



**Public Hearing Testimony**  
**Opposition to SB 358: AAC the Purchase of Lottery Tickets**  
**Public Safety & Security Committee**  
**March 8, 2016**

Good afternoon Chairmen Dargan and Larson, Ranking Members Zupkus and Gugliemo, and other distinguished members of the Public Safety and Security Committee. My name is Anne Noble, and I am the President and CEO of the Connecticut Lottery Corporation. Thank you for the opportunity today to testify against SB 358, AAC the Purchase of Lottery Tickets.

This bill allows a “lottery management services company” to enter into an arrangement with any lottery retailer it chooses, without the Lottery’s permission or approval, to purchase lottery tickets on behalf of players, and to use the internet to manage and distribute lottery winnings to players. While the Lottery supports internet sales of lottery tickets and encourages the legislature to take up that matter in due course and with thoughtful deliberation, it opposes the approach set forth in this bill for the following reasons:

**Internet sales of Lottery tickets should be carefully operated and managed by the Lottery, not any variety of service providers seeking a license from the DCP.**

CGS 12-806b prohibits the Lottery from selling its tickets over the internet. This proposal circumvents that prohibition and authorizes the sale of lottery tickets to consumers over the internet by a third party of any of our retailers’ choosing. In contrast, the sale of lottery tickets by lotteries is being done efficiently, effectively, and with integrity in many jurisdictions. The business model in other lottery jurisdictions in regards to the internet maximizes profits to the state, provides a smooth and operationally sound interface with existing lottery systems, games and technology, and ensures that all brick and mortar retailers are treated fairly and considered as e-commerce is introduced. The CT Lottery already has its own mobile application, and diverting players to another entity’s website to purchase tickets is unnecessary.

While this bill provides for the licensing of a lottery management service, licensing is not a substitute for a careful evaluation of internet business practices, a competitive process by the Lottery to obtain the best, most profitable and reliable business model to support internet sales, and contractual terms with appropriate suppliers that protect the Lottery and its players.

**The CT Lottery is concerned about erosion of its brand by third parties selling tickets to its players.**

This model of internet sales lets a service provider not of the Lottery's choosing sell the Lottery's brands in any manner it so chooses. For example, the service provider's website, unlike the Lottery's website, might be appealing to vulnerable teens, or otherwise advertise or promote lottery tickets in a manner that conflicts with the Lottery's Advertising Code of Conduct, responsible gambling standards, or numerous licensing agreements covering millions of dollars in Lottery sales annually. The Lottery's brands are copyrighted and marked to ensure their use is only as authorized, and we do not support their use in the manner proposed.

**The CT Lottery is concerned about fraud.**

Internet sales of lottery games typically give lotteries more, not less, information about their players and more ways to communicate with players. That means that lotteries can build loyalty programs and do more to encourage responsible play and reduce fraud. This proposal does just the opposite. This proposal hides the true identity of players from the Lottery because the third party management service company claims the prizes for players. Such a practice facilitates fraud, reduces the Lottery's ability to collect delinquent taxes and child support, and creates unnecessary risk for underage and problem gambling. It reduces the Lottery's ability to responsibly grow revenue with loyalty programs. It violates the spirit of FOIA by hiding the real identity of winners from the playing public.

The CT Lottery maintains a list of ineligible players -- people who cannot play the Lottery by law or by contract. Age is not the only matter of concern. The management services companies do not have such lists unless personally identifiable information is given to them by the Lottery, a practice we believe would be ill-advised and may violate some of our contracts or other legal obligations.

**The Lottery is concerned about litigation, the costs of which reduce transfers to the General Fund.**

Disputes over ticket ownership, tickets not purchased or tickets not redeemed timely will inevitably arise. The Lottery will be sued and forced to defend the practices of third party management service companies over which we have no control. These suits will impact the Lottery's GF transfers and sales adversely. Our limited legal resources will be drained.

The Powerball and Mega Millions brands cannot be used without the express permission of entities holding such rights. The owners of these brands have sent cease and desist letters to prevent the use of these marks in the manner proposed by this bill. This is another area of potentially costly litigation.

The lottery industry is not supportive of this business model for all the reasons stated. Thank you for your time and attention. I'd be happy to answer any questions you have.