



DRAFT MEETING TRANSCRIPTION

Legislative & Games Committee

Special Meeting

December 7, 2020 at 11:00 a.m.

via teleconference

Committee Members: Margaret Morton, Chair of the Legislative & Games Committee; Wilfred Blanchette, Jr.; Meghan Culmo; and Manny Langella (all via teleconference).

Board Members: Robert T. Simmelkjaer, Board Chair

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

I. Welcome:

(M. Morton): Welcome everyone, I'd like to call our Special Meeting of the Legislative & Games Committee to order on Monday, December 7, 2020 at 11:04 a.m. I'd like to start by asking Matt Stone to give us the meeting procedures per the Governor's orders.

(M. Stone): Thank you. This is Matt Stone, General Counsel for the Lottery. Just a reminder that we continue to operate under Governor Lamont's Executive Order regarding public access to meetings. There is no in person attendance at these meetings so we have the public on a different phone line listening in, and that phone line will be taken out of the room if there is an Executive Session. That line will be kept open and active and then brought back into the meeting room after Executive Session. A reminder that speakers should identify themselves by name each time they speak, this is particularly important for Committee members when making motions, seconding motions, voting no or abstaining from a vote, so that we have the record clearly reflect who took what actions. And finally, the audio of this meeting is being recorded, and we will post the recording transcript on our website after the meeting, which will serve as the minutes. That is all I have, thank you.

II. Approval of the August 13, 2020 Legislative & Games Committee Meeting Minutes:

Manny Langella joined the meeting at 11:05 a.m.

(M. Morton): Thank you Matt. Manny just joined so we can vote on our first order of business which is the approval of our August 13, 2020 Legislative & Games Committee Special Meeting Minutes. May I have a motion to approve?

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

(M. Langella): Manny Langella, second.

(M. Morton): Any questions? Hearing none, all those in favor?

(All): Aye.

(M. Morton): Opposed? Abstentions? Ok, thank you, the minutes from August 13, 2020 are approved.

III. Review and Possible Action Re: Play 3 and Play 4 Game Rules:

(M. Morton): Next we are going to move onto the review and possible action of the Play 3 and Play 4 Game Rules. I will turn this back over to Mr. Smith to walk us through and then we'll have discussion.

(G. Smith): This is Greg Smith. I am actually going to introduce and turn this over to our new attorney with the CLC, Angelica Mack, she is here with us and she will take you through these rules changes. Before she does that I just want to be sure that you understand that the drafting and the need for the color coding and the explanations we gave in these documents was caused by our original plan to launch the game changes in November so we had you approve the changes in August. Then when the delay was brought forward and the games will not go in until February, that provided us a little more time and allowed us to do some additional improvements, so we are showing you some things you have already approved and some is new information for you. Angelica is well briefed on this and will take you through the critical points.

(A. Mack): Good morning everybody. As Greg said, back in August you all approved the substantive game changes which were the addition of the Wild Ball feature and pairs betting in Play 4, pairs betting already existed in Play 3. The new features and how those features operate remains the same. The changes that we are discussing today essentially improve, but do not fundamentally change, the game rules that you previously approved. I just wanted to clarify that. The summary that Greg sent you breaks the changes down into three categories: the yellow highlighted changes are essentially what you already approved with some additional changes made by CLC just to clean up and clarify the language; the highlighted green changes are changes that were requested by DCP and then the general changes that are just in the track changes document are changes that we made for accuracy, clarity and consistency.

(M. Morton): I want to thank you very much for all the highlights because it would have been difficult to follow without them, so thank you very much.

(A. Mack): Yes it certainly would have been. As far as the green DCP changes, we support the changes they made and feel that they improve the documents overall. The key changes that I would mention would be clarifying the definition of 'box' to explain the difference between a three-way box wager and a six-way box wager in Play 3; and the difference between a four-way box wager, a six-way box wager, a twelve-way box wager and a twenty-four-way box wager in Play 4. As someone who is new to this game and its somewhat complicated wager styles, I found this change to be quite helpful so I think that our players will appreciate that. They also requested that we add a definition of 'wild ball winning number' and some additional language clarifying the pairs bet in the definition of ticket. Both of those changes I think improved the documents and ward off any type of confusion and then they made some additional recommendations, replacing 'the Division of Special Revenue' with 'DCP', that simply modernizes the language. Of course once the legal department got their hands on the rules to address DCP's changes, we couldn't resist the urge to make more changes, because that's what we lawyers do. These were not substantive changes, we really focused more on cleaning up the documents for accuracy, consistency and clarity across the four documents for

these games as well as our other games. For example, we replaced the term ‘multi-draw’ with the term ‘advanced action’ which is what we use in our other draw games; we deleted ‘Connecticut’ from the references to the game name also for consistency with to other games; we cleaned up the definition section by alphabetizing the definitions; deleted defined terms that are not used in the rules; we incorporated the language from the prior amendments into the rules so now we have one cohesive document with all of the rules. The goal was really to improve the documents so that you hopefully never have to deal with this type of situation again.

