6</b>		<b>9.0</b>	<b>1,601.2</b>
Arizona	177.8				0.2	178.0	175.6				0.2	175.9
New Mexico	43.7		63.4		0.9	108.0	40.9		67.0		0.4	108.3
Oklahoma	70.3		20.7		1.2	92.1	67.4		20.6		1.1	89.1
Texas	1,214.1				7.1	1,221.2	1,220.7				7.3	1,228.0
<b>Rocky Mountain</b>	<b>197.0</b>	<b>104.1</b>		<b>57.0</b>	<b>2.0</b>	<b>360.2</b>	<b>191.3</b>	<b>104.9</b>		<b>56.9</b>	<b>2.2</b>	<b>355.3</b>
Colorado	135.6	104.1			0.7	240.4	130.1	104.9			0.6	235.6
Idaho	48.3				1.2	49.5	49.1				1.2	50.3
Montana	13.1			57.0	0.0	70.1	12.1			56.9	0.0	69.1
Wyoming					0.1	0.1					0.4	0.4
<b>Far West</b>	<b>1,972.0</b>	<b>892.1</b>			<b>16.9</b>	<b>2,881.1</b>	<b>2,006.2</b>	<b>912.4</b>			<b>16.1</b>	<b>2,934.7</b>
California	1,284.4				14.6	1,298.9	1,349.6				13.8	1,363.4
Nevada		892.1				892.1		912.4				912.4
Oregon	548.4				0.8	549.2	508.9				0.7	509.7
Washington	139.2				1.6	140.8	147.7				1.5	149.2

Sources: Census Bureau (pari-mutuels); Rockefeller Institute review of state lottery and gaming regulatory agencies' financial reports for lottery, casino, racino, table games, and video gaming revenues.

Note: VLT revenues for the following six states are excluded from lottery and included in racinos: Delaware, Maryland, New York, Ohio, Rhode Island, and West Virginia.

