

Buffkin, Karen

From: Ojakian, Mark
Sent: Wednesday, June 05, 2013 12:02 AM
To: Buffkin, Karen
Subject: RE: revenue loss without additional fix

Nancy has negotiated.

From: Buffkin, Karen
Sent: Tuesday, June 04, 2013 9:28 PM
To: Ojakian, Mark
Subject: Fw: revenue loss without additional fix

Mark -
are we ok with this change? What have the negotiations with the tribe been?

Karen

From: Potamianos, Paul
Sent: Tuesday, June 04, 2013 09:26 PM
To: Buffkin, Karen
Subject: FW: revenue loss without additional fix

From: Calandro, Alan [<mailto:Alan.Calandro@cga.ct.gov>]
Sent: Tuesday, June 04, 2013 9:23 PM
To: Magnan, Maureen; Scalettar, Ellen; Slap, Derek; Potamianos, Paul
Cc: Carroll, Anne Brennan; Roberts, Jo; Wetzell, Christopher; Murphy, Michael; Wysock, Robert; Perillo, Christopher
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Subject: RE: General Government Implementer

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Associate Budget Analyst
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(860) 240-0234

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OPM is fine with this language.

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From: Wyman, Nancy
Sent: Tuesday, June 04, 2013 9:48 PM
To: Buffkin, Karen
Subject: Re: revenue loss without additional fix

I'm in my office

From: Buffkin, Karen
Sent: Tuesday, June 04, 2013 09:39 PM
To: Wyman, Nancy
Subject: Fw: revenue loss without additional fix

Need to touch base if you can?

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AGENDA

Special Meeting of the Connecticut Lottery Corporation Board of Directors

on
Wednesday, December 5, 2012
at 1:30 p.m.

at
777 Brook Street
Rocky Hill, CT 06067

- I. Request for Approval of the September 20, 2012 Board Meeting Minutes
- II. Executive Report:
 - President's Report (Ms. Noble)
 - Review of Sales Performance (Ms. Patterson)
- III. Committee Reports:
 - Audit (Mr. Stauffer)
 - Finance (Mr. Morgan)
 - Review of Financial Statements for the Quarter Ended September 30, 2012
 - Personnel (Mr. Mattison)
 - Review of CLC's Affirmative Action Plan for FY '12
 - Legislative (Ms. Morton)
 - Games & Marketing (Mr. Kaliko)
- IV. Executive Session:
 - New Game and Marketing Initiatives
 - Review of Draft Classic Lotto Game Rules
 - Attorney/Client Communications Re:
 - Walker Digital, LLC et al v. MUSL
 - Online Gaming System Contract
 - Draft Engagement: Financial Auditors
 - Review of Draft Compensation Plans
- V. Old Business
- VI. New Business:
 - Review and Possible Action Re: Online Gaming System Contract
 - Review and Possible Action Re: Classic Lotto Game Rules
 - Review and Possible Action Re: Compensation for FY '13
- VII. Election of Vice-Chairperson of the Board
- VIII. Schedule of Board Meetings for Calendar Year 2013
- IX. Review of Committees for 2013
- X. Adjournment

Minutes

Sales Performance

Finance

CONNECTICUT LOTTERY CORPORATION

DRAFT

Minutes of the Special Board Meeting

held on
Wednesday, December 5, 2012
at 1:30 p.m.

at the
Connecticut Lottery Corporation
777 Brook Street
Rocky Hill, Connecticut 06067

Board Members Present: Frank Farricker, Chairman of the Board; Gale Mattison, Vice Chairman of the Board; Robert Morgan; Margaret Morton; Natasha Pierre; Patrick Birney; James Farrell and Michael Thompson (both of whom joined the meeting by telephone).

Staff Members Present: Anne M. Noble, President & CEO; Diane Patterson; Chelsea Turner; Lana Glovach; Michael Hunter; Paul Granato; and Helen Duffy.

Call to Order: Chairman Farricker called the meeting to order at 1:30 p.m.

I. Approval of Minutes:
On motion made by Ms. Morton, seconded by Mr. Mattison, and unanimously approved, it was:

“Resolved: That the Board hereby approves the September 20, 2012 Board meeting minutes.”

II. Executive Report:

President's Report:

Ms. Noble thanked Board members for attending today's meeting. She reviewed the meeting agenda and updated the Board on various topics through a Power Point presentation. Her report follows:

- YTD sales are up \$32 million over last year and close to \$10 million ahead of budget.
- General Fund transfers are approximately \$8 million ahead of last year and are ahead of budget.
- The Lottery's holiday campaign is underway. As is customary, a responsible gaming component is incorporated. This includes reaching out to educators and parents about the fact that lottery tickets are not suitable gifts for children. Recently, the Lottery received an award for its 2012 holiday campaign.
- A Special Session will likely occur sometime between December 17th and 20th to address the state's budget shortfall.
- At the federal level, Senators Reid and Kyl have circulated a draft i-poker proposal. At Chairman Farricker's request, Ms. Noble then provided a brief overview of the proposal and shared some of the lottery industry's concerns.
- Legislative proposals are under consideration, and the Lottery's Legislative & Public Affairs Committee will meet early in 2013.

- Progress has been made with the proposed DCP regulations. However, some important aspects of the regulations remain unresolved, including in the areas of partial ticket packs, augmentation and licensing. Lottery management will keep the Audit Committee apprised of developments.
- The Lottery recently hired Mr. Andrew Walter as its new Counsel. Mr. Walter worked at the Judicial Branch and has experience in the lottery industry. The Lottery continues to recruit for other key positions.
- Management continues to work on a compensation study, utilizing KardasLarson as a consultant, who timely turned in their initial project work in draft form for review and study by the Personnel Committee. The Committee is assessing the data and findings. Management expects the project work to be finalized in the spring.
- Management has negotiated a term sheet and presented it to the Audit Committee for approval by this Board. As reported to the Audit Committee, the President stated that a contract executed, consistent with these terms, is in the Lottery's best interest. The terms preserve competitive pricing and continue the use of a reliable gaming system, which is now tailored to meet this organization's business needs. Further discussion would take place in Executive Session.

Sales Performance Report:

Ms. Patterson discussed the latest drive to recruit new Lottery retailers, which has resulted in eighty new retailers to the retailer network since July.

The holiday marketing campaign was presented. It will be supported by POS, radio, digital billboard, and various other media. Strong emphasis was placed on the CLC's responsible gaming message that lottery is not a suitable gift for youth; the message was incorporated into this year's holiday campaign, as well as in a separate marketing campaign dedicated to responsible gaming awareness.

Ms. Patterson presented a sample of new instant tickets.

