



Testimony for the Finance, Revenue & Bonding Committee

April 2, 2018

Room 2E, LOB

Please SUPPORT SB 540

Good afternoon Co-Chairmen Fonfara, Rojas and Frantz, Ranking Member Davis, and other distinguished members of the Finance Revenue & Bonding Committee. My name is Chelsea Turner, and I'm the Interim President & CEO of the Connecticut Lottery Corporation. I appreciate the opportunity to speak to you today in support of SB 540: An Act Authorizing Sports Wagering and Online Lottery Draw Games in the State.

If passed, this bill will allow the CT Lottery the ability to sell its current twelve draw games over the internet. These games include Powerball, Mega Millions, Keno, and Lotto. While our current business model has proven very successful, we need to think strategically if we are to maintain, never mind increase, General Fund transfers. This includes meeting consumers where they are, in the mobile space. Virtually everything you can think of purchasing today, you can purchase online.

Like any smart business, we want to utilize the best that modern technology has to offer, including modernizing our distribution channels through the internet. The ability to sell our draw tickets online is important to us for several reasons: it allows us to market our product in a modern way alongside nearly all consumer goods; it enables us to implement important responsible gambling safeguards in a way that we are unable to do as effectively in the current retail environment, and actually could be a model for the nation; and it gives us a firm foundation for sustainable, incremental and new growth in the long run.

Today in Connecticut, virtually everything can be purchased over the internet, and these purchases are being delivered quicker to the front door. The idea of internet wagering is also not new to this state: today in Connecticut, you can already legally wager on horse races over the internet, as well as participate in online Daily Fantasy Sports contests. And today, in four other states, you can legally purchase lottery tickets online, and other states are quickly moving in this direction. New Hampshire passed an iLottery bill last year, and iLottery is being discussed in Massachusetts. The logic behind online lottery sales is simple – we need to meet our players where they are. And increasingly, we are all on our computers and phones. Just as an example, if there is a severe winter storm during a Powerball jackpot run, we lose sales that we cannot

replace. An online lottery ticket ordering service would allow people to get their Powerball ticket and get in the drawing, and would help us replace those lost sales.

The bill before you today would allow us the ability to sell our existing draw games, the games that come out of the lottery terminal, which include games like Powerball, Mega Millions, Lucky for Life and Keno, over the internet by using prepaid gift cards, debit or credit cards, or ACH transfers. I think there may have been a little confusion last year, so I want to discuss for a second what our iLottery proposal is not: it is not about new lottery games. It is not about virtual instant scratch-off games or instant gratification. In fact, there is nothing “instant” about this program at all. And it is not about interactive gambling.

I’ve been trying to come up with an analogy for what our iLottery service would be, and the closest I have come is Ticketmaster.com. Probably most everyone in this room has used Ticketmaster.com – whether on a computer or their smartphone – to purchase tickets to some kind of concert or sporting event. The event you purchased tickets for still takes place on the date and at the venue – there is no “virtual” or instant event. You just have used technology to secure your seats, instead of traveling in-person to the box office at the venue. This is similar to what our iLottery proposal is. Customers can use the iLottery program to purchase tickets to future lottery draw games. Those drawings still take place at the normal date and time and through the normal, existing method – drawings do not take place virtually or on the internet. The player simply has secured their ticket using our internet ordering service. It simply provides our players with another mechanism to make the same purchase.

If we are allowed to sell all our draw games over the internet, and credit is permitted, we project an increase of \$1.9 million to the General Fund after the first full year of sales. This grows to \$16.1 million to the General Fund in year five. Over five years of sales, this would mean an additional \$45 - \$50 million total to the General Fund. My colleague, Tom Trella, Interim Director of Draw Games and Director of Portfolio Strategy and Analysis will speak later about how he arrived at these projections. The ability to use credit, and not just debit or a prepaid card, is also important to the ability for us to drive this level of revenue. This is because most consumers are aware that it is safer to use a credit card than a debit card online. In Michigan, approximately 80% of the iLottery wagers are made using credit.

