



Testimony for the Public Safety & Security Committee

Informational Hearing on Gaming

February 11, 2020

Room 2B, LOB

Co-Chairs Verrengia and Bradley, Vice Chairs Paolillo and Osten, Ranking Members Sredzinski and Hwang, and other distinguished members of the Public Safety and Security Committee, my name is Greg Smith, and I'm President of the Connecticut Lottery Corporation. Thank you for the opportunity to give some brief opening remarks. Since I last appeared before this Committee in Spring 2019, I'm proud to report that the CT Lottery had another record year. In fiscal year 2019, we achieved sales of \$1.33 billion, and General Fund transfers of \$370 million, an increase of \$25 million. And our 2,900 member retail network earned \$73 million in commissions, much of it going into the small business community. Sales, transfers and commission totals were all records. Lottery profits are approximately 60 percent of all of gaming revenue in Connecticut. We are proud of our results, and I'm happy to report we are in the middle of another successful year – delivering, on average, one million dollars a day to the General Fund. Our games are performing well, our players are confident in our products, and our operations and procedures are strong. The Keno game, nearing the end of its fourth year of sales, is on track for another year of double digit growth.

We believe that the Connecticut Lottery Corporation is an integral part of any comprehensive gaming solution in Connecticut. And it's our belief that in order for your state's lottery to continue meeting and exceeding its goals, the CT Lottery needs to operate like any other 21st century business and make at least some of its products available online. As such, we remain interested in adding internet lottery (or iLottery), as well as sports betting to our product offerings. With these two additions we project the State would receive approximately \$30 million more annually on top of our current transfers in the initial years. And

this would grow over time. Every state lottery that has begun selling lottery products online has growth online AND growth in retail, meaning there is no cannibalization of our brick and mortar sales. Despite what might sound logical, no lottery that sells online has experienced a drop in retail lottery sales. Some of these lotteries are actually the fastest growing in retail. Selling online has resulted in adding more and new players who not only play online – they go to retail through cross channel promotion or natural shopping choices.

We understand the complexity surrounding the sports betting discussion. That being said, we are poised to be a primary operator of sports betting in Connecticut. As a sports betting operator we would return all of our proceeds to the State, not just the small amount from taxation of net sales. We believe the revenue potential sports betting offers to the State is significant, but only if the CT Lottery is substantially involved.

Lastly, I will speak briefly to what seems to make the most news about the Lottery – the various legal matters that exist. The media fascination with these matters has been strong and the story line normally implies that Lottery has done, or is doing, something wrong. These matters all involved a small group of former employees and a former board member, and the matters are anywhere from two years old to approximately 7 years old. We do not choose to comment on the story, especially when it involves a personnel matter, a legal matter, or both. In a similar vein, I may be limited in what I am able to say regarding these matters during this hearing today.

What I can tell you today is that your Lottery is strong and performing well. Through the first 6 months of FY20 we are ahead of our profit projections. We continue to provide the dominant portion of gaming revenue to the State, and it keeps growing over the years. The CT Lottery has contributed the majority of gaming proceeds to the State for almost 8 years now. We are comfortable saying that our engagement with our regulator continues to grow, strengthen, and in my opinion, improve. And we have on-boarded 5 new board members in the past 15 months, and believe there are more to come. This is a strong lottery and we are ready for new growth opportunities.

Thanks for allowing me this time to say good things about the CT Lottery. I will try to answer any questions you have.