Using sales charts, Ms. Patterson provided an overview of Lottery revenues and sales trends for the period ended November 30, 2012. Her report follows:

- All Games Sales reached \$100 million in November, the second largest sales month in recent years. Discussion took place concerning the revenue difference between October and November (attributable, in part, to the large Powerball jackpot).
- Connecticut Only Games were down slightly. However, numbers games were \$2.3 million ahead of budget.
- Sales were robust in the multi-state games category. Powerball sales were \$17.7 million ahead of budget due to the large jackpot. Mega Millions sales were \$4.5 million below budget; the game's jackpot has been won seven times during this fiscal year, resulting in lower jackpots and sales. However, when combined, multi-state games sales were \$13.5 million, or 22.8% ahead of budget.
- Instant ticket sales were \$8.2 million, or 3.2% ahead of budget.
- Combined sales of Play3 and Play4 showed some improvement and are \$2.3 million, or 2.5% ahead of budget.
- Classic Lotto sales are \$3.1 million, or 24.6% under budget. Low jackpots in the game and cannibalization by the Powerball jackpot have impacted sales.

- Cash5 was down \$400,000 compared to budget. The game was negatively impacted by the Powerball jackpot in November.
- The Super Draw 5 drawing will be held on January 1, 2013. The Lottery will continue to promote the game, which was also impacted by the Powerball jackpot.
- Sales in the Lucky for Life game are meeting projections. The Lottery is working with the other member states to look for new and innovative promotional opportunities to enhance sales of the game. Again, the game was slightly impacted by Powerball, but remains \$300,000, or 2.2% ahead of budget.
- Through November 30, 2012, transfers to the General Fund were \$131 million, up \$8.3 million, or 6.8% over budget.

Discussion took place concerning promotional and target sales for the Super Draw game, the benefit to Connecticut as a member of the Lucky for Life game, and sales of the \$2 versus \$1 Powerball ticket.

This concluded the Executive Report.

III. Committee Reports:

Audit:

In Mr. Stauffer's absence, Mr. Mattison gave the Audit Committee report. He stated the Committee had met to review and discuss the online gaming system contract. Mr. Mattison noted that further discussion of the contract would be held during today's Executive Session.

Finance:

Mr. Morgan reported that the Finance Committee met to review financial statements for the quarter ended September 30, 2012. He then asked Mr. Granato to give the financial report, which follows:

- Fiscal year 2013 sales are on target to reach over \$1 billion for the third consecutive year.
- Sales are up \$12 million, or 4.8% compared to the same time the prior year.
- Prize expense was the driver for performance and has experienced variations.
- In FY 12, prize expense was 61.0%, which is slightly lower than normal. In FY 13, prize expense was somewhat higher, at 61.9%. On a portfolio of sales in excess of one quarter billion dollars, a .9% variance results in a \$2.3 million dollar impact.
- Retailer commissions, online system fees and production expenses are all proportionate to revenue.
- All other operating expenses are under budget, in part because of vacant positions throughout the organization.
- As of December 5th, General Fund transfers were \$131.1 million, compared to a \$122.8 million budget. The transfer will result in the Lottery being \$8.3 million ahead of budget, and \$10.9 million ahead of last year during the same period.

Personnel:

Mr. Mattison reported that the Personnel Committee had met to review the Lottery's Affirmative Action Plan for FY 12. He stated that the Plan was satisfactory and the remaining items for discussion would be covered in today's Executive Session.

Legislative:

Because the Legislative & Public Affairs Committee meeting had been postponed, there was no Legislative report.

Games & Marketing:

In Mr. Kaliko's absence, Mr. Mattison gave the Games & Marketing report. He stated that new game and marketing initiatives would be discussed in today's Executive Session.

IV. Executive Session:

At 2:05 p.m., Chairman Farricker called for a motion to enter into Executive Session. On motion made by Mr. Birney, seconded by Mr. Morgan, and unanimously approved, the Board moved into Executive Session to discuss:

- New game and marketing initiatives
- Draft Classic Lotto Rules
- Attorney/Client Communications Re:
 - Walker Digital, LLC et al v. MUSL
 - Online gaming system contract
 - Draft Engagement: Financial Auditors
- Review of Draft Compensation Plans

Ms. Noble, Ms. Patterson, Ms. Glovach, Ms. Turner, Mr. Hunter and Mr. Granato were invited to join Executive Session concerning the first three portions of the Session.

Only Ms. Noble was invited to join Executive Session to discuss the draft compensation plans.

Mr. Birney left Executive Session at 2:15 for the portion regarding the online gaming system contract. He returned to Executive Session at 2:20 p.m.

The Board reconvened in regular session at 2:45 p.m. Mr. Farricker reported that no votes nor actions were taken during Executive Session.

V. Old Business:

None.

VI. New Business:

On motion made by Mr. Morgan, seconded by Mr. Farricker, the following resolution was made:

WHEREAS, Ken Saccente was selected and appointed by three concurrent Majority Leaders of the Connecticut House of Representatives to serve as a Board Member of the Connecticut Lottery Corporation; and,

WHEREAS, Ken Saccente voluntarily served as a Board Member of the Connecticut Lottery Corporation for nine years and was a member of the Legislative and Personnel Committees; and,

WHEREAS, Ken Saccente's insight and expertise of the legislative process helped to positively shape Connecticut Lottery Corporation policies and procedures; and,

WHEREAS, Ken Saccente's judgment and discernment helped to guide and challenge the management team to continually strive for their best; and,

WHEREAS, Ken Saccente's knowledge and understanding of the lottery industry were instrumental in helping the Connecticut Lottery Corporation achieve three recent years of record returns; therefore let it be

RESOLVED, that the Connecticut Lottery Corporation's Board of Directors, President and Chief Executive Officer and staff recognize the years of service and countless contributions of Ken Saccente; and let it further be

RESOLVED, that the Connecticut Lottery Corporation's Board of Directors, President and Chief Executive Officer and staff wish Ken Saccente success and happiness in the future.

This resolution passed unanimously.

Ms. Noble thanked Mr. Saccente for his dedication, guidance and willingness to serve on the Connecticut Lottery's Board of Directors.

On motion made by Mr. Mattison, seconded by Mr. Morgan, the following motion was made:

"Resolved, that after due consideration -- including review of a term sheet containing proposed amendments to the CLC's existing on-line contract with Scientific Games, including extension of the contract period beyond the time stated in that contract -- and based upon the recommendation of the Audit Committee, the Board of Directors hereby determines that the presented terms are valuable to the Corporation and, further, that the proposed contract amendment, including the extension of the term, without open or competitive bidding, is in the Corporation's best interests and consistent with the Corporation's statutory authority and Purchasing Policy.

Therefore, the Board of Directors: (a) approves such contract amendment and extension as described in that term sheet; and (b) authorizes the President, on the Corporation's behalf, to complete the negotiations and execute a contract amendment consistent with the term sheet."

This resolution passed. Mr. Birney abstained from the vote.

On motion made by Mr. Morgan, seconded by Mr. Mattison, the following resolution was made:

"Resolved, that after due consideration, and based upon the recommendation of the Games and Marketing Committee, the Board of Directors approves the "Lotto" Official Game Rules, to be effective upon the Department of Consumer Protection's approval and the required newspaper publication of a notice of rules adoption."

This resolution passed unanimously.

