



*Testimony for the Public Safety and Security Committee
March 17th, 2015
Room 2C, LOB*

**Please include the Connecticut Lottery Corporation in discussions regarding
SB 1090, AAC Gaming**

Good afternoon Chairmen Dargan and Larson, Ranking Members Zupkus and Guglielmo, and other distinguished members of the Public Safety & Security Committee. My name is Anne Noble, and I am the President & CEO of the Connecticut Lottery Corporation.

I am here today to speak on SB 1090: An Act Concerning Gaming. As you are aware, this bill would permit the expansion of casino gaming off of tribal lands with the opening of up to three casinos in Connecticut and would be operated by a commercial venture between the Mohegan Sun and Foxwoods casinos.

We respectfully ask that you consider the CT Lottery Corporation as you explore changes to state gaming policy.

First, we ask that the CT Lottery's exclusive right to sell lottery products off of the reservations be clearly preserved in any gaming expansion legislation.

Second, cannibalization of lottery sales should be expected if 1 – 3 new casinos open in Connecticut. A *Washington Post* article from last August reported that when casinos opened in Maryland and Pennsylvania, the casino sales had a negative impact on both lottery revenue and on local retailer sales (attached; August 11, 2014). Similar findings occurred in Arizona according to a 2001 *Public Finance Review* Article (abstract attached).

Notably, in the Massachusetts Gaming Expansion Act (2011 Mass. Acts ch. 194), Section 15 requires their commercial casinos to be state lottery retailers and to “sell or operate the lottery, multi-jurisdictional and keno games; demonstrate that the lottery and keno games shall be readily accessible to the guests of the gaming establishment and agree that, as a condition of its license to operate a gaming establishment, it will not create, promote, operate or sell games that are similar to or in direct competition, as determined by the commission, with games

offered by the state lottery commission, including the lottery instant games or its lotto style games such as keno or its multi-jurisdictional games.”

Third, modernization of the Lottery must be supported, including permitting the CT Lottery to broaden its offerings and distribution channels as well as leverage the internet to promote its products in the same manner as the casinos and private sector business. The CT Lottery is over forty years old; and during this time, it has pioneered many new ideas. Now, the CT Lottery is falling behind other states that are authorized to sell new and more innovative games to remain competitive, to attract millennials, and to grow revenues. For example, many lotteries offer keno, bingo, instant ticket raffles, loyalty programs, subscription sales, and scratch games with interactive features. We observe that lottery games are increasingly sold over the internet, including in Georgia, Michigan and Illinois. Kentucky recently generated \$45 million in sales in its first full year of operating keno, and is now considering internet sales. Massachusetts, also faced with new casinos, is considering internet sales. The CT Lottery cannot maintain its place in history, and in the industry, if the Lottery cannot offer an up-to-date portfolio.

Last year, the CT Lottery contributed \$319.5 million to the General Fund, more than any other gaming entity, and approximately \$30 million more than the two casinos combined. Additionally, we partner with approximately 2900 retailers across the state, of which over 2000 are small businesses. Lottery income is a significant revenue stream for our retail partners and can equate to an additional \$20,000 annually for a small business and \$100,000 plus for a high traffic store.

In closing, the CT Lottery is an industry leader in responsible gambling. A 2013 survey¹, that included 29 U.S. lotteries, showed that the CT Lottery contributes more money to problem gambling than any other state lottery, regardless of population. We work closely with the CT Council on Problem Gambling, the Problem Gambling Services division within the CT Department of Mental Health and Addiction Services, the National Council on Problem Gambling and McGill University's International Center for Youth-Gambling Problems and High Risk Behaviors. We support and applaud the casino's overtures that they will be contributing more to responsible gambling as their expansion is considered.

Thank you for your time and attention, and I would be happy to answer any questions you have.

¹ This study was conducted by the National Association of State and Provincial Lotteries and a copy of the survey results are attached.

The Washington Post

Local

Maryland lottery sales slide as casino revenue surges

By Annys Shin August 11, 2014

Before Maryland's largest casino opened less than two miles away, convenience store manager Chirag Patel was hoping to sell more lottery tickets than he was already moving.

"We were doing very good business with scratch-off games," he said. "I was trying to get another terminal" from the Maryland lottery commission. Then the massive Maryland Live opened near his Dash In gas station, and in the two years since, he estimated, his lottery ticket sales have gone down by 25 percent. And so has his commission, which used to be about \$3,000 a month.

Maryland lottery commission officials can commiserate. On Monday, they reported that traditional lottery sales have slightly decreased for a second consecutive year, to \$1.72 billion.

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They, too, have pointed the finger at Maryland Live for helping to end the lottery's unprecedented 16-year run of annual sales increases. Previously, the lottery weathered the opening of other smaller casinos in more remote parts of the state, such as Berlin and Perryville, said Stephen Martino, director of the Maryland State Lottery and Gaming Control Agency. But now, with bigger casinos moving into more densely populated areas, lottery officials face the prospect that the downward slide has only just begun.

"There was always an expectation there was going to be cannibalization by casinos," he said. "It is going to be a challenge with Horseshoe [Baltimore] opening in a couple weeks, and in a couple years, we will have MGM [National Harbor] opening."

Horseshoe is located by M&T Bank Stadium, where the Ravens play, on some of the lottery's most lucrative turf. Baltimore accounts for just under 11 percent of the state's population but almost 17 percent of lottery sales, state data show. Only one other locale generates a larger proportion of lottery sales: Prince George's County, future site of MGM National Harbor. It is home to only 15 percent of the state's population but generates 21 percent of lottery

Statewide, lottery sales decreased by 1.7 percent in fiscal 2014, compared with the previous year, agency officials said. In 2013, they decreased by 2.2 percent. While not a large percentage, it was still the third largest drop among the 43 lotteries nationwide.

