



Testimony for the Finance, Revenue and Bonding Committee

In Support of House Bill No. 7054 - AN ACT CONCERNING KENO

Wednesday, April 15, 2015 Hearing at 1:00 P.M. in Room 2E

Good afternoon Chairman Fonfara, Chairman Berger, and members of the Committee. My name is Patrick McHugh. I am the Senior Vice President of North American Lottery Systems for Scientific Games International, Inc. We have been supplying the Connecticut Lottery Corporation (“CLC”) with lottery products, technology, and services related to the operation of the Lottery since 1988. I am submitting this testimony in favor of House Bill 7054, an act that would permit the CLC to offer Keno.

Keno is a traditional lottery draw game in which players select numbers from a set range of numbers, a draw of winning numbers is conducted, and the player’s match their selections to the numbers drawn to see if they have won. The game is sold in the same method as existing lottery draw games, such as Powerball, through the same lottery terminal. The drawings of winning numbers are conducted more frequently than a traditional daily game, and typically are displayed on a TV-style monitor often installed in a social establishment.

Keno is not new to lotteries and adding Keno to the CLC’s lottery draw game portfolio does not expand gaming in Connecticut. Keno draw games have been sold by lotteries in the U.S. for 24 years. It was first implemented in the U.S. by the Oregon Lottery in 1991, and is currently offered by 15 lotteries, including the surrounding states of Massachusetts, New York, Rhode Island; as well as Delaware, Maryland, Washington DC, West Virginia, Ohio, Michigan, Missouri, Kentucky, Kansas, Georgia, Oregon, California.

Keno represents the single biggest opportunity for increasing CLC’s revenues while positively impacting Connecticut’s economy beyond the CLC itself. It has proven to be extremely successful in social environments such as bars, restaurants, and social or veterans clubs for other lotteries because it provides entertainment to the customer while generating additional revenue for business owners. Keno has been shown to benefit lottery retailers because it increases customer traffic, encourages customers to stay longer and visit more often, increases food and beverage sales, and helps businesses become competitive with those in surrounding states. Additionally, Keno will help the CLC to expand its retailer base since Keno retailers will also sell existing lottery products that are not currently offered at these social locations. All this simply increases the contributions of the CLC to the General Fund.

Seven of the top ten performing U.S. lotteries, based on total per capita sales of draw games, sell Keno: Massachusetts, New York, Michigan, Maryland, Georgia, Rhode Island, and the District of Columbia. From 2010 to 2014, U.S. lottery Keno-style game sales totaled \$14.9 billion and lottery retailers earned \$96 million in commissions. During this time, Keno-style games contributed approximately \$3.7 billion to the beneficiaries in their respective states.

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## Five Year Keno Impact FY 2010 to 2014

Jurisdiction	Keno Sales	Return to State <sup>1</sup>	Retailer Commissions <sup>2</sup>	Prizes to Players <sup>2</sup>	Keno % of Draw Game Sales (FY14)
Massachusetts	\$3.94 billion	\$986 million	\$224 million	\$2.71 billion	56%
Michigan	\$2.63 billion	\$658 million	\$192 million	\$1.71 billion	33%
New York	\$2.57 billion	\$643 million	\$154 million	\$1.54 billion	18%
Maryland	\$1.81 billion	\$453 million	\$142 million	\$1.12 billion	25%
Ohio	\$1.03 billion	\$259 million	\$64 million	\$662 million	22%
Georgia	\$831 million	\$208 million	\$50 million	\$536 million	15%
California	\$722 million	\$181 million	\$43 million	\$455 million	11%
Oregon	\$466 million	\$117 million	\$31 million	\$303 million	46%
Rhode Island	\$398 million	\$100 million	\$34 million	\$259 million	49%
Missouri	\$311 million	\$78 million	\$19 million	\$195 million	16%
Kansas	\$113 million	\$28 million	\$7 million	\$61 million	17%
D.C.	\$60 million	\$15 million	\$3 million	\$37 million	7%
West Virginia	\$31 million	\$8 million	\$2 million	\$18 million	6%
Kentucky <sup>3</sup>	\$29 million	\$7 million	\$2 million	\$19 million	9%
Delaware <sup>4</sup>	\$8 million	\$2 million	\$0 million	\$5 million	5%

<sup>1</sup> Return to State assumes 25% of sales.

<sup>2</sup> Commissions and Prizes are estimated based on each lottery's designed structure.

<sup>3</sup> Kentucky started November 2013.

<sup>4</sup> Delaware started January 2013.

Thank you for your time and attention and I respectfully urge the Committee to pass House Bill 7054.

Scientific Games Corporation (NASDAQ: SGMS) is a leading developer of technology-based products and services and associated content for worldwide gaming, lottery and interactive markets. The Company's portfolio includes gaming machines, game content and systems; table games products and utilities; instant and draw-based lottery games; server-based lottery and gaming systems; sports betting technology; loyalty and rewards programs; and interactive content and services. For more information, please contact:

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