



**Special Meeting
of the Legislative and Games Committee**

Held on
Wednesday, June 28, 2017 at 2:00 p.m.
at the
Connecticut Lottery Corporation
777 Brook Street
Rocky Hill, Connecticut 06067

Committee Members: Margaret Morton, Chairperson of the Legislative and Games Committee (via teleconference); Robert Morgan; James Heckman (via teleconference); Meghan Culmo (via teleconference) and Diane Winston (via teleconference).

Staff Members: Chelsea Turner; Matthew Stone; Theresa Scott; Michael Hunter; Carlos Rodriguez; Thomas Trella; Annmarie Daigle; and Rebecca Lambert.

Members of the Public: Rick Morneau

Call to Order: Ms. Morton called the meeting to order at 2:02 p.m.

I. Approval of Minutes:

On a motion made by Mr. Morgan and seconded by Ms. Winston, the minutes from the February 10, 2017 Special Legislative and Games Committee Meeting were unanimously approved, with Ms. Culmo abstaining from the vote.

II. Sales Performance and Game Update:

Using sales charts, Ms. Theresa Scott, Interim Director of Sales, provided the following report for the period ended June 17. All sales figures are unaudited estimates.

- Regarding All Games, there has been growth between the months of April and May of \$3.8 million. Sales for the fiscal year through June 17 are \$62 million.
- Regarding Connecticut Games:
 - Instant Games have delivered \$694.6 million in sales. Projected amount was \$722.7 million, with sales currently behind projections by \$28 million or 3.9%. Current year-to-date instant sales have surpassed \$700 million, with sales of \$714 million. The full fiscal year projection for these games is \$750 million.
 - Number games, Play3 and Play4 Day and Night have year-to-date sales of \$231.8 million through June 17. Projected sales for these games is \$228.6 million, with sales

currently ahead of projections by \$3.2 million or 1.4%. The full fiscal year projection for these games is \$237 million.

- Draw games, Lotto, Cash5, Lucky Links Day and Night and Keno, have year-to-date sales of \$122.6 million through June 17. Projected sales for these games is \$122.5 million, with sales currently ahead of projections by \$100,000 or 0.1%. The full fiscal year projection for these games is \$127 million.
- Regarding Multi-State Games, Powerball, Mega Millions and Lucky for Life have combined sales of \$124.2 million through June 17. Projected sales for these games is \$127.3 million, with sales currently behind projections by \$3.1 million or 2.4%. The full fiscal year projections for these games is \$132 million.
- Budgeted Total Sales were \$1.246 billion. Through June 17, Total Sales were \$1.173 billion. As of June 26, total sales were \$1,205,631,285. During the last two fiscal years, total sales have grown; FY14 to FY15 saw an increase in total sales of 2.9% over the previous fiscal year, and FY15 to FY16 saw an increase in total sales of 7.4% over the previous fiscal year.
- Instant Games saw an uptick between April and May of \$1.3 million. Sales for Instant Games were \$35.3 million through June 17. A big contributor to this number was the launch of the Foxwoods High Roller ticket. This new game generated \$722,000 in sales during the week of June 12 when it launched. This makes the game the third highest \$10 ticket performer during a first week launch from 2014 to date. The Foxwoods High Roller game generated more than \$1 million in sales last week. The Instant portfolio continues to exemplify profit in the higher price points, such as \$10, \$20 and \$30 tickets. The top three tickets to date have been Foxwoods High Roller at the \$10 price point, Quarter Million LARGE at the \$20 price point, and \$3,000,000 Royale at the \$30 price point. The instant graph shown compares the first fifty weeks of sales between FY16 and FY17, and shows that instant games are trending up in FY17 almost \$2 million per day.
- Play3 and Play4 Day and Night Combined saw steady average sales of \$19 million - \$21 million in sales each month through the year. Sales for June through June 17 are \$11.4 million.
- Play3 Day sales have been over \$4 million each month of the current fiscal year.
- Play4 Day sales have been steady at \$3.6 million - \$4.4 million each month of the current fiscal year.
- Nightly numbers games appear to be more popular with players. On Monday June 12, there were 4,306 winning tickets statewide when the 1-2-3 combination was drawn in the Play3 Night drawing. This resulted in \$757,190.50 in prize money being paid to players, with winners receiving between \$25 and \$2,500. Since the Play3 Night game began, 1-2-3 has been drawn a total of 14 times, the last drawing occurring on September 17, 2013.
- Play4 Night sales were \$6 million in May, with sales of \$3.3 million as of June 17.
- Lotto sales have been consistent at \$1.4 million each month between February and April. There was an increase in sales to \$1.5 million for the month of May. The current Lotto jackpot is \$2.8 million.
- Cash5 sales saw a slight increase in May to \$2.6 million. Promotion of Cash5 continues with other draw games. There is currently a promotion running that features Powerball and Cash5. Ms. Turner will discuss this further in her report.
- Lucky Links with 2XPOWER has a core group of players participating in this game. Average sales are between \$7,000 - \$10,000 per day, with Lucky Links with 2XPOWER Night performing better than the daytime game.

