



CT Lottery

MEETING TRANSCRIPTION Legislative & Games Committee

Regular Meeting

March 8, 2021 at 11:00 a.m.
via teleconference

Committee Members: Wilfred Blanchette, Jr.; and John Flores (all via teleconference).

Staff Members Present: Greg Smith, President & CEO; Matthew Stone; Christopher Davis; Angelica Mack; and Annmarie Daigle.

I. Welcome:

(J. Flores): Welcome everyone, this is John Flores. I'd like to call the March 8, 2021 Meeting of the Legislative & Games Committee to order at 11:05 a.m. We have in attendance myself and Will Blanchette, Greg Smith, Angelica Mack, Chris Davis and Matt Stone. The Committee Chair is not on the line so I will chair the meeting, but before we get started I'd like to ask Angelica Mack to give us the meeting procedures per the Governor's orders.

(A. Mack): Thank you. This is Angelica Mack, Counsel for the Lottery. We continue to operate under Governor Lamont's Executive Order regarding public meetings. The main reminder I want to give the Committee is that speakers should identify themselves by name before speaking, and this applies to everyone speaking whether a Committee member or not. I know this can be awkward during a conversation but it is a requirement of the Executive Order. That is all I have, thank you.

(J. Flores): Thank you. We will skip agenda items II and III since we do not yet have a quorum.

II. Approval of the December 7, 2020 Legislative & Games Committee Meeting Minutes:

[Tabled]

III. Approval of the February 8, 2021 Legislative & Games Committee Meeting Minutes:

[Tabled]

IV. Legislative Update:

(J. Flores): Moving on to agenda item IV, Legislative Update.

(G. Smith): This is Greg Smith, for this update we are going to begin with Angelica Mack, who will do a recap of the Public Safety and Security Committee public hearing from last week and then Chris Davis is going to follow her to give us an ongoing or forward look at some of the components either from the hearing or otherwise.

(A. Mack): Thank you Greg. This is Angelica Mack. The Public Safety and Security Committee held a public hearing on Tuesday, March 2. The main topic to discuss was the authorization of sports betting and lottery. There was also a bill regarding consumer protections for sports wagering, a bill concerning anonymous collections of lottery winnings and a bill concerning

interest on lottery sales agents' delinquency assessments as well as several other bills that do not apply to us. So, I'll focus on the testimony that did involve the Lottery, and again just focusing on the key points. The Governor's team testified first, Paul Mounds, Melissa McCaw and David Lehman, and the main announcement that they made was that they were at the precipice of an agreement with the tribal nations for a comprehensive expansion of gaming in Connecticut, that they were closer to a deal with one of the tribes than the other, later revealing that they had essentially reached an agreement with Mohegan. They had very positive things to say about the Lottery, they praised Rob, Greg, and the Lottery team for their expertise and knowledge of the ilottery and sports betting markets, and although they couldn't comment specifically on the role that the Lottery might play in sports betting, they expressed great confidence that the Lottery stands ready to roll out both ilottery and sports betting should this bill ultimately pass this session. Rob delivered oral testimony on behalf of the Lottery, which was an abridged version of our written testimony. He highlighted the Lottery's strong performance prior to and throughout the pandemic, our commitment to responsible gaming, and also honed in on why the Lottery is well positioned to be a primary operator of sports betting. Rob and Greg fielded questions from committee members. There were several questions posed to us, and other groups, about financial support for responsible gaming efforts, so we expect that the final language of the bill will stipulate our contribution to the State's chronic gamblers' treatment rehabilitation account.

The consumer protections bill and responsible gaming was a big theme throughout the hearing but the discussions were somewhat limited to broad comments about the need for responsible gaming measures, but not much discussion of specifics of the consumer protections bill. Diana Goode from the Connecticut Council on Problem Gambling (CCPG) focused her testimony mainly on the request for more funding, she was generally supportive of the consumer protections bill, and mentioned that CCPG would like to be involved in the development of any operator's online sports betting platform to ensure that necessary RG controls are in place. We are unaware of any sports betting or ilottery platform that does not have well-established RG controls. In our written testimony, we asked the committee to take another look at the bill's language concerning reporting requirements, some of which concern us because they suggest that as an operator, we will be able to predict which players are at risk of having a problem with gaming. Representative Horn asked Diana Goode how to identify a gambling problem, and her response was that problem gambling is gambling beyond your limits, and she acknowledged that is specific to every individual based on their financial circumstances so it would be difficult to identify those with the potential to have a gambling problem. I'm sure we will have proper RG controls in place should we go forward with sports betting.