On motion made by Mr. Mattison, seconded by Mr. Morgan, the following resolution was made:

"Resolved, that after due consideration and based upon the recommendation of the Personnel Committee, the Board of Directors: (a) approves a Management Incentive Compensation program for FY 2013 comparable to the FY 2012 program but without the cap; (b) adopts for FY 2013 the essential terms of the FY 2012 Management Compensation program; and (c) authorizes the President & CEO to address any salary

compression within the available budget and, prior to taking any action, to report to the Personnel Committee in January on steps to remedy this issue."

This resolution passed unanimously.

VII. Election of Vice-Chairperson of the Board:

On motion made by Mr. Birney, seconded by Ms. Morton, the following resolution was made:

"Resolved, that the Board nominates Mr. Mattison as Vice-Chairman of the Connecticut Lottery Corporation's Board of Directors for one additional year."

This resolution passed unanimously.

VIII. Next Scheduled Board Meeting Date:

Mr. Farricker referred the Board to the roster of 2013 Board meeting dates. He asked that the March 21, 2013 meeting be moved out to April 18, 2013. Additionally, Ms. Pierre requested that Board meetings begin at 1:00 p.m. versus 1:30 p.m. All Board members present were in agreement with the dates and the time of meetings.

IX. Review of Committees for 2013:

In light of Mr. Saccente's resignation from the Board, Mr. Farricker stated that he planned to reorganize the various Committees of the Board. He asked that Committee members notify him if they wished to serve on other Committees. Membership of the various Board Committees will be published and distributed in the near future.

X. Adjournment:

On motion made by Mr. Mattison, seconded by Mr. Morgan, and unanimously approved, the meeting was adjourned at 2:57 p.m.

Respectfully submitted,

Chelsea Turner
Corporation Secretary/Connecticut Lottery Corp.

By: Helen Duffy
Secretary to Anne M. Noble
President & CEO/Connecticut Lottery Corp.



AGENDA

Connecticut Lottery Corporation Board of Directors' Meeting

to be held on
Thursday, June 27, 2013
at 1:00 p.m.

at
777 Brook Street
Rocky Hill
Connecticut 06067

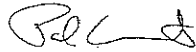
- I. Request for Approval of Draft Minutes of the May 23, 2013 Board of Directors' Meeting
- II. Executive Report:
 - President's Report (Ms. Noble)
 - Review of Sales Performance (Ms. Patterson)
- III. Committee Reports:
 - Finance (Mr. Morgan)
 - Request for Approval of the Proposed Budget for Fiscal Year 2014
 - Personnel (Mr. Mattison)
 - Legislative and Games (Ms. Morton)
- IV. Executive Session:
 - New Game Initiatives: Keno
 - Performance Evaluations and Compensation of Senior Management
 - Attorney/Client Communications Re:
 - Game Rules
 - Strategy with Respect to Collective Bargaining
- V. Old Business
- VI. New Business:
 - Keno
 - Review and Possible Action Re: Compensation Plans and Management Compensation
 - Review and Possible Action Re Game Rules: Lucky for Life
 - Review and Possible Action Re: Use of the term "Playslip" by the CT Lottery
- VII. Next Scheduled Board Meeting Date: Thursday, September 26, 2013 at 1:00 p.m.
- VIII. Adjournment

Memorandum

To: Finance Committee Members:
Mr. Robert Morgan
Mr. Gale Mattison
Mr. Patrick Birney
Mr. Robert Dakers

cc: Mr. Frank Farricker Chairman
Ms. Anne Noble, President & CEO

From: Paul Granato, CFO



Re: Summary of 2014 Budget Proposal

Date: June 07, 2013

**** This proposed revision of the budget does not include assumptions for implementing Keno. Subject to the Board's guidance, we suggest submitting a revised budget including Keno for your approval in the 1Q of FY14. This will ensure that the Keno budget assumptions are accurate. We are currently working on that revision.**

Revenue Assumptions

We project modest growth in the instant portfolio. This product line is heavily influenced by external factors such as weather, consumer confidence, and unemployment. We saw more volatility in this portfolio this year and are cautious about projecting increases in this mature portfolio, especially in light of ongoing regulatory constraints.

Powerball will perform as well next year as it did this year and we expect a very modest improvement in Mega Millions associated with the fall matrix change.

Lotto and Lucky will perform consistent with this year. We do not expect Lotto to drop any further. Planned changes to the Lotto portfolio in FY14 could be affected by Keno rollout and will be reflected in the revised budget that includes Keno. Lucky will be refreshed in the fall to keep sales steady.

The Daily numbers games have outperformed sales expectations in FY13 due to extraordinary prize expense. While we are projecting a slight decline in sales for next year as the impact of high payouts flattens, we do project that the games will return to a higher profitability level.

Expense Assumptions

Since the last draft budget that you reviewed, we have refined the following expense projections:

Prize expense is estimated at statistical payouts and based on the level of sales revenue for each lottery game.

Advertising costs have been increased by \$460,000 to reflect the revised cost for our advertising firm as a result of the bid process.

Production costs of instant tickets are estimated to increase \$288,000. Additional instant games, including higher fees for licensed games are contemplated, offset by savings on lower lease costs on instant ticket vending machines. Second chance drawing expense is budgeted to increase due to the DCP's position that the Lottery cannot use internet only entries for its instant ticket second chance drawings.

Headcount for managers has been dropped by two. Management compensation has been adjusted for raises; raises for the bargaining units were included in the original draft.

Attendance at a professional development conference has been added to the travel/conference budget.

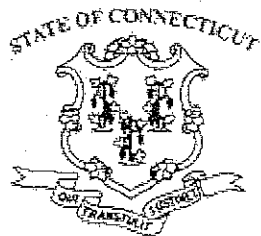
Chronic Gambler's Fund increased \$400,000 (to \$2.3 million annually).

**End of Session Legislation
Relating to the Lottery, Problem Gambling and Casinos**

INDEX

- I. Sections of Budget Implementer Bill, HB 6704 (now Public Act 13-184), regarding funding for problem gambling, Keno & anticipated gaming revenue. p. 2
 - A. Fiscal note for section for Keno p. 5
- II. Sections of General Government Implementer Bill, HB 6706, regarding anticipated gaming revenue and funding for problem gambling. p. 6
 - A. Fiscal note for section on funding for problem gambling p. 7

Sections of Budget Implementer Bill, HB 6704 (now Public Act 13-184), regarding funding for problem gambling, Keno & anticipated gaming revenue



House Bill No. 6704

Public Act No. 13-184

**ACT CONCERNING EXPENDITURES AND REVENUE FOR THE BIENNIUM
ENDING JUNE 30, 2015.**

enacted by the Senate and House of Representatives in General Assembly
ended:

on 1. (*Effective July 1, 2013*) The following sums are appropriated from the
ERAL FUND for the annual periods indicated for the purposes described.