- Keno sales were \$6.7 million in May. Keno sales to date since launch are more than \$83 million. A full 50% of Keno sales are generated by 161 of our 2,900 retailers, which is 6% of the retailers. Bars, taverns, amusement and fraternal organizations combined deliver 26% of overall Keno sales, leaving existing retailers of all other trade styles with 74% of overall Keno sales. Fifty-five percent of wagers placed have activated the Bonus Multiplier. The top ten Keno retailers combined generate 9% of the total Keno sales since launch. The top two retailers have sold over \$1 million in Keno since launch. The most popular time to play Keno is between 4:00 p.m. - 6:00 p.m. The most popular Keno wagers are the 2-spot, at 21% of wagers since launch, and the 4-spot, at 20% of wagers since launch.
- Powerball and Mega Millions sales combined were up over the previous month in May with \$8.9 million.
- For Powerball, higher jackpots equate to higher sales. May sales were \$7.1 million, up \$2.6 million from the previous month. On June 10, there was a \$435 million jackpot won. During that jackpot run, Powerball sales were over \$4 million in Connecticut. The current Powerball jackpot is \$92 million.
- Mega Millions sales in May were \$1.8 million, up over April. Sales through June 17 are \$1.3 million. The current Mega Millions jackpot is \$148 million.
- Lucky for Life is a top-prize driven game, with \$1.7 million in sales in May. Twenty-four states now offer Lucky for Life. Nebraska will be joining the game in August, and Oklahoma and West Virginia have expressed interest in joining as well. Connecticut has had a total of 17 second prize winners since the current version of the game began in January 2015.

Ms. Turner provided the Committee with the following Marketing Update:

- A new instant game, Quarter Million LARGE generated \$1 million in sales per week during the first eight weeks of sales. This ticket will be in the market until approximately December 2017 or January 2018.
- The Foxwoods High Roller ticket, which was designed by the CLC's in-house Marketing team, has been performing well, generating \$1 million in sales in its second week in the market. There is a second chance drawing for experiential prizes for both consumers and retailers every week, the first of which will be held on Thursday. Press coverage has been coming in on both a local and national level. The feedback from Foxwoods has been very positive.
- The Giants and Patriots tickets will launch at the end of July. These games also feature a retail push, with second chance drawings for both consumers and retailers. For every pack that a retailer settles, they receive an entry into a drawing for various prizes including game tickets, on-field experiences, parking passes, gift cards and cash.
- Connecticut Millionaires Club is a \$20 ticket that will launch in September with a \$2,000,000 top prize. This game will have a long print run of approximately 3-4 years, which will generate approximately \$91 million in sales, and return approximately \$15 million to the General Fund.
- Performance for holiday instant games was down slightly last year, so this year the decision was made to change the price points of holiday tickets offered. This year there will be two \$5 tickets offered, as opposed to one \$5 and one \$10 ticket that were offered last year. This variety, as well as a new holiday commercial, have the potential to increase holiday ticket sales.