(G. Smith): This is Greg, are there any questions from the Committee members regarding the changes?

(M. Morton): I don’t have any changes; thank you for the clarity. Any other questions or suggestions from Committee members?

(G. Smith): If you are ready and because we have the quorum, would you like to vote on these?

(M. Morton): Yes, I have the resolution in front of me:

Resolved, that, after review and due consideration, the Legislative and Games Committee recommends to the Connecticut Lottery Corporation Board of Directors that the Board of Directors approve the Play 3 Day game rules changes as presented.

(M. Morton): May I have a second?

(M. Culmo): Meg Culmo, second.

(M. Morton): All those in favor?

(All): Aye.

(M. Morton): Any opposed? Good, that passes and we’ll bring before the Board. OK, I’ll read the next one.

Resolved, that, after review and due consideration, the Legislative and Games Committee recommends to the Connecticut Lottery Corporation Board of Directors that the Board of Directors approve the Play 3 Night game rules changes as presented.

(M. Morton): Is there a second?

(W. Blanchette): Blanchette, second.

(M. Morton): All those in favor?

(All): Aye.

(M. Morton): Any opposed? Ok, we’re good. Thank you. The next one:

Resolved, that, after review and due consideration, the Legislative and Games Committee recommends to the Connecticut Lottery Corporation Board of Directors that the Board of Directors approve the Play 4 Day game rules changes as presented.

(M. Morton): May I have a second?

(M. Culmo): Meg Culmo, second.

(M. Morton): All those in favor?

(All): Aye.

(M. Morton): Any opposed? Thank you. The last one:

Resolved, that, after review and due consideration, the Legislative and Games Committee recommends to the Connecticut Lottery Corporation Board of Directors that the Board of Directors approve the Play 4 Night game rules changes as presented.

(M. Morton): Is there a second?

(M. Culmo): Meg Culmo, second.

(M. Morton): All those in favor?

(All): Aye.

(M. Morton): Thank you, the resolutions all pass and we'll be presenting this to the Board later this week for approval.

IV. Review of Fast Play Sales Report:

(M. Morton): Ok, we will move down the agenda to the Fast Play games report. Greg do you want to walk us through that?

(G. Smith): Yes, this is Greg. One of the charges of this committee is to review sales of the corporation, so we are reporting to you on the Fast Play game. The game has been selling now for just over four months. This report is something we've been reporting on a monthly basis internally and to the Department of Consumer Protection for their awareness on how this new game is performing. Some general comments for you, this game will likely reach somewhere between \$35 and \$40 million in sales this fiscal year. It was brought forward as a new game for us following the loss of the Lucky Links game which was delivering – from memory, less than \$5 million per year in sales so we have nice additional revenue being brought forward by the Fast Play games and we are seeing no cannibalization with the addition of this game, no drop in sales from other games. So this is good incremental revenue for us. The prize expense is performing as expected, really close adherence to our projected prize expense and any deviations that are showing up are based on our expectation or projection of a jackpot being won and of a certain value compared to the actual prize amount that is won. So showing over or under in our prize expense, it's as of that day. Because we experience on average two jackpot wins each week, it fluctuates within a few percentage points to normal, still within the close range that we expect. In the first four months we've had roughly 32 jackpot wins and those are spread across the three price points of the game – more frequently at the \$5 price point with certainly more interesting prize amounts there, and next with the \$2 price point where they win forty percent of the advertised prize, and last with six wins at the \$1 price point where the winner wins twenty percent of the advertised prize. Again the wins at these price points and the amount of wins is performing to our schedule even though sales are performing higher than we originally estimated. We also have good monitoring of this game by finance and security, any curiosities brought forward through what we look at or any reported concerns by any players are quickly followed up by the security department to ensure that things are being done properly, as we expect. So I just wanted to take a couple of minutes to report this new game to you and we continue to report all games at the full Board meetings, but thought it would be a nice chance to speak to this game to the Committee.

(M. Morton): Thank you, we appreciate that. And I do like the new commercial with the clerk behind the counter. Any questions from anyone, suggestions? Thank you for the report, good game.

V. Review of Legislative Agenda:

(M. Morton): Moving on to the Review of the Legislative Agenda. I do have one quick change for you, the Democrats in the House are 97-54, there was a recount and Fishbein is back in.

(G. Smith): Thank you, we will update that. This is Greg Smith, we provided the full written document to you to review. We are all learning that there will be some adjustments to operating methods for the legislature as we move through the session, and we will participate as fully as possible with all of the topics that relate directly to the lottery. We will be monitoring this session to stay in tune with how the topics and the bills progress during the session. And an additional note, we have posted a position for a Government Relations Manager and I am in the midst of the interview process for that, to have someone come in and help lead our legislative efforts whether virtually or in person, based on what is allowed for this session.

