



March 2, 2021

Co-Chair Dennis Bradley
Co-Chair Maria Horn
Senator Dan Champagne
Representative Robin Green

Public Safety and Security Committee:

The Connecticut Energy Marketers Association (CEMA) consists of gasoline distributors who own, operate and distribute motor fuel to more than 1,000 convenience stores throughout the state.

I am here today to testify on **S.B. 146, AN ACT AUTHORIZING SPORTS WAGERING, ONLINE CASINO GAMING, ONLINE LOTTERY AND ONLINE KENO.**

Since the inception of the lottery over four decades ago, our members have been the primary retail distribution network for the Connecticut Lottery. In that time, the commission that we are paid to market and sell lottery tickets has not changed.

The current 5% commission has not kept up with cost increases that we have endured. Taxes, state fees, insurance, energy, and the minimum wage have all increased, yet the commission to administer the Lottery has not.

Any potential loss of ticket sales to online purchases would logically result in the additional loss of ancillary sales that go along with purchasing tickets in our stores when customers come to our stores.

Lottery agents are required to perform many tasks (verify deliveries, activate & settle instant ticket books, maintain supplies, teach new customers how to play, maintain a record of winning numbers for customers, ensure the security of open books, reconcile sales on a per-shift and per-day basis, and make additional deposits when jackpots are high that increases the cost of doing business. Other responsibilities that contribute to increased costs are the controls agents have to implement, track and insure against theft.

In addition to the increased cost of administering the Lottery, a number of years ago the ability to void an error that was made when processing a CT Lotto, Powerball, Cash 5 and some other draw games was taken away, leaving the retailer to have to absorb the full cost of that error. One error requires the sale of between 20 to 40 additional tickets to just break even for making an error on one ticket.

Our members also play an important role in preventing underage gambling. We are the gatekeepers when it comes to underage gambling and our employees are trained to identify and verify the age of customers before they purchase lottery tickets.

If this bill is approved, we believe that overall foot traffic in convenience stores would decline. Since convenience stores operate on very slim margins, the draw of lottery tickets greatly influences the sale of other items while customers are in the store. This is paramount to our profitability - on average, 70% of our revenue comes from convenience store sales, while just 30% comes from gas sales. Furthermore, if players no longer had to enter a store to buy lottery tickets, the sales tax generated from these other items would also be reduced.

If the legislature believes that online lottery is in the best interest of consumers and the state budget, we ask that you consider adding the following so that small businesses are not financially harmed.

1. An Online Lottery Advisory Group will be formed and be accountable for developing the online lottery program including available games, payment acceptance, coordination with brick and mortar agents, etc. No less than 25% of the seats on the committee will be held by NECSEMA or CEMA (or its designees) and brick and mortar lottery agents.
- 2. Should Connecticut legalize sports wagering, Connecticut Lottery will be provided a license for which it will be authorized to utilize at brick and mortar lottery agents.**
3. Current funding for marketing of lottery products at brick and mortar agents will be reduced from current funding levels and will not fall below 50% of overall marketing expenditure.
- 4. Any and all payment types the Connecticut Lottery accepts for online lottery transactions will be available for acceptance at brick and mortar lottery agents, and all associated transactions fees will be paid by the Connecticut Lottery.**
5. Programs will be developed to encourage online lottery players to visit brick and mortar agents.
- 6. Instant tickets will not be sold online and will be exclusively sold at brick and mortar agent stores.**
- 7. A baseline of the lottery's net profit will be established and on the 3rd anniversary in which online lottery is introduced and each 3rd subsequent year, thereafter, the Connecticut Lottery will increase lottery agent commissions relative to the total increase in profit the lottery experienced attributable to online lottery. Lottery commissions may increase, but not decrease from their current level effective January 1, 2021.**
- 8. Upon registration, online lottery players will select a brick and mortar agent with a zip-code radius which will receive commissions for tickets purchased by that player online.**
- 9. On an annual basis, the Connecticut Lottery will distribute 10% of online lottery sales to brick and mortar agents on the basis of store's percent contribution to brick and mortar lottery sales.**

- 10. Require that winning tickets be cashed at brick and mortar retail locations, so that a live person can verify the age of the player/customer.**
- 11. Prepaid cards used to access online lottery games are linked to the retailer so that commissions on winning tickets are not lost by the retailer.**

We believe that including these items in the bill will help protect under age people from gambling and they will protect small businesses from loosing sales to online purchases.

If the committee is going to move forward on this bill, we urge you to consider adding these items (outlined above) to S.B. 146, AN ACT AUTHORIZING SPORTS WAGERING, ONLINE CASINO GAMING, ONLINE LOTTERY AND ONLINE KENO.

Respectfully,

Christian A. Herb
President