**Table 2: Percent Change in Gambling Revenues, FY 2013 to FY 2014**  
*VLT revenues included in racinos*

State	Lottery	Casino	Racino	Video Gaming	Pari-mutuel	Total
<b>United States</b>	<b>0.6</b>	<b>(1.4)</b>	<b>1.5</b>	<b>19.0</b>	<b>(3.5)</b>	<b>0.6</b>
<b>New England</b>	<b>(1.8)</b>	<b>0.6</b>	<b>0.7</b>		<b>(11.7)</b>	<b>(1.4)</b>
Connecticut	2.4				(11.5)	2.1
Maine	(2.0)	0.6			(12.2)	(1.0)
Massachusetts	(2.7)				(32.0)	(2.8)
New Hampshire	(2.6)				22.2	(2.4)
Rhode Island	(8.3)		0.7		(0.3)	(0.8)
Vermont	(1.6)					(1.6)
<b>Mid-Atlantic</b>	<b>(2.0)</b>	<b>5.0</b>	<b>(1.5)</b>	<b>177.0</b>	<b>(1.1)</b>	<b>(0.9)</b>
Delaware	2.4		(13.4)	177.0	3.8	(10.0)
Maryland	(4.4)	15.8	(14.2)		155.3	2.5
New Jersey	(11.1)	2.6				(8.5)
New York	1.4		7.7		(3.8)	3.2
Pennsylvania	1.3	0.3	(8.0)		(10.6)	(2.1)
<b>Great Lakes</b>	<b>1.7</b>	<b>(6.2)</b>	<b>60.6</b>	<b>301.0</b>	<b>(4.7)</b>	<b>3.1</b>
Illinois	(0.5)	(7.4)		301.0	11.1	4.6
Indiana	11.6	(16.0)	5.0		0.0	(7.4)
Michigan	(0.2)	(3.4)			(7.5)	(1.1)
Ohio	1.6	21.3	167.0		(19.6)	14.6
Wisconsin	8.0					8.0
<b>Plains</b>	<b>(3.5)</b>	<b>(4.8)</b>	<b>(0.8)</b>		<b>4.0</b>	<b>(3.9)</b>
Iowa	(12.9)	(4.5)	(0.8)		(1.1)	(5.3)
Kansas	(0.3)	(1.9)				(1.2)
Minnesota	(6.0)				(14.1)	(6.0)
Missouri	(0.9)	(5.5)				(3.7)
Nebraska	(5.0)				11.7	(5.0)
North Dakota	(1.3)				56.2	3.6
South Dakota	(1.4)	(5.6)			(13.7)	(2.0)
<b>Southeast</b>	<b>4.2</b>	<b>(1.1)</b>	<b>(4.9)</b>	<b>(4.4)</b>	<b>(3.6)</b>	<b>2.2</b>
Alabama					(0.7)	(0.7)
Arkansas	(9.7)				(0.8)	(9.4)
Florida	5.0		14.1		8.1	5.9
Georgia	1.9					1.9
Kentucky	1.0				(50.0)	(0.0)
Louisiana	6.5	2.0	(3.8)	(3.4)	(13.3)	1.2
Mississippi		(6.0)				(6.0)
North Carolina	5.1					5.1
South Carolina	8.4					8.4
Tennessee	(0.7)					(0.7)
Virginia	10.7					10.7
West Virginia	(3.2)	(7.7)	(13.7)	(5.2)	0.0	(9.6)
<b>Southwest</b>	<b>(0.1)</b>		<b>4.2</b>		<b>(4.7)</b>	<b>0.1</b>
Arizona	(1.2)				0.0	(1.2)
New Mexico	(6.3)		5.7		(59.2)	0.3
Oklahoma	(4.1)		(0.4)		(6.5)	(3.3)
Texas	0.5				2.7	0.6
<b>Rocky Mountain</b>	<b>(2.9)</b>	<b>0.7</b>		<b>(0.2)</b>	<b>10.2</b>	<b>(1.3)</b>
Colorado	(4.1)	0.7			(8.9)	(2.0)
Idaho	1.7				1.2	1.7
Montana	(7.5)			(0.2)	81.8	(1.5)
Wyoming					166.2	166.2
<b>Far West</b>	<b>1.7</b>	<b>2.3</b>			<b>(5.1)</b>	<b>1.9</b>
California	5.1				(5.0)	5.0
Nevada		2.3				2.3
Oregon	(7.2)				(5.9)	(7.2)
Washington	6.1				(5.2)	5.9



Sources: Census Bureau (pari-mutuels); Rockefeller Institute review of state lottery and gaming regulatory agencies' financial reports for lottery, casino, racino, table games, and video gaming revenues.



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# U.S. Problem Gambling Stable Despite Expansion, Study Finds

20TH NOV 2014 | WRITTEN BY: SARA FRIEDMAN

Despite the rapid expansion of casino gaming over the past ten years, U.S. problem gambling rates have remained stable, according to a new national study.

Between 1999 and 2013, the prevalence rate of problem or at-risk gamblers remained stable, in the range of 3.5 to 5.5 percent of the population, according to a new study by John Welte, a senior research scientist at the University of Buffalo's Research Institute on Addictions.

Welte's study is based on a national telephone survey that was conducted in 2011-2013 as a follow-up to previous research from 1999-2000.

Over the past ten years, the average number of days per year on which respondents gambled decreased from 59.9 to 53.6, the study found. However, the average loss or win per visit increased from \$54.01 to \$70.12.

In Welte's previous research published in 2004, he found that respondents who lived within ten miles of a casino were twice as likely to be problem gamblers.

The most recent study found 24.7 percent of respondents were living within ten miles of a casino compared to 11.4 percent in 1999-2000; however, that did not increase the level of gambling addiction among the respondents.

The proportion of people showing signs of addictive behavior in the past 12 months, according to the DSM-IV and SOGS screening tests, was 0.83 percent in the latest study compared with 0.82 percent a decade earlier.

"I was surprised by the results because I expected the number of problem gamblers to go up," Welte told GamblingCompliance.

Welte's studies continued to find that problem gamblers are more likely to be male, black or Hispanic and from a lower socio-economic class.

Respondents bought fewer lottery tickets and increased their online gambling activities compared with ten years ago, but the level of casino gambling remained steady.

One possible reason for the stabilization is the 2008 recession that hit the amount of discretionary income that Americans were willing to spend on gambling, with less problem gamblers created as a result, said Welte.

