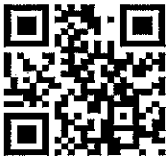




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To: Representative Steve Dargan, Chair, Public Safety Committee  
Senator Joan Hartley, Chair, Public Safety Committee  
Representative Jan Giegler, Ranking Member, Public Safety Committee  
Senator Tony Guglielmo, Ranking Member, Public Safety Committee  
& other distinguished members of the Public Safety Committee

From: Anne M. Noble, President and CEO, Connecticut Lottery Corporation  
860-713-2816, [anne.noble@ctlottery.org](mailto:anne.noble@ctlottery.org)



Re: Public Safety Informational Forum

Date: February 2, 2012

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Good afternoon Co-Chairs Dargan and Hartley, Ranking Members Giegler and Guglielmo, and other distinguished members of the Public Safety Committee. My name is Anne M. Noble and I am the President and CEO of the Connecticut Lottery Corporation.

Thank you for inviting me to be here today to discuss the Department of Justice's recent opinion on the Wire Act released on December 23<sup>rd</sup> 2011. This Opinion clarifies that, in the DOJ's opinion, the Wire Act does not prohibit intrastate online lottery sales and is limited in scope to a sporting event or contest. The Opinion is viewed as lifting one longstanding legal obstacle under federal law to lotteries selling their products online on an intrastate basis. The Opinion has prompted renewed and keen interest in how online lottery sales might benefit state governments by buttressing traditional lottery sales. Today, I want to briefly touch on the Lottery's performance, why the internet is an important tool for lotteries, and how the internet can be used responsibly to raise revenue.

The CT Lottery turns 40 years old this month. Since our inception, the Lottery has returned nearly \$7.5 billion to the General Fund. In 1996, we became a quasi public agency to “manage the lottery in an entrepreneurial and business-like manner” and “provide continuing and increased revenue to the people of the state through the lottery by being responsive to market forces”<sup>1</sup>. Last year, we delivered a record \$289.3 million to the General Fund and I am pleased to share that at this point in time, we are approximately \$20 million ahead of last year’s sales and on track for another record breaking year. To do this, we partner with more than 2700 retailers, over 2000 of whom are small businesses. We also offer a portfolio of different tickets under two broad categories, draw games and instant tickets. Our success is based on careful strategic planning and an innovative, creative portfolio that reflects customer preferences and attention to responsible gambling.

Currently, the CT Lottery cannot sell its products over the internet and we are limited in how we can promote lottery products using internet technology. Specifically, §12-806(b)(4) of the Connecticut General Statutes states that the “corporation shall not offer any interactive on-line lottery games, including on-line video lottery games for promotional purposes”. While many lotteries are prohibited from selling lottery products over the internet, few face a limitation on using it to promote games, as is set forth in our statute.

In the lottery industry, the internet is used in many ways to promote the lottery, without any wagering online. For example, all state lotteries have websites. At least five lotteries offer subscription<sup>2</sup> sales through their websites. Most, including Connecticut, offer second chance drawing entries of non-winning tickets over the internet. And, nearly thirty lotteries<sup>3</sup> offer some type of internet-based players’ loyalty program on their website that may include promotional games, drawings and rewards programs offering points for prizes. Lotteries’ players’ rewards programs are similar to those offered by United Airlines, Coca Cola, Connecticut’s own WTIC radio station and countless other businesses. These examples are evidence that the use of the internet can boost sales and make our products attractive in today’s marketplace.

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<sup>1</sup> CGS 12-806(a)

<sup>2</sup> MN, NH, NY, ND and VA

<sup>3</sup> AK, CO, DE, DC, ID, IN, IA, KA, KY, LA, MA, MI, MN, MO, MT, NE, NH, NJ, OK, PA, RI, SC, SD, TN, VT, WA, WV and WI

Many lotteries are now considering using the internet well beyond what have become customary promotions. New York, Maryland and Illinois are probably most closely positioned to begin internet sales of lottery products. Massachusetts has also formed a Task Force to weigh this issue. The IL Lottery could be selling some of their products online, including the multi-state Powerball game, by April. At the CT Lottery, we are watching carefully how online sales in neighboring states could affect our sales. Might someone prefer to buy a ticket online in NY rather than on the way home at the convenience store in CT?

A business model to sell lottery tickets via the internet in CT could include permitting the sale of draw games as well as instant games and must maintain the Lottery's exclusive jurisdiction over lottery products. We believe initial online sales in other states will start with making state and multi-jurisdictional draw games such as Powerball and Mega Millions available first and instant tickets later. Some industry insiders are forecasting a revenue increase of 10% or more. We believe any successful model must include supporting our brick and mortar agents and helping drive customers to their stores. In the United Kingdom, the vast majority of lottery tickets are still sold at brick and mortar, despite being available online. In British Columbia, the experience is similar. It is reported that in both jurisdictions, brick and mortar stores continue to thrive and online sales are incremental.

Responsible play has been a cornerstone of our business for many years. We are proud of our record of working with local, national and internationally renowned mental health professionals to make good business decisions and to prevent youth from gaming. We are one of only a few lotteries to introduce self service machines with age verification devices. Our commitment to responsible gaming would be equally important in the world of internet sales. Tools to help prevent problem gambling will be vigorously researched and considered, including age verification technology, self exclusion programs, game design analysis, geolocation, spend limits and time limits.

We also recognize the importance of funding treatment and prevention programs and will continue to partner with gaming experts to bring the best responsible gaming practices to CT. As one of 13 members the World Lottery Association in the US, we recently achieved level one

accreditation for our responsible gaming practices and we hope to achieve “level 2” status by the year’s end.

Technological advancements in the gaming world are developing rapidly and many of them hold promise to deliver greater gaming revenue to a state in a responsible manner. The Connecticut Lottery Corporation is prepared to take advantage of these advancements in keeping with our enabling legislation and any further legislative or regulatory guidance that we are given in connection with the use of the internet. Thank you for your time and attention to an issue that is critical to ongoing success.