	2013-2014	2014-2015
--	-----------	-----------

DEPARTMENT OF MENTAL HEALTH
AND ADDICTION SERVICES

Compulsive Gamblers Program	300,000	300,000
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Sec. 84. Section 12-801 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

As used in sections 12-563a and 12-800 to 12-818, inclusive, the following terms shall have the following meanings unless the context clearly indicates another meaning:

- 1) "Board" or "board of directors" means the board of directors of the corporation;
- 2) "Corporation" means the Connecticut Lottery Corporation as created under section 12-802;
- 3) "Division" means the former Division of Special Revenue in the Department of Revenue Services;
- 4) "Lottery" means (A) the Connecticut state lottery conducted prior to the transfer authorized under section 12-808 by the Division of Special Revenue, (B) after such transfer, the Connecticut state lottery conducted by the corporation pursuant to sections 12-563a and 12-800 to 12-818, inclusive, [and] (C) the state lottery referred to in subsection (a) of section 53-278g, and (D) keno;
- 5) "Keno" means a lottery game in which twenty numbers are drawn from a field of eighty numbers by a central computer system using an approved random number generator, a rabbit ear or wheel system device employing eighty numbered balls and the player holding a playslip matching the number of balls required for a particular pot game is awarded a prize as indicated on the approved rate card;
- (5)] (6) "Lottery fund" means a fund or funds established by, and under the management and control of, the corporation, into which all lottery revenues of the corporation are deposited, from which all payments and expenses of the corporation are paid and from which transfers to the General Fund are made pursuant to section 12-812;
- (6)] (7) "Operating revenue" means total revenue received from lottery sales less all cancelled sales and amounts paid as prizes but before payment or provision for payment of any other expenses; and
- 3) "Playslip" means a lottery ticket issued for purposes of playing keno.

Sec. 85. Subdivision (4) of subsection (b) of section 12-806 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

- 4) To introduce new lottery games, modify existing lottery games, utilize existing and new technologies, determine distribution channels for the sale of lottery tickets, introduce keno pursuant to signed agreements with the Mashantucket Pequot Tribe and the Mohegan Tribe of Indians of Connecticut, in accordance with section 86 of this act

and, to the extent specifically authorized by regulations adopted by the Department of Consumer Protection pursuant to chapter 54, introduce instant ticket vending machines, kiosks and automated wagering systems or machines, with all such rights being subject to regulatory oversight by the Department of Consumer Protection, except that the corporation shall not offer any interactive on-line lottery games, including on-line video lottery games for promotional purposes;

Sec. 86. (NEW) (*Effective from passage*) Notwithstanding the provisions of section 3-6c of the general statutes, the Secretary of the Office of Policy and Management, on behalf of the state of Connecticut, may enter into separate agreements with the Mashantucket Pequot Tribe and the Mohegan Tribe of Indians of Connecticut concerning the operation of keno by the Connecticut Lottery Corporation in the state of Connecticut. Any such agreement shall provide that the state shall distribute to each tribe a sum not to exceed twelve and one half per cent share of the gross operating revenue raised by the state from keno. For the purposes of this section, "gross operating revenues" means the total sum wagered, less amounts paid out as prizes.

Sec. 113. (*Effective July 1, 2013*) The appropriations in section 1 of this act are supported by the GENERAL FUND revenue estimates as follows:

	2013 - 2014	2014 - 2015
OTHER REVENUE		
Transfer Special Revenue	314,300,000	338,800,000
Indian Gaming Payments	285,300,000	280,400,000

A. FISCAL NOTE to go with corresponding Keno language above:

Sections 84 - 86 authorize the Connecticut Lottery Corporation (CLC) to operate Keno. Based on data from other states that operate Keno, this is anticipated to result in a GF revenue gain of up to \$3.8 million in FY 14 and up to \$27 million in FY 15 and annually thereafter. The FY 14 revenue gain is lower due to an anticipated timing delay and CLC start-up costs. In accordance with section 86, the Secretary of the Office of Policy and Management may enter into agreements with the Mashantucket Pequot Tribe and the Mohegan Tribe of Indians of Connecticut to distribute to each Tribe up to 12.5% of the cross state operating revenue from Keno. These potential distributions reduce the estimated state revenue gain over the 2014 - 2015 Biennium to \$3.8 million in FY 14 and \$27 million in FY 15. It is unclear what impact, if any, the operation of Keno by CLC may have on the approximately \$280 - \$285 million in casino gaming payments received by the state annually.

General Fund Revenue Impact (in millions)

Bill Section	Description of Change	FY 14 \$	FY 15 \$
84, 85 & 86	Establish Keno	3.8	27.0

II. Sections of General Government Implementer Bill, HB 6706, regarding anticipated gaming revenue and funding for problem gambling.



General Assembly
January Session, 2013

Bill No. 6706

LCO No. 8812

*08812 _____ *

Referred to Committee on No Committee

Introduced by:

REP. SHARKEY, 88th Dist.

SEN. WILLIAMS, 29th Dist.

AN ACT IMPLEMENTING PROVISIONS OF THE STATE BUDGET FOR THE BIENNIUM ENDING JUNE 30, 2015 CONCERNING GENERAL GOVERNMENT.

Sec. 112. Section 501 of house bill 6704 of the current session is repealed and the following is substituted in lieu thereof (*Effective July 1, 2013*):

The appropriations in section 1 of [house bill 6704 of the current session] this act are supported by the GENERAL FUND revenue estimates as follows:

T883	OTHER REVENUE		
T884	Transfer Special Revenue	314,300,000	338,800,000
T885	Indian Gaming Payments	285,300,000	280,400,000

(Also deletes the \$300,000 from HB 6704 from the General Fund to DMHAS's Problem Gamblers Rehabilitation account and substitutes this with a \$400,000 from the CT Lottery Corporation. See language and corresponding bill analysis below.)

.....

Sec. 133. Section 12-818 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2013*):

For each of the fiscal years ending June 30, 2010, and June 30, 2011, the Connecticut Lottery Corporation shall transfer one million nine hundred thousand dollars of the revenue received from the sale of lottery tickets to the chronic gamblers treatment rehabilitation account created pursuant to section 17a-713. For the fiscal [year ending June 30, 2012, and each fiscal year thereafter] years ending June 30, 2012, to June 30, 2013, inclusive, the Connecticut Lottery Corporation shall transfer one million nine hundred thousand dollars of the revenue received from the sale of lottery tickets to the chronic gamblers treatment rehabilitation account created pursuant to section 17a-713. For the fiscal year ending June 30, 2014, and each fiscal year thereafter, the Connecticut Lottery Corporation shall transfer two million three hundred thousand dollars of the revenue received from the sale of lottery tickets to the chronic gamblers treatment rehabilitation account created pursuant to section 17a-713.

.....

A. FISCAL NOTE to go with corresponding problem gamblers funding language above:

§ 133 — CONNECTICUT LOTTERY CORPORATION (CLC) TRANSFER OF MONEY TO CHRONIC GAMBLING TREATMENT

- Transfers \$ 2.3 million of the revenue received from lottery ticket sales to the chronic gamblers treatment rehabilitation account, in FY 14 and each fiscal year thereafter.

