



DRAFT MEETING TRANSCRIPTION

Legislative & Games Committee

Regular Meeting

February 8, 2021 at 11:00 a.m.

via teleconference

Committee Members: Margaret Morton, Chair of the Legislative & Games Committee; John Flores; and James Heckman (all via teleconference).

Staff Members Present: Greg Smith, President & CEO; Matthew Stone; Christopher Davis; 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, February 8, 2021 at 11:04 a.m. Before we get started I'd like to ask 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. We continue to operate under Governor Lamont's Executive Order regarding public meetings. The primary 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, so please do your best. That is all I have, thank you.

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

(M. Morton): Thank you. The next item is the approval of the December minutes but since we do not have a quorum, we will table this to the next meeting.

III. Legislative Update:

(M. Morton): Moving on to the Legislative Update. Who will be presenting that for us?

(G. Smith): This is Greg Smith, for this update we are going to begin with Chris Davis, our new Government Relations Manager to review some of the meetings that took place with key legislative leaders and committee chairs. Some of these were in general and some were related to Rob Simmelkjaer's confirmation hearing. After Chris, we are going to follow with staff attorney Angelica Mack, who spoke to us at our last meeting regarding the Play3/Play4 game rules. She is going to review some of the key points from the public safety forum on January 25th. I will then follow up with ilottery and sports betting. Chris, do you want to kick us off?

(C. Davis): Thank you for having me here today. I know a number of you, but for those who don't know me, I am the new Government Relations Manager. My name is Christopher Davis, coming off of ten years serving in the state legislature, the last six of which I was the ranking member of the Finance, Revenue and Bonding Committee, so very familiar heading into this position with the issues facing the Connecticut Lottery and generally their legislative agenda. It's been a great fit so far and I am exciting to get going, it's been almost a month. As Greg

mentioned, Greg and/or Rob and I have met with basically all of the legislative leaders as of right now and if we haven't met with them yet, we will be meeting with them later this week. That includes Majority Leader Rojas, Republican Leader Candelora; we've met with President Looney, and Finance Committee Chairman Sean Scanlon, and we have a couple of meetings lined up this week with the Ranking Members of the Finance Committee and Public Safety Committee as well. Additionally, Rob Simmelkjaer's nomination will be coming before the Executive and Legislative Nominations Committee soon so Rob and I and/or Greg have been meeting with members of the Executive and Legislative Nominations Committee, all of which wanted to meet with him before his nomination hearing. We anticipate that to take place in the next two to three weeks and that's a joint nomination so it will have to go through both the House and the Senate. We are anticipating a public hearing on a number of gaming legislation that's been proposed in the Public Safety Committee, most of which has just been reserved for a subject matter public hearing but a few bills have been voted to draft. We are anticipating those public hearings to take place in the next two to three weeks, by the end of February, based on what was mentioned in the last committee meeting by Chair Maria Horn of Public Safety. Following up on our meeting with the Finance Committee as well, they may very well do their own gaming bills regarding revenue so we'll keep an eye on that and will need to continue to have conversations if they want to go forward with their own versions of gaming legislation this year. A lot of that may be based on what comes out in the Governor's budget which will be released on Wednesday; he has his yearly budget address scheduled for noon. We anticipate that he will continue his push for the expansion of gaming which was included in his state of the state address last month. And based on what is included in his address and included in his budget proposals will most likely provide a direction of which proposals end up moving forward through the legislative session. Then on Friday there was also an announcement by a number of members of the majority party in the legislature that they want to once again to take a move towards attaching ilottery – creating it, approving it, and attaching the funding to that to free college tuition for community college students. If you remember that was passed in 2019 but never actually implemented because the budget wasn't adjusted last year, so they're looking to do that this year. That's a new development that just happened in the last couple of days. All the committee meetings are still done through Zoom, all of our meetings with legislators have been by phone and Zoom as well so we are continuing to operate much like the legislature is as well. Angelica will provide us with an update on the information forum that the Public Safety Committee held a couple of weeks ago.

