



Public Hearing Testimony
Robert T. Simmelkjaer II, Chairperson, Board of Directors
Gregory Smith, President & CEO
Public Safety & Security Committee
March 2, 2021

Good morning Co-Chairs Horn and Bradley, Vice Chairs Osten and Paolillo, Ranking Members Champagne and Green, and other distinguished members of the Public Safety and Security Committee. Our President and CEO Greg Smith and I appreciate this opportunity to comment on the concepts included in a number of bills on the agenda today, including:

S.B. No. 146 AN ACT AUTHORIZING SPORTS WAGERING, ONLINE CASINO GAMING, ONLINE LOTTERY AND ONLINE KENO.

S.B. No. 570 AN ACT AUTHORIZING A TRIBAL RESORT-CASINO IN BRIDGEPORT, SPORTS WAGERING, INTERNET GAMING AND INTERNET LOTTERY.

H.B. No. 6038 AN ACT CONCERNING THE ANONYMOUS COLLECTION OF LOTTERY WINNINGS.

H.B. No. 6394 AN ACT CONCERNING INTEREST ON LOTTERY SALES AGENT DELINQUENCY ASSESSMENTS.

H.B. No. 6451 AN ACT CONCERNING GAMING AGREEMENTS WITH THE MASHANTUCKET PEQUOT TRIBE AND THE MOHEGAN TRIBE OF INDIANS OF CONNECTICUT

H.B. No. 6512 AN ACT CONCERNING CONSUMER PROTECTIONS FOR SPORTS WAGERING.

As mentioned previously at the committee's informational forum, I can happily say to you that your State's lottery is a strong one. In fiscal year 2020, the CT Lottery had \$1.3 billion in sales, and returned \$348 million to the Connecticut General Fund – the second-most ever. We also supported small businesses across every town in our state with \$73 million in retailer commissions in fiscal year 2020, helping provide crucial revenue to Connecticut small businesses impacted by the current pandemic. In FY21, we are already \$100 million ahead of budget. At this point in the fiscal year, we project to deposit over \$400 million into the General Fund for FY21, more than \$50 million ahead of budget. We have adjusted and continued our operations through the current health pandemic safely and responsibly.

SPORTS WAGERING

The time has come for the state of CT to legalize sports betting, and we ask that the committee include the Lottery as a primary operator in any sports wagering legislation this session. It is impossible to watch or listen to coverage of sports without hearing advertising for sports betting. Major networks like CT-based ESPN and NBC Sports, as well as local radio stations like WFAN, have made wagering a significant part of their coverage. 19 states have already legalized sports, and several others, including our neighbors New York and Massachusetts, are currently considering legalization. In the growing U.S. market, many states (MT, OR, NH, DE, RI, IL, and DC) have turned to their lottery to operate sports betting. Lotteries have years of experience operating statewide networks and managing system operators, including offerings at casinos, social locations, traditional retailers, and online.

We have always maintained that having multiple sports betting operators in CT is the best way forward. States that have legalized sports betting show that competition is the best way to develop the market. We echo the Governor's call to create a competitive market for sports betting in CT, and ask that the committee include the CT Lottery as an operator in any legislation moving forward this session.

The CLC was created by the state to raise revenue for the state. We contribute every dime of our operating profit from gaming activities to the General Fund.

We believe the revenue potential sports betting offers to the State is significant, but only if the CT Lottery is substantially involved. Our conservative gross sales estimates for CT sports betting are \$750 million if all of the State's gaming entities are authorized. This is conservative and modeled using only 50% of New Jersey's revenues, per capita, in their first 12 months. With the CT Lottery as a primary operator, we project that \$30 million will be returned to the state in year one. If we are not included, you can expect about \$10 million or less to the State's coffers.

To successfully bring sports betting out of the shadows, Connecticut will need a strong retail presence for the convenience of the player. The CLC is uniquely equipped to provide that retail presence, with a nearly 3,000-strong retailer network that includes local bars, restaurants, and social establishments. Many bettors will not want to set up online accounts, preferring to watch games with their friends in local businesses in their town. Why not give those players a convenient way to legally and responsibly place their bets, either through a Lottery kiosk, or via their mobile devices, while also increasing the retailer commissions of small businesses that have been hit the hardest by the pandemic?

iLOTTERY & iKENO

We also appreciate the committee's consideration of multiple bills today that authorize internet lottery, or iLottery, and iKeno programs for the state. It's our belief that in order for the Lottery to continue meeting and exceeding its goals, the CT Lottery needs to operate like any other 21st century business and make some of its products available online. As the state's largest contributor of gaming proceeds, allowing us to sell online is one way to ensure that weather events, power issues, and health restrictions do not impact the ability to maintain lottery proceeds.