Memorandum of Understanding

This joint memorandum of understanding is entered into by and between the State of Connecticut [the "State"] and the Mashantucket Pequot Tribe [the "Tribe"], this 13th day of January, 1993, to set forth certain matters regarding implementation of the final Mashantucket Pequot Gaming Procedures, 56 Fed.Reg. 24996 (May 31, 1991) [the "Procedures."] All terms used herein which are defined in the Procedures shall have the meanings assigned thereto in the Procedures.

1. In full settlement and satisfaction of certain controversies which have arisen between the parties hereto concerning the effect of the Procedures on the operation of electronic lottery devices and other video facsimiles (as defined in the Procedures,) the State and the Tribe agree that, subject to all of the terms and conditions herein, the moratorium imposed by section 15(a) of the Procedures on the operation by the Tribe of video facsimile games shall be suspended and, so long as the Tribe complies with the terms and conditions of this Memorandum of Understanding, the Tribe may operate video facsimiles ("video facsimiles") as defined in section 2(cc) of the Procedures, subject to the requirements of section 7(c) of the Procedures and the Technical Standards for Video Facsimile Games as set forth in section 31 of Appendix A of the Procedures. The Tribe agrees

that, so long as no change in State law is enacted to permit the operation of video facsimiles by any other person and no other person within the State lawfully operates video facsimiles, the Tribe will contribute to the State a sum [the "Contribution"] equal to twenty-five per cent (25%) of gross operating revenues of such games operated by the Tribe. For purposes of this paragraph, gross operating revenues shall be defined to mean the total sum wagered less amounts paid out as prizes. The Contribution shall be payable on or before the fifteenth day of each month in an amount equal to: (i) twenty-five per cent (25%) of the gross operating revenues of the Tribe from the operation of video facsimiles during the portion of the fiscal year of the State concluding on the last day of the preceding calendar month, or, on July 15th of each year, twenty-five per cent (25%) of the gross operating revenues of the Tribe from the operation of video facsimiles during the preceding fiscal year of the State, less (ii) the cumulative Contribution paid by the Tribe prior to such date with respect to the operation of video facsimiles during the applicable fiscal year of the State, including any Minimum Contribution paid by the Tribe pursuant to paragraph (2) below. The Tribe shall provide the State with detailed reporting of the gross operating revenues of video facsimile devices and the determination of the Contribution hereunder which shall be subject to audit by the State in accordance with the provisions of the Procedures. Upon any failure by the Tribe to satisfy its obligations to the State hereunder,

(b) Solely for the fiscal year of the State commencing July 1, 1993 and concluding on June 30, 1994, the Minimum Contribution with respect to the operation of video facsimiles during said fiscal year shall be the greater of twenty-five per cent (25%) of gross operating revenues or One Hundred Million Dollars (\$100,000,000.00) (the "Minimum Contribution" for fiscal year 1994.) The Minimum Contribution shall be payable as follows: the cumulative Contribution of the Tribe to the State hereunder with respect to the operation of video facsimiles during the fiscal year of the State ending June 30, 1994 shall be at least Ten Million Dollars (\$10,000,000.00) as of September 15, 1993; at least Twenty Million Dollars (\$20,000,000.00) as of October 15, 1993; at least Thirty Million Dollars (\$30,000,000.00) as of November 15, 1993; at least Forty Million Dollars (\$40,000,000.00) as of December 15, 1993; at least Fifty Million Dollars (\$50,000,000.00) as of January 15, 1994; at least Sixty Million Dollars (\$60,000,000.00) as of February 15, 1994; at least Seventy Million Dollars (\$70,000,000.00) as of March 15, 1994; at least Eighty Million Dollars (\$80,000,000.00) as of April 15, 1994; at least Ninety Million Dollars (\$90,000,000.00) as of May 15, 1994; and at least One Hundred Million Dollars (\$100,000,000.00) as of June 15, 1994.

(c) Solely for each fiscal year of the State commencing on or after July 1, 1994, the Minimum Contribution with respect to the operation of video facsimiles during each such fiscal year shall be the lesser of: (i) thirty per cent (30%)

this Memorandum of Agreement shall cease to be of any force or effect and the moratorium established pursuant to section 15(a) of the Procedures shall without any requirement for further action by either party be in full force and effect in accordance with its terms.

2. In order to enable the State to forecast revenues for purposes of planning its budgetary affairs, the Tribe agrees that there shall be a minimum contribution (the "Minimum Contribution") payable in lieu of the amount calculated in accordance with paragraph (1) above, whenever such Minimum Contribution is greater than the amount otherwise payable in accordance with paragraph (1) above, as follows:

(a) Solely for the period commencing with the execution of the Memorandum of Understanding and concluding on June 30, 1993, the Minimum Contribution with respect to the operation of video facsimiles during said fiscal year shall be the greater of twenty-five per cent (25%) of gross operating revenues or Thirty Million Dollars (\$30,000,000.00) (the "Minimum Contribution" for fiscal year 1993.) The Minimum Contribution shall be payable as follows: the cumulative Contribution of the Tribe to the State hereunder with respect to the operation of video facsimiles during the fiscal year of the State ending June 30, 1993 shall be at least Ten Million Dollars (\$10,000,000.00) as of April 15, 1993; at least Twenty Million Dollars (\$20,000,000.00) as of May 15, 1993; and at least Thirty Million Dollars (\$30,000,000.00) as of June 15, 1993.

of gross operating revenues from video facsimiles during such fiscal year, or (ii) the greater of twenty-five per cent (25%) of gross operating revenues from video facsimiles during such fiscal year or One Hundred Million Dollars (\$100,000,000.00). The Minimum Contribution shall be payable as follows: the cumulative Contribution of the Tribe to the State hereunder with respect to the operation of video facsimiles during each such fiscal year of the State shall be Ten Million Dollars (\$10,000,000.00) as of September 15th of each such fiscal year, but not more than thirty per cent (30%) of gross operating revenues from video facsimiles from July 1st of such fiscal year through August 31st of such fiscal year; Twenty Million Dollars (\$20,000,000.00) as of October 15th of each such fiscal year, but not more than thirty per cent (30%) of gross operating revenues from video facsimiles from July 1st of such fiscal year through September 30th of such fiscal year; Thirty Million Dollars (\$30,000,000.00) as of November 15th of each such fiscal year, but not more than thirty per cent (30%) of gross operating revenues from video facsimiles from July 1st of such fiscal year through October 31st of such fiscal year; Forty Million Dollars (\$40,000,000.00) as of December 15th of each such fiscal year, but not more than thirty per cent (30%) of gross operating revenues from video facsimiles from July 1st of such fiscal year through November 30th of such fiscal year; Fifty Million Dollars (\$50,000,000.00) as of January 15th of each such fiscal year, but not more than thirty per cent (30%) of gross operating

revenues from video facsimiles from July 1st of such fiscal year through December 31st of such fiscal year; Sixty Million Dollars (\$60,000,000.00) as of February 15th of each such fiscal year, but not more than thirty per cent (30%) of gross operating revenues from video facsimiles from July 1st of such fiscal year through January 31st of such fiscal year; Seventy Million Dollars (\$70,000,000.00) as of March 15th of each such fiscal year, but not more than thirty per cent (30%) of gross operating revenues from video facsimiles from July 1st of such fiscal year through February 28th of such fiscal year; Eighty Million Dollars (\$80,000,000.00) as of April 15th of each such fiscal year, but not more than thirty per cent (30%) of gross operating revenues from video facsimiles from July 1st of such fiscal year through March 31st of such fiscal year; Ninety Million Dollars (\$90,000,000.00) as of May 15th of each such fiscal year, but not more than thirty per cent (30%) of gross operating revenues from video facsimiles from July 1st of such fiscal year through April 30th of such fiscal year; and One Hundred Million Dollars (\$100,000,000.00) as of July 15th following the close of each such fiscal year, but not more than thirty per cent (30%) of gross operating revenues from video facsimiles through June 30th of such fiscal year.