There was some testimony from retailers; representatives from CEMA and NECSEMA, two organizations that represent some of our convenience store retailers, provided written testimony. They expressed concern that they would be hurt by ilottery because they would lose commission on ticket sales and also see a reduction in sales of other products due to less foot traffic. In our testimony we did point out that all of the states that have authorized ilottery have seen growth in both retail and the ilottery market. Representative Horn asked NECSEMA if they had seen any data regarding an erosion of brick and mortar sales due to ilottery sales in other states; there was an example provided concerning Rhode Island where ilottery sales began in May 2020; given the pandemic, this example is so highly qualified that it is really impossible to draw any conclusions from that data. Due to time restraints, both groups asked the committee to look to

their written testimony where they spelled out 10 to 11 specific protective measures they'd like to see, so we will be taking a look at those.

The winner anonymity bill in its current form, it calls for an amendment to our governing statute 12-810 to allow a prize winner above an unspecific dollar amount, which is not yet specified, to exempt his/her name and picture from disclosure under FOIA. There was no discussion of this during the hearing but in our written testimony we suggested that the legislature could amend the statute to explicitly state what information we are required to release and to allow any winner to exempt their information from disclosure upon request. The Freedom of Information Commission submitted written testimony opposing the bill, noting that public disclosure of winner information ensures that winnings are distributed fairly and guards against wrongdoing in the system. At a committee meeting later in the week, the committee voted to draft the bill, so we will continue to monitor its progress.

Finally, there was a bill proposed by DCP regarding interest on lottery sales agent delinquency assessments. The deputy commissioner of DCP testified on it briefly, explaining that the statute as written does not indicate whether simple or compound interest applies to these delinquency assessments. Based on an old advisory opinion from the Division of Special Revenue, we have been applying compound interest, which has in some cases has caused the delinquency assessment to balloon to hundreds of thousands of dollars that the agent cannot pay. Because we cannot accept less than full payment, these debts cannot be resolved and we are not recouping any of that money. The Lottery supports this change. It passed unanimously in the committee meeting on Thursday, and I'll let Chris comment on what happens next.

(C. Davis): Thanks. This is Chris Davis, Government Relations Manager for the Connecticut Lottery Corporation. As Angelica mentioned there was quite a lot of activity at the Public Safety and Security Committee this past week regarding bills involving the Lottery and the potential for the expansion of gaming in Connecticut. As she mentioned, the bills that were heard at the public hearing, both Senate Bill 146 and Senate Bill 570, would authorize sports wagering in the State of Connecticut. Senate Bill 146 was limited to just the tribal entities being able to offer that, although the bill did authorize lottery and ikeno, if there was an agreement with the tribes. That bill was drafted in statutory language so it is awaiting action by the committee as far as its next step.

Senate Bill 570, on the other hand, was just a proposed bill at the time so that bill was just voted to be drafted by the committee. That bill, because it was just a proposed bill, did not have language on who would be authorized to do sports wagering in the state so we will be closely monitoring that bill as it gets drafted to see who is authorized, like the other bill if it is limited to just the tribes or in fact open it up to other operators like the Connecticut Lottery.

As Angelica mentioned as well, the anonymous winners bill was voted to draft so we will be monitoring that bill closely to see how that impact would be on our operations and what information we can and cannot disclose.

The delinquent agent bill was voted out of committee, and most likely will go straight to the House floor and be available for a vote there, although the House of Representatives could choose to recommend it to another committee but is not clear what other committees would have

purview over that bill so more than likely it will be up for a vote directly with the House of Representatives in the next few weeks.