Moreover, selling online and through a mobile app will enable us to appeal to new players in a different way. As an almost-50-year-old company, we have to modernize our methods over time, including how we attract customers. There are more than 10 lotteries selling some or all of their products online, and that number grows each year. Every state lottery that has begun selling lottery products online has seen growth both online AND in retail, meaning there is no cannibalization of our brick-and-mortar sales. Lottery retail sales have grown steadily over five decades, and we will continue these efforts. If authorized, we will use cross-channel promotion and marketing to grow our player base and direct online players to retail. Our online sales revenue projection is in addition to our retail sales.

RESPONSIBLE GAMING

We understand that, like with every product we offer, we must offer online lottery and/or sports betting responsibly and with the appropriate controls for responsible gambling. We will incorporate responsible gambling best practices into sports betting and online lottery operations through account controls, age verification, player messaging, funding of responsible gambling services, and continued partnership with the Department of Mental Health and Addiction Services and the Connecticut Council on Problem Gambling to help focus messaging where it is shown be needed.

Online lottery and/or sports betting also presents us with the unique opportunity to better serve players with responsible gambling messaging and resources. There are safeguards that can be implemented online that can't be as easily implemented at retail, such as spend and time limits, voluntary self-exclusion, pop-up ads with responsible

gambling reminders, and more. Many of these safeguards are already contemplated in legislation being considered by this committee, and are in use in other jurisdictions.

CT Lottery currently contributes \$2.3 million per year towards CT's responsible gaming programs. This contribution is set in statute by the legislature, and is about three times the national average per capita allocation for problem gaming services. We meet quarterly with the CT Council on Problem Gaming and DMHAS to discuss current marketing activity, messaging content and display, and to ensure we are working well together.

We would, however, like to bring to the committee's attention that some of the wording of HB 6512 may need further review. We absolutely want to and will create responsible gaming policies for sports betting. Some of the language in the bill suggests that we will know or be able to predict which players are at risk of having problems with gaming. There are other reporting requirements that we hope can be described more clearly to ensure compliance is met. We look forward to continuing to work with the committee to further improve these important sections of the bill.

WINNER ANONYMITY

We certainly appreciate the interest in protecting player safety and privacy by allowing certain lottery prize winners to remain anonymous. In Connecticut, a winner's name and town of residence is a matter of public record under our Freedom of Information laws (FOI), unless the winner can demonstrate a safety risk through a protective order or other means. Additionally, winners may claim a prize through a trust or LLC, which provides a level of anonymity, although the names of the beneficiaries of the trust or LLC may be subject to disclosure under FOI. Rest assured that CT Lottery does not publish a winner's photograph without their written consent and honors a winner's requests to be excluded from the winners list on our website. Lottery statutes could be edited to require us to report winner names, their town, the game, and the prize amount won for every claim we pay, and then exempt any winner who formally requests anonymity under FOIA.

LOTTERY SALES AGENT DELINQUENCY ASSESSMENTS

We recognize the hardship that compound interest may impose on a lottery sales agent's ability to pay off their delinquency in full. Only the Commissioner of Consumer Protection can discharge a delinquency after it is paid in full, and the Lottery supports DCP's effort to allow for simple interest to be applied to delinquency assessments to help lottery sales agents pay their delinquency in full and ultimately return delinquent revenue to the state. Additionally, this proposed reduction will hopefully help debtors avoid liens that can tie up business property for future use, furthering economic development opportunities for our state.

The CLC is the state, and is your company. We provide over 60% of Connecticut's gaming proceeds, and in FY20, we provided \$150M more than the two casinos combined. Our operations are strong and growing, and we are up to the task of adding sports betting and iLottery to our portfolio when authorized to do so.

Thank you for your time and the opportunity to deliver these remarks to you today. We'll happily answer any questions you have.