3. It is understood and agreed by the parties that this agreement constitutes an accommodation by both the State and the Tribe in order to satisfy their respective interests and to resolve the matters addressed by section 15(a) of the Procedures in an orderly and non-adversarial manner, and does

not constitute an admission or concession by either the State or the Tribe as to any legal or factual question which might otherwise arise pursuant to section 15(a) of the Procedures. The Tribe agrees that so long as no change in State law is enacted to permit the operation of video facsimiles by any other person and no other person within the State lawfully operates video facsimile games, the Tribe shall not assert the right to operate such devices except in accordance with this Memorandum of Understanding. In the event that any change in State law is enacted to permit the operation of video facsimiles by any other person or any other person within the State lawfully operates video facsimile games, the Tribe shall not be bound by the provisions of this Memorandum of Understanding so long as it does not claim any right to operate video facsimile games by virtue of this Memorandum of Understanding, but the Tribe may thereupon assert any rights which it may otherwise have under the Procedures; provided, however, that in such event neither party shall be bound by any of the provisions hereof nor shall either party be barred from taking any position inconsistent with this Memorandum of Understanding. Nothing contained in this Memorandum of Understanding shall be utilized under any circumstances as evidence by either the State or the Tribe as to the intent of the Procedures or the effect of any provision of the Procedures or of any State or Federal law or regulation.

STATE OF CONNECTICUT, by:

MASHANTUCKET PEQUOT TRIBE, by:

6137m

FIRST AMENDMENT TO MEMORANDUM OF UNDERSTANDING

Paragraph 2(b) of the joint memorandum of understanding dated as of January 13, 1993 between the State of Connecticut and the Mashantucket Pequot Tribe is hereby amended as follows:

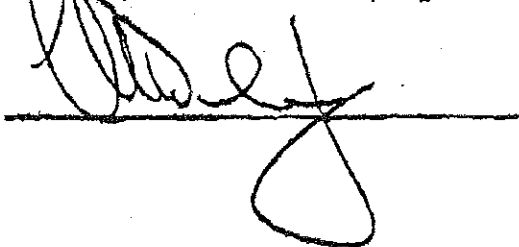
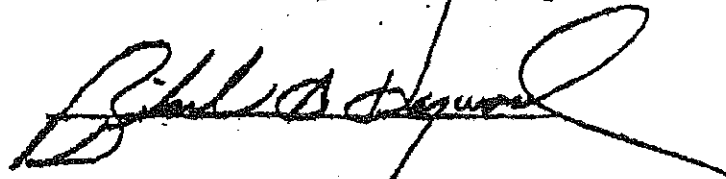
1. In lines five and six of said paragraph 2(b), the words "One Hundred Million Dollars (\$100,000,000.00)" are struck and the words "One Hundred Thirteen Million Dollars (\$113,000,000.00)" are inserted in place thereof.

2. In lines twenty-two and twenty-three of said paragraph 2(b), the words "One Hundred Million Dollars (\$100,000,000.00)" are struck and the words "One Hundred Thirteen Million Dollars (\$113,000,000.00)" are inserted in place thereof.

DATED: April 30, 1993

STATE OF CONNECTICUT, By:

MASHANTUCKET PEQUOT TRIBE, By:

A handwritten signature in dark ink, appearing to be a stylized name, written over a horizontal line.A handwritten signature in dark ink, appearing to be a stylized name, written over a horizontal line.

SECOND AMENDMENT TO MEMORANDUM OF UNDERSTANDING

The joint memorandum of understanding dated as of January 13, 1993 between the State of Connecticut and the Mashantucket Pequot Tribe as previously amended by the First Amendment to the Memorandum of Understanding (as so amended, the "Memorandum") is hereby further amended as follows:

WHEREAS, the Mohegan Tribe is now federally recognized and the State may be required to negotiate a gaming compact with the Mohegan Tribe which could relieve the Mashantucket Pequot Tribe of its obligation to contribute to the State and lead to renewed litigation between the parties hereto regarding the effect of the moratorium set forth in section 15(a) of the Mashantucket Pequot Gaming Procedures; and

WHEREAS, ambiguities in the Memorandum may lead to renewed litigation between the parties in the event that state legislation is enacted which seeks to circumvent the intent of the Memorandum by authorizing casinos without initially authorizing the operation of video facsimiles in such casinos; and

WHEREAS, the parties desire to avoid renewed litigation and to amicably resolve the existing uncertainties in a manner consistent with the original intent of the Memorandum, and the Mashantucket Pequot Tribe is prepared to maintain its obligation to contribute to the State so long as the Mohegan Tribe enters into a similar arrangement:

NOW, THEREFORE, be it agreed as follows:

1. The Memorandum is hereby further amended by striking the second sentence of paragraph (1) and inserting in place thereof the following:

"The Tribe agrees that, so long as no change in State law is enacted to permit the operation of video facsimiles or other commercial casino games by any other person and

no other person within the State lawfully operates video facsimiles or other commercial casino games, the Tribe will contribute to the State a sum [the "Contribution"] equal to twenty-five per cent (25%) of gross operating revenues of video facsimile games operated by the Tribe."

2. The Memorandum is hereby further amended by striking Paragraph (3) and inserting in place thereof the following:

"3. It is understood and agreed by the parties that this agreement constitutes an accommodation by both the State and the Tribe in order to satisfy their respective interests and to resolve the matters addressed by section 15(a) of the Procedures in an orderly and non-adversarial manner, and does not constitute an admission or concession by either the State or the Tribe as to any legal or factual questions which might otherwise arise pursuant to section 15(a) of the Procedures. The Tribe agrees that so long as no change in State law is enacted to permit the operation of video facsimiles or other commercial casino games by any other person and no other person within the State lawfully operates video facsimile games or other commercial casino games, the Tribe shall not assert the right to operate video facsimile games except in accordance with this Memorandum of Understanding. In the event that any change in State law is enacted to permit the operation of video facsimiles or other commercial casino games by any other person or any other person within the State lawfully operates video facsimile games or other commercial casino games, the Tribe shall not be bound by the provisions of this Memorandum of Understanding so long as it does not claim any right to operate video facsimile games by virtue of this Memorandum of Understanding, but the Tribe may

thereupon assert any rights which it may otherwise have under the Procedures: provided, however, that in such event neither party shall be bound by any of the provisions hereof nor shall either party be barred from taking any position inconsistent with this Memorandum of Understanding; and further provided, that in the event that the Mohegan Tribe lawfully operates video facsimile games or other commercial casino games under the provisions of the Indian Gaming Regulatory Act, the Tribe shall not thereby be relieved of its obligations hereunder but shall, subject to the provisions of paragraph (4) hereof, continue to be bound by the provisions of this Memorandum of Understanding so long as the Mohegan Tribe makes a contribution to the State with respect to its operation of video facsimile games which is at least equivalent to that required pursuant to the Memorandum of Understanding of even date entered into between the Mohegan Tribe and the State as appended hereto as an Exhibit. Nothing contained in this Memorandum of Understanding shall be utilized under any circumstance as evidence by either the State or the Tribe as to the intent of the Procedures or the effect of any provision the Procedures or of any State or Federal law or regulation."