There is a tribal agreement placeholder bill in Public Safety as well that was presented by the Governor. That bill was also heard in the public hearing with limited testimony on that directly other than by the Governor's office. That bill will potentially be one that could be used as well for a vehicle for a sports wagering bill if a deal were to be agreed upon by both tribes. The Finance Committee also has a vehicle, An Act Concerning Sports Betting and Gaming, that was voted to be drafted by the committee; the language of that bill is not yet public and they have about another month before that bill would have to be heard before a public hearing. That is also another vehicle for sports wagering that is available out there so we will be closely monitoring that to see what operators will be authorized under sports wagering in that bill.

The Governor's budget is also before the Finance Committee and in that budget, since our last Legislative and Games Committee meeting, the Governor's budget did come out, it did include authorization for ilottery, which as you know does not require an agreement from the tribes so the language of that is very similar to the language that was in the Governor's budget last session that unfortunately was not approved. So this year it's in the Governor's revenue package that is before the Finance, Revenue and Bonding Committee that will likely receive a public hearing in the next few weeks; I would anticipate by the end of March at the latest. And that one would actually authorize us to do ilottery and includes a number of provisions in it for responsible gaming as well.

And there are two other bills that we are monitoring right now as well regarding quasi-public agencies and the requirements of meeting the recommendations of the State Property Review Standards Board, that bill is up for public hearing this week. However from our analysis what is being required in that bill is already statutorily required by us at the Connecticut Lottery, unlike some of the other quasi-public agencies, so at this time we are not taking a position on that bill.

Last week there was a public hearing on the debt-free college initiative that would include, if authorized, ilottery money being deposited into the debt-free community college account to fund that program going forward. If you may remember that was approved in 2019 but of course the ilottery authorization never took place so this bill would direct any ilottery funds into that account if and when ilottery is authorized. The Government Relations team will be meeting with Speaker Ritter later on today to discuss these bills as well as give him an update on the Lottery.

Tomorrow is the Governor's Board Chair, Rob Simmelkjaer's nomination hearing so he is finally on the agenda for the Executive and Legislative Nominations Committee. His hearing is tomorrow morning before that committee. If anyone has any questions, I'll be more than happy to take them.

(J. Flores): John Flores, no questions being heard, thank you, Chris. Mr. President, did you want to add anything?

(G. Smith): Yes. This is Greg, thank you. I thought that was a good recap by both Chris and Angelica on the primary points. The two points I wanted to bring forward for the Committee members' awareness, first regarding some of the requests from the retailer community for ilottery, and the concerns they have. One of the primary points is always conversations with retailers either individually or en masse is 'you don't raise our commissions, we've been stuck at 5% for decades and we get little extras for selling and cashing'. The point that's important

and for your awareness, just thinking of the last eight years, Lottery sales have gone up over 20% so even though the commission rate is still 5%, the growth rate if you're staying up to speed with our growth, you're getting paid more anyway and you're getting 2.5-3% extra each year which is a little bit better than the consumer pricing statistics so I think we are doing just fine with that and I think we could state good answers. I understand what they are asking for but I don't think it's something that we are going to be supporting because I know we are delivering more money to them through sales increases. Then the other thought that we may mention in discussions about winner anonymity is in some states there are four specific criteria that are part of lottery statute and it is to, when asked, provide the name of the claimant, of the prize, the town they are from, the game, and the amount of money. That does not exist here. Everything is under FOIA and so we think that a potentially good thought to consider is put those four criteria in Lottery statute and then let people formally request anonymity – separately and then once granted, we would not disclose those names. So they could bring forward an anonymity request prior to claiming the prize, be granted that and then Lottery would then just announce a 'lottery winner, from this town, for this money'. I've seen that work as a good vehicle in other states and potentially we will get a good chance to consider it in Connecticut.

(J. Flores): Anything else? We have not had anyone else join, so I guess we can't do the minutes so we can defer them until the next meeting.

(G. Smith): Yes.

V. Adjournment:

(J. Flores): I think then if there is no other business to discuss, I'll ask for a motion to adjourn.

(W. Blanchette): Will Blanchette, so moved.

(J. Flores): Second, John Flores. All in favor?

(All): Aye.

(J. Flores): Thank you everyone, we are adjourned at 11:24 a.m.

Respectfully submitted,

Matthew Stone
Corporation Secretary
Connecticut Lottery Corporation