(A. Mack): Thanks Chris. This is Angelica Mack. It sounds like some of you had a chance to listen in to parts of the informational forum that was in the Public Safety and Security Committee on January 26th. It was quite long so I'm not sure if you listened to the whole thing. We were invited to participate along with both tribes, Sportech, who runs the off-track betting, and the Connecticut Council on Problem Gambling. Greg and Rob both spoke on behalf of the Lottery and did an excellent job, they reported on our great sales and returns for fiscal year 2020 and fiscal year 2021 to date. We highlighted that more than 60% of the State's gaming proceeds come from the Lottery and that we returned more to the general fund than both casinos combined in fiscal year 2020. We made a push for both sports betting and ilottery; sports betting seemed to take up the majority of the conversation. Rob and Greg both took questions from legislators about our revenue projections and the focus being that we do not need to make profits so we are going to return more to the state than any of the other potential operators. We also

talked about our existing retailer network, pointing out that in addition to convenience stores and gas stations we have social clubs, restaurants and bars, locations where people would be interested in participating in sports betting. There were several questions regarding contributions to responsible gaming and Greg reminded them that the contribution rate is in the statutes, it is up to the legislature. We do contribute quite a bit of money to responsible gaming as well as advertising and other promotions with DMHAS and the Connecticut Council on Problem Gambling. We were asked about whether additional employees would be necessary and Greg assured them that there would not be a massive surge in new State employees, and that of course the increased revenues would fully fund those expenses. There were also some positive comments from a few legislators noticing the improvement in the functioning of the Lottery in the last few years, attributable to some of the things that the Board has done, so that was very nice to hear. The tribes continued to focus on their exclusivity, both continuing to believe that they have exclusivity but in the past that's pretty much where the conversation ended. This year they expressed a willingness to compromise to some extent, didn't get into too many details because they are still speaking with the Governor. The Mashantuckets, I believe floated the possibility of partnering with Sportech in retail but they seemed pretty hesitant to have non-tribal operators in the online space. Everyone understands that mobile is going to be a large portion of the sports betting revenue and of course they want to drive traffic back to the casino by having an online presence throughout the state. Again we will see what potentially the Governor has to say later this week. Sportech also focused on the exclusivity issue, they of course don't believe that the tribes have exclusivity over sports betting and they are very interested in partnering with us and the tribes, they feel that the four operators should split the sports betting opportunities in the state and are not interested in anyone else joining. We in the past proposed that it should be the four operators as well. There was one particularly good question that Representative Green asked the tribes and that was that if they believe they have exclusivity then why haven't started doing sports betting and they kind of side-stepped that question. I think overall there was more hope from participants and the legislators that this will actually happen and we are waiting for what the Governor has to say.

(G. Smith): Thank you for that, Angelica, this is Greg Smith, does anyone have any questions from the forum update or from the meetings that Chris had discussed?

(M. Morton): This is Peg. I just want to say thank you, I thought that was a good report. And Chris, thank you, I'm excited that you are on board and I should have done a nicer job introducing you, I'm glad you're part of the family.

(C. Davis): Thank you, Peg, I am excited to be here and look forward to working with you.

(G. Smith): Yes, good work collaborating with these two and Tara in our public relations, it's been a nice onboarding.

(A. Mack): Thank you so much.

(G. Smith): Madam Chair, to continue with the last part of the update, I had sent the Committee members two documents that were basically a handful of points that would not surprise me if any of the Committee members with their involvement with legislative matters of the Lottery may hear these topics so I wanted to bring them up and to make mention of them. Most of them were included either in discussions we've had at hearings or maybe submitted as part of written testimony, so just to make mention these to the Committee so that if they are asked they know