3. The Memorandum is hereby further amended by inserting after paragraph (3) of the following new paragraph:

"4. Notwithstanding the provisions of paragraph (2) hereof and subject to the provisions of paragraph (3) hereof, solely for each fiscal year of the State commencing on or after July 1, 1995, during which the Mohegan Tribe operates video facsimiles or other commercial casino games for any portion of such year and makes the contribution required pursuant to paragraph (3) hereof, the Minimum Contribution with respect to the

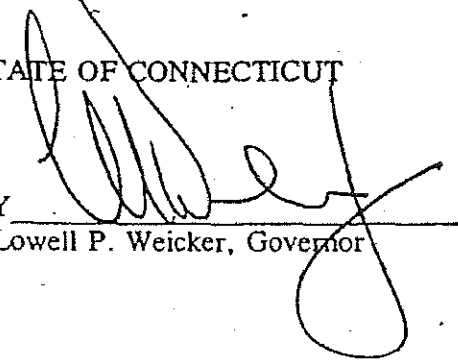
operation of video facsimiles during each such fiscal year shall be the lesser of: (i) thirty per cent (30%) of gross operating revenues from video facsimiles during such fiscal year, or (ii) the greater of twenty-five per cent (25%) of gross operating revenues from video facsimiles during such fiscal year or Eighty Million Dollars (\$80,000,000.00). The Minimum Contribution shall be payable as follows: the cumulative Contribution of the Tribe to the State hereunder with respect to the operation of video facsimiles during each such fiscal year of the State shall be Eight Million Dollars (\$8,000,000.00) as of September 15th of each such fiscal year, but not more than thirty per cent (30%) of gross operating revenues from video facsimiles from July 1st of such fiscal year through August 31st of such fiscal year; Sixteen Million Dollars (\$16,000,000.00) as of October 15th of each such fiscal year, but not more than thirty per cent (30%) of gross operating revenues from video facsimiles from July 1st of such fiscal year through September 30th of such fiscal year; Twenty-Four Million Dollars (\$24,000,000.00) as of November 15th of each such fiscal year, but not more than thirty per cent (30%) of gross operating revenues from video facsimiles from July 1st of such fiscal year through October 31st of such fiscal year; Thirty-Two Million Dollars (\$32,000,000.00) as of December 15th of each such fiscal year, but not more than thirty per cent (30%) of gross operating revenues from video facsimiles from July 1st of such fiscal year through November 30th of such fiscal year; Forty Million Dollars (\$40,000,000.00) as of January 15th of each such fiscal year, but not more than thirty (30%) of gross operating revenues from video facsimiles from July 1st of such fiscal year through December 31st of such fiscal year; Forty-Eight Million Dollars (\$48,000,000.00) as of February 15th of each such fiscal

year, but not more than thirty per cent (30%) of gross operating revenues from video facsimiles from July 1st of such fiscal year through January 31st of such fiscal year; Fifty-Six Million Dollars (\$56,000,000.00) as of March 15th of each such fiscal year, but not more than thirty per cent (30%) of gross operating revenues from video facsimiles from July 1st of such fiscal year through February 28th of such fiscal year; Sixty-Four Million Dollars (\$64,000,000.00) as of April 15th of each such fiscal year, but not more than thirty per cent (30%) of gross operating revenues from video facsimiles from July 1st of such fiscal year through March 31st of such fiscal year; Seventy-Two Million Dollars (\$72,000,000.00) as of May 15th of each such fiscal year, but not more than thirty per cent (30%) of gross operating revenues from video facsimiles from July 1st of such fiscal year through April 30th of such fiscal year; and Eighty Million Dollars (\$80,000,000.00) as of July 15th following the close of each such fiscal year, but not more than thirty per cent (30%) of gross operating revenues from video facsimiles through June 30th of such fiscal year."

DATED: APRIL 25, 1994

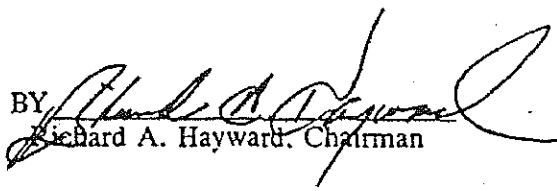
STATE OF CONNECTICUT

BY


Lowell P. Weicker, Governor

MASHANTUCKET PEQUOT TRIBE

BY


Richard A. Hayward, Chairman

Sullivan, Michael J

From: Sullivan, Michael J
Sent: Thursday, May 30, 2013 8:09 PM
To: 'Calandro, Alan'
Cc: Barnes, Ben; Potamianos, Paul; Fiore, Thomas; MESSNER, GREGORY; Buffkin, Karen
Subject: keno language

Section 1. Notwithstanding the provisions of section 3-6c of the general statutes, the Secretary of the Office of Policy and Management, on behalf of the State of Connecticut, may enter into separate agreements with the Mashantucket Pequot Tribe and the Mohegan Tribe of Indians of Connecticut concerning the operation of keno by the State Lottery Corporation in the State of Connecticut. Any such agreement shall provide that the State shall distribute to each tribe a sum not to exceed twelve and a half percent (12.5%) share of the gross operating revenue raised by the State of Connecticut from keno. For the purposes of this paragraph, gross operating revenues shall be defined to mean the total sum wagered less amounts paid out as prizes.