"The recession certainly impacted the industry," he said.

Another possible factor is the greater availability of information on gambling risks.

Across the country, 34 of 50 states provide today some sort of funding for problem gambling services, according to the National Council on Problem Gambling (NCPG).

"People are much more familiar with gambling in this decade and several of the large companies now have responsible gambling policies," said James Whelan, co-director of the Institute for Gambling Education and Research at the University of Memphis.

To date, the main academic theory on the stabilization of problem gambling rates over time has been so-called "adaptation."

Under this theory, an increase in exposure to gambling venues initially leads to increases in the rates of problem gambling, but the population eventually adapts and further negative consequences do not occur in spite of further growth in exposure.

With adaptation, problem gambling rates level off and decline," Howard Shaffer, director of the Division of Addiction located at Harvard Medical School, told GamblingCompliance.

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"It is clear that expansion of gambling exposure does not automatically lead to increases in the rates of problem gambling," SUNY Buffalo researchers found.

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Shaffer introduced the adaptation theory in the 1990s working with Debi LaPlante, a fellow researcher at Harvard, but Welte's recent research was the first time that it was tested on a national scale.

Donald Black, a professor of psychiatry at the University of Iowa, has also conducted research on problem gambling in Iowa and reached similar conclusions to Welte's study.

"I found a prevalence of 1.4 percent in Iowa in 2008 even though the number of opportunities have skyrocketed since my last sample was collected in 1995," Black told GamblingCompliance.

"[Welte's] study shows how Dr. Shaffer's theory is probably correct that the initial novelty of gambling will only spur interest up to a certain point," said Black.

Welte's research also noted similar studies in other countries had shown prevalence rates stabilizing over time, with one exception being a slight increase noted in a 2010 UK study.

Epidemiologist Rachel Volberg has conducted studies on problem gambling in several states, Canada and New Zealand.

Her research has found five possible explanations for the stabilization of problem gambling rates: increasing awareness of potential harm; decrease in participation overall in gambling; people being removed from the pool of problem gamblers through incarceration or suicide; increase in industry problem gambling efforts and availability of treatment resources; and the increasing age of the population.

"Increased awareness means more people are aware of the risks," Volberg told GamblingCompliance.

Volberg, a professor at UMass Amherst, will also lead upcoming research into problem gambling in Massachusetts by studying a single group of people before, during and after the rollout of casinos in the state.

That research will be the "first-of-its-kind, multi-year cohort study to examine how gambling problems develop over time and thus illuminate the causes of problem gambling," according to the Massachusetts Gaming Commission.

Other academics agreed Welte's recent work would also have benefited from using the same respondents across his two studies a decade apart.

However, Welte said it would not have been possible to do that without excluding younger adults altogether from the second study.

"My single objective was to find out if these problem gambling rates were the same," said Welte. "If we interviewed the same people in both studies, the youngest would be 32 now and we would also not be getting the people who have moved to the U.S. in the past ten years."

Welte's is the sixth national research study on problem gambling, and the first since the professor's 2004 work, according to Keith Whyte, executive director of the NCPG.

"We believe that the [problem] gambling rate is influenced by other factors than proximity," Whyte told GamblingCompliance.

Welte's study was funded by a grant from the National Institute of Health, but Whyte laments that no federal money has been provided for problem gambling research.

"Not a single cent of money dedicated to problem gambling comes from the federal government, and they make \$7bn a year from gambling," said Whyte.

American Gaming Association president Geoff Freeman applauded Welte's report as evidence of the strong responsible gambling programs created by some casino companies.

"This study provides yet another piece of evidence that nearly all casino visitors continue to enjoy the first-rate entertainment experience our members provide in a responsible manner, even as more communities across the country have added gaming because of the many benefits we consistently deliver," Freeman said in a statement.

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Iowa - Revenue Report - Jan, 2003 to Dec, 2006

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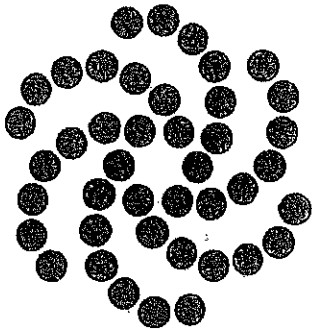
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## **2013 Responsible Gambling Survey**

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Table 4: If yes, how much?