We also believe that we have exceptional responsible gambling safeguards in place to limit the amount and time a person is wagering, and to talk to the customer in a new way. For instance, we could send a pop up message each time players sign up or place a bet reminding them to take breaks, set limits, understand the odds, play for entertainment and not to make money, etc. This is a valuable prevention tool currently unavailable to us in the breadth and scope that internet sales can provide. We will work further with our responsible gambling partners to set spend limits and time limits and we pledge to seek a responsible gambling accreditation from a national or international responsible gambling organization to ensure that we are adhering to responsible gambling best practices online. Additionally, we have built in a voluntary self-exclusion program in this bill, a tool that any person in recovery can use. Keith Whyte, Executive Director from the National Council on Problem Gambling, submitted testimony to this

Committee regarding the benefits of these safeguards, and can attest to our commitment to this issue. And further, after consultation with experts in the responsible gambling community, we have attached substitute language that would require us to fund research in CT on responsible gambling before this iLottery program would launch and on an ongoing basis thereafter.

In addition to our responsible gambling partners, we have also been working with other stakeholders on this issue. We have had, and will continue to have, conversations with the convenience stores in Connecticut. They are the backbone of the CLC and we plan to work with them to help ensure that their revenues raise alongside the General Fund's. We plan to offer gift cards for sale at retail that a player can use to fund his/her online account. We believe we will be *expanding* our player base, not detracting from our retailers' customer network in a significant way. The experience in the four other states that have iLottery has been that the retailers' lottery overall commissions have actually increased. Scott Bowen, former Director of the Michigan Lottery, submitted written testimony that speaks to their state lottery's experience and success.

Further, we have also spoken with the two tribal entities, who have expressed that they are potentially interested in Keno being part of the Lottery's online portfolio, and we have also spoken with the AG's office to try to ensure that we are not violating the compacts in any way. We will continue to have these conversations.

We understand that this bill is not a cure for Connecticut's budget problems. However, internet sales are an opportunity for continued, measurable growth in the out years.

Finally, regarding sports wagering, we were pleased to see that the Committee contemplates the CT Lottery as one of the potential operators. We have been studying this issue carefully, have had conversations with gaming experts across the country and sent a small team down to Delaware to observe first-hand how their Lottery operates sports betting, should we have the same opportunity in the future. Steve Wagner, our Director of IT Services, has been leading this team and he will speak more specifically to these provisions of the bill.

Thank you for the time. I am happy to answer any questions.

Proposed Substitute Language for Consideration of SB 540: An Act Authorizing Sports Wagering and Online Lottery Draw Games in the State

Strike the following section . . .

Sec. 8 (d) Not later than January 1, 2022, the Commissioner of Mental Health and Addiction Services shall develop and issue a request for proposals to study the socioeconomic impact of the program established by the Connecticut Lottery Corporation pursuant to section 1 of this act on problem gambling in this state. Such study shall be performed by an institution of higher learning located in this state with expertise in problem gambling and addiction and submitted

for peer review to ensure accuracy, validity and reliability. The Connecticut Lottery Corporation shall provide any information and data needed by the institution of higher learning to perform the study, provided the information and data does not disclose the identity of individuals. Not later than July 1, 2023, the commissioner shall submit the results of such study, in accordance with the provisions of section 11-4a, to the joint standing committee of the General Assembly having cognizance of matters related to public safety and security.

And replace it with:

(d) Prior to the implementation of a program to sell lottery tickets for lottery draw games through the corporation's Internet web site and online service or mobile application, the Connecticut Lottery Corporation (CLC) shall develop and issue a request for proposals to study the socioeconomic impact of the program established by the Connecticut Lottery Corporation pursuant to section 1 of this act on problem gambling in this state. Immediately after the first year and herein after, the CLC will continue evaluation of the program and responsible gambling initiatives. The CLC shall invest no less than \$300,000 to fund the study annually. Such study shall be performed by an institution of higher learning located in this state with expertise in problem gambling, addiction, and responsible gambling and submitted for peer review to ensure accuracy, validity and reliability. The Connecticut Lottery Corporation shall provide any information and data needed by the institution of higher learning to perform the study, provided the information and data does not disclose the identity of individuals. Not later than July 1, 2020, the CLC shall submit the results of such study, in accordance with the provisions of section 11-4a, to the joint standing committee of the General Assembly having cognizance of matters related to public safety and security.