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Surging casino revenue has more than made up for the decline in lottery sales. Last year, for example, the state netted 27 percent more in tax revenue from gambling than the year before, boosted by the opening of Rocky Gap casino and the introduction of table games, state data show.

But the health of the lottery still matters for taxpayers. The state has come to rely on lottery sales, which are the fourth largest source of revenue after income, sales and corporate taxes. And the lottery still contributes nearly twice as much to the state's general fund as casinos do, about \$521 million in 2014.

Lottery officials managed to keep the drop in sales from eating into taxpayers' share. Martino said the agency still met its goal for 2014 for the amount of money it was supposed to turn over to the state.

To get a better grip on the problem, lottery officials have hired experts to examine the impact casinos are having on their business. The results of that study are slated to be released at the lottery commission's Thursday meeting.

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Doug Walker, an economist at the College of Charleston in South Carolina, who is involved in the Maryland lottery study, would not discuss the findings ahead of their release. But he said other studies have shown that opening more casinos generally has a negative effect on local lottery sales.

"Those two industries tend to be substitutes for each other," Walker said.

That dynamic has played out in Pennsylvania, which has 12 casinos and generates more gambling revenue than any other state except for Nevada.

Until the slot machine onslaught, Pennsylvania's lottery, like Maryland's, was on a roll, with annual sales increasing ever year, sometimes by double digits.

But starting around 2006, as casinos began to spread across the state, lottery sales leveled off and then declined. Hardest hit were the areas surrounding the new slot machine parlors. In a 2008 report, Pennsylvania state lottery officials noted that when a new casino opened, lottery ticket retailers within an hour's drive reported more frequent and higher percentage declines in weekly sales than retailers further away.

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But Richard McGowan, a gambling expert at Boston College, noted that trend was temporary. Pennsylvania's lottery sales have gone up every year since 2010. Last year, the lottery posted a record profit.

McGowan said there are other factors that can affect lottery sales such as the state of the economy, the mix of games, the size of the Powerball jackpot that year and even the weather. (Casinos do better in the spring and summer, he said, while lottery sales tend to do better in the winter.)

The customer bases for lotteries and casinos also don't overlap as much as people might assume, he said. "Most lottery tickets are bought on impulse when people go in to buy milk and gasoline," McGowan said. "You have to plan to go to a casino."

Whether Maryland follows in Pennsylvania's footsteps may boil down to timing. Gamblers have even more choices now than they did eight years ago when Pennsylvania expanded slots. In Ohio, which started adding casinos in 2012, lottery sales are still decreasing.

As lottery officials brace for the opening of Horseshoe Baltimore, they are also trying to change their luck by offering games with recognizable brands such as the Ravens or Monopoly. And they have recently talked to Maryland Live about possibly working together on marketing, officials for the casino and lottery agency said.

Until then, players should expect to see scratch-off tickets featuring dice, poker hands, slot machine reels and roulette wheels, said Carole Everett, an agency spokeswoman said. As they design new games, she said, "we are looking at how players are reacting to the casino gaming experience."

For Marylanders, the lottery lacks the novelty of having Vegas-style casinos on their doorstep. But, Martino said, that's also its strength. "The lottery is ubiquitous. Even with the erosion we've had the last couple of years, the lottery is still well established in the marketplace, and in the minds of people," he said. "Our challenge is going up against this competition that state policy has introduced. We have to find new games and energize our current games and responsibly encourage people to spend their entertainment dollars."

Annys Shin has been a staff writer at the Washington Post since 2004.

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The Impact of Indian Casinos on State Lotteries: A Case Study of Arizona

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2. Gary Anders²

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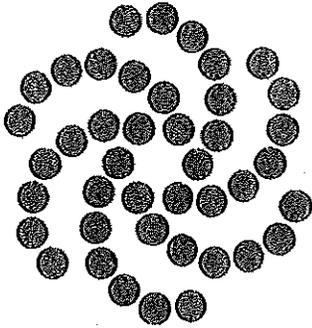
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Abstract

Gambling is a rapidly growing industry with competing private, public, and Native American tribal interests. To examine the effects of this competition, the authors outline a simple econometric model for assessing substitution between lottery games and other forms of gambling. They estimate the model to examine whether an expansion in Indian casino gaming in Arizona is associated with a decline in lottery revenues. The findings imply that there is indeed a substitution effect.



NASPL

North American Association of State and Provincial Lotteries

2013 Responsible Gambling Survey

Don Feeney, Minnesota – Research & Planning Director

Gary Gonder, Missouri – COO and Director of Marketing, Sales and Communications

Jeff Hatch-Miller, Arizona – Executive Director

Holly Koofer-Thompson, Missouri – Public Relations and Responsible Gaming Coordinator

Stephen Martino, Maryland – Director

Chip Polston, Kentucky – Vice President of Communications, Government and Public Relations

Rollo Redburn, Oklahoma – Executive Director

Tom Romero, New Mexico – CEO

Paul Smith, BCLC (Canada) – Director, Corporate Social Responsibility

Abel Tapia, Colorado – Director

Chelsea Turner, Connecticut – Director of Government Affairs

Jennifer Wetherell, Maryland – Responsible Gambling Program Coordinator

Kim Wilson, Atlantic Lottery Corporation (Canada) – Sr. Manager Corporate Planning & Social Responsibility

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