State	Given	Required by law
Arizona	\$300,000	\$300,000
Arkansas	\$200,000	\$200,000
British Columbia	\$6.5 million	None
California	\$125,000	None
Colorado	\$50,000-\$70,000	None
Connecticut	\$2-\$2.5 million	\$1.9 million
Georgia	\$200,000	\$200,000
Illinois	\$14,000	None
Kansas	\$80,000	\$80,000
Kentucky	\$17,000	None
Louisiana	\$500,000	\$500,000
Massachusetts	\$1.8 million	Appropriated by legislature annually
Michigan	\$1 million	\$1 million
Minnesota	\$2.2 million	Virtually all
Missouri	\$105,120	None
Nebraska	1% proceeds + \$500,000	1% proceeds + \$500,000
New Jersey	\$15,000	None
New Mexico	\$145,000	None
North Carolina	\$1 million	\$1 million
North Dakota	\$200,000	\$200,000
Ohio	\$915,000	None
Oklahoma	\$500,000	\$500,000
Oregon	at least 1% proceeds annually	at least 1% of proceeds annually
Quebec	\$30.6 million	None
Rhode Island	\$162,000	\$100,000
South Dakota	\$214,000	\$214,000
Vermont	\$200,000	None
Virginia	\$30,000	None
Washington	.0013 of net receipts	.0013 of net receipts
West Virginia	\$1.5 million	minimum of \$400,000, maximum of \$2M
Wisconsin	\$800,000	\$396,000





December 15, 2010

Mr. Martin Stauffer  
127 Orchard Road  
West Hartford, CT 06117

Mr. Kenneth Saccente  
524 Ridgeview Road  
Orange, CT 06477

Dear Marty and Ken:

After our Board meeting last week, and in response to your questions, I spoke with Dr. Jeffrey Derevensky regarding the impact of Keno on minors and problem gamblers. Dr. Derevensky is a well-known, well-respected, highly credentialed and widely published expert in the field of youth gambling. He is co-Director of the International Centre for Youth Gambling Problems and High-Risk Behaviors, as well as Professor of Applied/Child Psychology and Professor of Psychiatry, at McGill University in Montreal, Canada.

The following synthesizes my conversation with him:

In Dr. Derevensky's opinion, minors aren't typically interested in the game of Keno, much as they aren't typically interested in other matrix-style games. He is not aware of any research indicating that adolescent children are attracted to, or develop problems as a result of playing Keno. Further, he has not treated nor been exposed to an adolescent Keno problem gambler. Adolescent children who present for treatment as problem gamblers do not indicate Keno as their game of choice. According to Dr. Derevensky, these children are much more sensitive to video lottery terminals (VLTs) or scratch games. Interestingly, too, even when Keno is displayed as one of the game options on the VLT, he said that young people do not select Keno. They will, instead, choose blackjack and/or poker.

When asked whether the selling location (such as restaurants, diners, cafes) might encourage minors to play Keno, Dr. Derevensky opined that it would not. When asked whether the graphics on the monitors would attract minors to play Keno, Dr. Derevensky again opined that they would not.

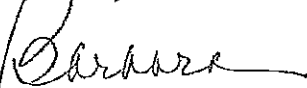
The only caveat to our discussion came when we talked about possible Keno prizes. Dr. Derevensky stated that large cash prizes would not attract adolescents to play Keno, in much the same way that large cash prizes don't attract adolescents to play Powerball or Mega Millions. Certain non-cash prizes may attract minors, but the Lottery has no intention of designing a Keno game with such prizes.

Dr. Derevensky reiterated the concerns that the Lottery has already recognized with regard to Keno and the problem gambler, such as the speed and frequency of play. Game design and retail instructions must certainly accommodate those issues.

The Lottery's support for needs-based funding for problem gambling in Connecticut would include funding for inpatient treatment programs. We believe it is important to support prevention and treatment for problem gamblers, including funding for families and youth who can also be negatively affected by problem gambling.

I hope this addresses the specific questions raised regarding Keno and youth gambling risks.

Sincerely,



Barbara Porto  
Vice President Operations & Administration

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