- A promotion for the Powerball game is planned, and it is different from anything we have offered in the past. During the promotion period, players who buy five Powerball tickets with PowerPlay will receive a trailer ticket, which will be an entry into a drawing for one of twenty-five Royal Caribbean cruises in January 2018. This promotion has been offered in other states by Alchemy3, and has performed well.
- Many promotions are planned around the Cash5 game. A different promotion will run approximately every other month between now and the end of the year. Each will focus on a specific draw game; for example, the current promotion is when a player buys five Powerball tickets, they receive a free Cash5 Quick Pick ticket. Similar promotions are planned for Lucky for Life, Lotto and Mega Millions.
- Mr. Morgan posed a question regarding the Connecticut Millionaires Club game, and what the benefit was to offering a game with a longer shelf life, as opposed to a game that would be replaced more frequently. Mr. Rodriguez explained how a larger top prize generates a larger amount of tickets that are ordered for the game, which in turn enables the CLC to keep the game in the marketplace for an extended period of time.

This concluded the Sales Performance and Game Update.

III. New Business:

R. Morneau Presentation

A discussion was facilitated between the Committee and Mr. Rick Morneau, a member of the public who wished to bring a revenue-generation idea to the Committee's attention. Mr. Morneau informed the Committee that he has identified a "structural weakness" in Lottery revenue generation. Mr. Morneau said his idea would fix that weakness and result in \$50 million in revenue per year. Mr. Morneau was not willing to provide specific details about his idea, and after some discussion, it was determined that presenting an idea to the Committee was not the appropriate action for Mr. Morneau at this time. He was encouraged by the Committee to follow the appropriate channels for submitting his idea through lottery industry vendors, and seek legal counsel to ensure that his intellectual property is protected.

Review and Possible Action Re: Powerball Rules Changes

Ms. Morton informed the Committee that the proposed changes were minor, technical changes, with no change to the game matrix. On a motion made by Mr. Morgan and seconded by Ms. Winston, it was:

Resolved, that the Legislative and Games Committee recommends to the Board of Directors that the Board approve the Official Powerball Game Rules and Connecticut Amendments related to drawings occurring on or after September 30, 2017.

The motion passed unanimously.

Mega Millions and Powerball General Update

Ms. Turner informed the Committee that after tonight's drawing, Illinois will no longer sell Powerball, due to their inability to pay large prizes as a result of their budget impasse. This will have an effect on all of their games that offer prizes of \$25,000 or more. For these larger prizes, there will be a delay in payment until the budget situation is resolved. Additionally, Washington State is in a similar situation with no budget in place. If a budget fails to pass before Friday, they will stop selling all lottery games, including Powerball and Mega

Millions. Additionally, changes are being made to the Mega Millions game matrix this year, with the price of the ticket increasing to \$2, along with play slip and website changes. Powerball will see a change as well, with the addition of a \$4 ticket option that will be included in an additional drawing two times per week. The prizes for this additional drawing will be pari-mutuel.

Capitol Update

Ms. Turner provided the Committee with the following Capitol Update:

- Ms. Turner and Mr. Walter continue to speak with legislators and leadership, and there is still a small chance that iLottery may be included in the upcoming state budget. There has been some interest in, and little opposition to, the draft legislation that they have presented.
- Governor Malloy has proposed passing a mini budget to cover spending for the first 90 days of the fiscal year. Senate Democrats appear to be supportive of this concept. House Democrats' support is not as clear. There will be no budget by July 1.
- Three bills have been passed regarding casinos. SB 957 gives MMCT Venture, LLC, a private company that the two tribes own, the exclusive right to operate a casino gaming facility in East Windsor. MMCT must contribute 25% of slot revenue to the General Fund, with 25% of all other gaming revenue also going to the state, 15% to the General Fund and 10% to tourism. Four and one-half million dollars from that 25% will go to the municipalities around the casino, and MMCT must contribute \$300,000 annually to the Connecticut Council on Problem Gambling. This bill was passed with two other bills; HB 6266, regarding mixed martial arts, and HB 6948, which expands the number of authorized OTBs in Connecticut, and creates an Advisory Council on Large Entertainment Venues.
- The Supreme Court is addressing the issues of sports betting. The Connecticut legislature has said that if the issue is opened to other states, they want to see a fair bidding process.

This concluded the Capitol Update.

Adjournment:

On motion made by Mr. Morgan and seconded by Mr. Heckman, the meeting adjourned at 2:54 p.m.

Respectfully Submitted:

Matthew Stone
Corporate Secretary
Connecticut Lottery Corporation