(M. Morton): Thank you, a tough time to come in – one of the things about being a government relations person is the face-to-face and personal contacts; Zoom is working well here but I hate it for committee meetings and hearings, it's not going to be an easy move.

(G. Smith): Yes and we are taking that into consideration as we move forward in this evaluation process. Continuing on, I'm going to touch on the topics in Section II, probably no surprise the iLottery program, we are bringing that forward again. Last session that was interrupted, the iLottery was a component of the Governor's budget bill which was a great position for us to be in. The goal for this year is that we remain in the Governor's budget bill and continue our discussions with OPM so we can be kept abreast of their plans to do that and if they do not the thought is that we would plan to bring it forward on its own if that is the condition we were left in. We still believe it is a good thought, the support that existed for it last session in the administration, and I hope that we are in that same condition in the next few weeks. Sections B and C for iLottery are also topics that we continue to monitor and that's related to the third party ticket distribution as well as retailer incentive or commission under iLottery. We believe there are ways to address those without putting it into statutory language so we are going to be monitoring it more from the standpoint that our preference being that language about those is not in statute but we'll have those as operating models to work with. Any questions on iLottery at all? Those were Sections A, B, and C. Seeing and hearing none, Section D is the Freedom of Information for voluntary self-exclusion for responsible gambling, that's been an ongoing request. Its primary purpose is to allow people who self-exclude to maintain that privacy aspect. We will continue with that and hope to have language that allows that and hope the folks that manage the Freedom of Information Commission support that exclusion as well. Next, just touching lightly on sports betting, we have talked about this for the last couple of sessions. The Lottery has continued to bring forward a plan that recommends us as a primary operator for statewide online and statewide retail. We have brought forward revenue projections and overall sales projections that we think have been thoughtfully prepared and have spoken with a variety of folks in the legislature as well as within the administration in the last two years. We continue to push for that but believe that the topic as complicated as it is, it won't surprise me if it is worked on in the administration and that we learn more about it from those discussions. We

continue to stand ready to explain the numbers we've brought forward and the value of Lottery running it for the State.

(M. Morton): Thank you for staying on top of that, it's going to be an interesting piece of legislation.

(G. Smith): I think it could be. Lastly, Section III lists a variety of topics or initiatives that we are keeping our eye out for, these topics have been very similar from prior years whether it's changes to the reporting by quasis, monitoring the casino expansion, different issues about winner anonymity, and then also requests for additional funding for responsible gaming. We always look for language about anything related to lottery whether it's from a retailer group, about winners and anything related to gaming. We continue to monitor these topics as well as any others that pop up. We have made our recommendations to this Committee and to the Board about our efforts about iLottery, about sports betting and in general monitoring these other topics. I can stop there and see if there are any questions or comments from the Committee members?

(M. Morton): No questions, I don't see any questions. Thank you for that. Did you want to talk about the regulatory issue?

(G. Smith): The very last topic on there is related to the regulations that the DCP has for Lottery – there were some modifications to the regulations that were brought forward, proposed by DCP, back in 2019 and they made it to a committee review and then were rejected without prejudice. We bring this up as part of this report because those can be picked up and brought forward and passed at any point. We had brought forward some recommendations or requests that were not supported but we can still work with these regulations, there is nothing bad for us; we were just looking for some additional clarity. If these are passed and make it through and become our current regulations we will modify and adapt to them as written. It's really just monitoring this because they made it half way through the system but not all the way through.

(M. Morton): Thank you. Any questions?

VI. Review of Draft Legislative and Games Committee 2021 Meeting Schedule:

(M. Morton): Very helpful in sending out a draft schedule for our 2021 meetings, which we will vote on. Do we need to discuss?

(G. Smith): This is Greg again. In general, the idea of having the regular, standing meetings approved for next year allows you to make changes to the agendas versus during a special meeting. We are proposing having these standing meetings and if the dates work when we get to that month, we'll have those meetings and have those flexibilities if necessary. If we do not see the need for a meeting we will cancel and if we feel the need to have additional meetings we can call a special meeting. Because of the session we are proposing the meetings in February, March, April, and May and then another in December such as this, knowing if we needed another one in between we would just call it.

(M. Morton): Thank you. I think it is very helpful, it's good for planning, although we are very good at pulling it together when we need to, much appreciated. May I have a motion to approve the draft Legislative and Games Committee Meeting Schedule for 2021?

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

(M. Culmo): Meg Culmo, second.

(M. Morton): All those in favor?

(All): Aye.

(M. Morton): Opposed? Ok, great, approved. Thank you.

VII. Adjournment:

(M. Morton): Seeing nothing else on the agenda, I think we can adjourn. Motion please?

(M. Culmo): Meg Culmo, so moved.

(M. Langella): Second, Manny Langella.

(M. Morton): All in favor?

(All): Aye.

(M. Morton): Thank you everyone, we are adjourned at 11:36 a.m. Stay safe everyone.

Respectfully submitted,

Matthew Stone
Corporation Secretary
Connecticut Lottery Corporation