we are addressing these as far as the development for either ilottery or sports betting. For ilottery, this is a way of modernizing our selling of lottery. We are expecting moderate growth for online sales and to continue growth in retail, so the online will not be at the expense of retail. The first couple of years we have only projected \$2-4 million in additional profits from ilottery and those are numbers that we have been consistently speaking to for at least the three sessions that I have been here. But the growth, which will naturally occur from either high jackpot runs, or weather events, or any kind of health restrictions which would keep people from going to stores, will be natural growth drivers for people creating an online account and choosing to play. We will continue with many opportunities to engage people in retail to try online and engage people online back to retail, so it should be a good growth opportunity for us overall. The five year revenue profit projections for ilottery exceeds \$40 million; that is a sum of the five years. It is a good number and we've been bringing that number forward for at least three years now. We certainly expect the legislation will require us to do certain aspects related to responsible gaming; there are a number of methods built in to any of the existing ilottery platforms that are run in other states, so these are not new thoughts, we've discussed them to a certain extent with the RG community and we've expressed them in previous testimony – we can set limits for how much money people can have in their accounts, how much they can play in a given day, and if we set a limit they can probably set a lower one if they want to more tightly manage themselves. These are not new thoughts and they are not difficult thoughts; what we are probably hoping for is that the legislation requires the Lottery to consult and engage with the RG community before we set these up so that it does not actually stipulate the individual requirements in the legislation. Typically that is done through regulation and not necessarily the statutory language. Regarding funding accounts, we expect that there will be some language regarding the ways that players can add money to their accounts, whether from a bank account, a debit card, a credit card, and I'm thinking that's probably necessary in the legislative language. For geolocation, meaning to ensure players are in Connecticut while they are playing, good player identification, making sure someone is who they bring themselves forward as, are all normal, long in existence features of online play. We've talked about these before, they are not new, they are all tried and true functions of online gaming. The last part regarding ilottery, the State brought forward the Connecticut Lottery Corporation into existence, we serve for the purpose of raising money and if we get ilottery, this will be a way for us to strengthen our player base and actually grow our player base as we have been for decades, ilottery is just a more modern method of doing it.

I'm going to shift over to sports betting and some of the topics you can expect to hear as it gets developed in the legislature, point one being the marketplace. The Lottery is hoping to be authorized to sell statewide online and to be able to sell at retail in every town. That has been our message every year we have spoken about it, we think it's going to be the best way to bring sports betting into the sunlight and onto legal platforms. Again, because this corporation is the State's entity, we stand a good chance of being a strong competitor with that authority and will return more money per dollar spent from sports betting than any other operator. But we also want a good competitive landscape, so we do want both of the casinos involved; we always said that we thought the OTBs should be involved to some extent and that level of competition will be healthy for the Connecticut residents playing, they'll be able to choose from different offerings instead of from just one. The Board of the CLC will most likely need a committee for sports betting and thinking of many times the legislation actually speaks to different skill sets or to appointments that need to be used to populate the Board and governance of sports betting so I

will not be surprised if there is some language or discussion related to how the Board will handle that. Rob and I have had a number of conversations about that, just waiting to see what authority might be granted to us so that we can flesh that out a little bit better. Last of all about sports betting, we expect there to be some language regarding our operations, regulations and that we would need to sign up a vendor like we do for our lottery system. Our lottery system is created by a well experienced and well established gaming system vendor and we expect the same would be true for a sports betting operation if we were granted that authority. We would then create operating procedures, create policies, rules for play and things like that in collaboration with the Department of Consumer Protection, just like we do with lottery now. Those would absolutely be needed for sports betting and I know that the Department of Consumer Protection is actively looking at that believing that it is coming into the State, regardless of who is operating it. These are things that I would be surprised if you're not asked about and you can always point people in our direction if you need improved comments about them but wanted to be sure you had that vantage point. Are there any questions or any other points to address on either of those topics?

(M. Morton): Thank you, any questions? You certainly touched on all of the points and any questions I would have had. I agree that legislation should be specific and not too broad in the governance, etc. and that should be brought into the regulations.

(G. Smith): I think the statutory language that we have for lottery is good path to follow for Lottery Corporation with sports betting and lottery. If any of our proceeds are designated for some other funding source, like community college, that's what the legislature says, they make those decisions. That won't necessarily change the way we operate, it's just where does the money go. We are happy with those decisions once they're made. The same thing for funding responsible gaming; it's that amount of money is stipulated in the statutory language, if that were to be set at whatever number, we'll pay it.

(M. Morton): Thank you. Any questions from anyone? I don't believe we need to vote on the report. Anything else anyone would like to raise that's not on the agenda?

IV. Adjournment:

(M. Morton): Seeing and hearing none, I think we can adjourn. Motion please?

(J. Heckman): Jim Heckman, so moved.

(J. Flores): Second, John Flores.

(M. Morton): All in favor?

(All): Aye.

(M. Morton): Thank you everyone, we are adjourned at 11:30 a.m.

Respectfully submitted,

Matthew Stone
Corporation Secretary
Connecticut Lottery Corporation