Section 2. Amend subsection (b)(4) of Section 12-806 as follows:

(4) To introduce new lottery games, modify existing lottery games, utilize existing and new technologies, determine distribution channels for the sale of lottery tickets, INTRODUCE KENO PURSUANT TO SIGNED AGREEMENTS WITH THE MASHANTUCKET PEQUOT TRIBE AND THE MOHEGAN TRIBE OF INDIANS OF CONNECTICUT IN ACCORDANCE WITH SECTION 1 OF THIS ACT and, to the extent specifically authorized by regulations adopted by the Department of Consumer Protection pursuant to chapter 54, introduce instant ticket vending machines, kiosks and automated wagering systems or machines, with all such rights being subject to regulatory oversight by the Department of Consumer Protection, except that the corporation shall not offer any interactive on-line lottery games, including on-line video lottery games for promotional purposes;

Michael Sullivan
Undersecretary for Legal Affairs
Office of Policy and Management
450 Capitol Avenue, 5th floor
Hartford, CT 06106
Tel.: (860) 418-6298
Fax: (860) 418-6487
E-mail: michael.j.sullivan@ct.gov

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Sullivan, Michael J

From: Calandro, Alan [Alan.Calandro@cga.ct.gov]
Sent: Thursday, May 30, 2013 8:19 PM
To: Sullivan, Michael J
Subject: Re: keno language

Got it - shared it with the revenue guys

On May 30, 2013, at 8:08 PM, "Sullivan, Michael J" <Michael.J.Sullivan@ct.gov> wrote:

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Sullivan, Michael J

From: Sullivan, Michael J
Sent: Thursday, May 30, 2013 8:24 PM
To: 'Shapiro, Larry'; 'Carroll, Anne Brennan'
Cc: Potamianos, Paul; Fiore, Thomas
Subject: FW: keno language

fyi

Michael Sullivan
Undersecretary for Legal Affairs
Office of Policy and Management
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To: Sullivan, Michael J
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Sullivan, Michael J

From: Sullivan, Michael J
Sent: Thursday, May 30, 2013 8:24 PM
To: Barnes, Ben
Subject: FW: keno language

Fyi – I also sent to LCO...

Michael Sullivan
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Sullivan, Michael J

From: Carroll, Anne Brennan [Anne.Brennan.Carroll@cga.ct.gov]
Sent: Thursday, May 30, 2013 9:55 PM
To: Sullivan, Michael J
Subject: RE: keno language

Thanks.

From: Sullivan, Michael J [mailto:Michael.J.Sullivan@ct.gov]
Sent: Thursday, May 30, 2013 8:24 PM
To: Shapiro, Larry; Carroll, Anne Brennan
Cc: Potamianos, Paul; Fiore, Thomas
Subject: FW: keno language

fyi

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Sullivan, Michael J

From: Maroney, Patti J.
Sent: Friday, May 31, 2013 3:20 PM
To: Potamianos, Paul; MESSNER, GREGORY; Sullivan, Michael J
Subject: FW: KENO
Attachments: Lottery Assessment Language Keno.docx

Potential language to allow for the assessment for Keno regulation is attached.

From: Yeich, Melissa
Sent: Friday, May 31, 2013 3:08 PM
To: Maroney, Patti J.
Subject: KENO

Patti,

If the Keno operations are going to be in multiple restaurants and bars, then I believe the staffing request the agency has indicated is reasonable. If the bill is drafted that this is a lottery game under the CT Lottery Corp, the DCP expenses could be part of the lottery assessment. The lottery assessment language (CGS 12-806b) would have to be modified for FY 14 to allow for a supplemental assessment for these costs. I have drafted language to allow for a supplemental assessment in FY 14.

The estimated cost for the staff are as follows:

Position Count	Title	FY 14	FY 15
2	Gaming Regulation Officer	\$ 97,332	\$ 102,199
0.5	License and Application Analyst	\$ 26,832	\$ 28,174
0.5	Accounts Examiner	\$ 28,925	\$ 30,371
0.5	Paralegal	\$ 24,333	\$ 25,550
	Total PS	\$ 177,422	\$ 186,293
	Other Expenses	\$ 10,000	\$ 10,000
	Fringe	\$ 124,195	\$ 130,405
	Total	\$ 311,617	\$ 326,698

*Melissa Yeich
Budget Specialist
Office of Policy and Management
Phone: 860-418-6372
Fax: 860-418-6490*

From: Berner, Gary
Sent: Friday, May 31, 2013 1:06 PM
To: Yeich, Melissa
Subject: issue

Hi Melissa,

As you know, there are published reports indicating that Keno may be included in this year's budget. If true, we understand that there may be many hundreds (perhaps 1,000) of outlets that will become licensed to offer Keno to their customers. DCP's gaming Division would assume responsibility for oversight and enforcement of this new legal gaming activity.

The Commissioner, Gaming Division Director and I have consider the impact this new responsibility would have upon DCP, and what our estimated resource needs would be. They include:

2 Gaming Regulation Officers (including customary field expenses).
½ License and Application Analyst
½ Accounts Examiner
½ paralegal

We understand that any assumption that Keno may be legalized is not based on anything official, but did want to bring this to your attention, fyi.

Thanks.

Please let me know if you have any follow-up questions or comments.

Gary

Gary W. Berner
Legislative Program Manager
Dept. of Consumer Protection
165 Capitol Ave., Hartford, CT 06106
phone: 860-713-6208
fax: 860-706-1215
Gary.Berner@ct.gov

Sullivan, Michael J

From: Casa, GianCarl
Sent: Tuesday, June 04, 2013 3:09 PM
To: Sullivan, Michael J; Barnes, Ben; Buffkin, Karen
Subject: KENO Changes From Lottery Corp?
Attachments: DRAFT possible Keno changes.docx

From: Chelsea Turner [mailto:Chelsea.Turner@ctlottery.org]
Sent: Tuesday, June 04, 2013 3:06 PM
To: Casa, GianCarl
Subject: Draft

Hi Gian-Carl.

Thanks for taking my call. I'm heading to the Capitol and will try to catch up with you to further discuss the attached.

Also, my cell is: [REDACTED] in case you need to reach me.

Thanks again for your time and consideration. I greatly appreciate it.

- Chelsea

*Chelsea Turner
Director of Government, Regulatory and Operational Affairs
CT Lottery Corporation
777 Brook Street
Rocky Hill, CT 06067
860-713-2826*



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Sullivan, Michael J

From: Potamianos, Paul
Sent: Tuesday, June 04, 2013 5:56 PM
To: 'Keane, Susan'
Cc: Sullivan, Michael J
Subject: RE: DCP assessment language

Disregard. Sorry

From: Potamianos, Paul
Sent: Tuesday, June 04, 2013 5:55 PM
To: 'Keane, Susan'
Cc: Sullivan, Michael J
Subject: DCP assessment language

REVISED LOTTERY ASSESSMENT LANGUAGE (to assess for the funding required by DCP to regulate Keno)

Sec. 12-806b. Assessment of Connecticut Lottery Corporation. Payments to Office of Policy and Management. Lottery assessment account. (a) Commencing July 1, 2011, and annually thereafter, the Office of Policy and Management shall assess the Connecticut Lottery Corporation in an amount sufficient to compensate the Department of Consumer Protection for the reasonable and necessary costs incurred by the department for the regulatory activities specified in subdivision (13) of subsection (b) of section 12-806 for the preceding fiscal year ending June thirtieth.

(b) For the assessment year ending June 30, 2012, the Office of Policy and Management shall, on or before August 1, 2012, submit the total of the assessment made in accordance with subsection (a) of this section, together with a proposed assessment for the succeeding fiscal year based on the preceding fiscal year cost, to the Connecticut Lottery Corporation. The assessment for the preceding fiscal year shall be determined not later than September 15, 2011, after receiving any objections to the proposed assessments and making such changes or adjustments as the Secretary of the Office of Policy and Management determines to be warranted. The corporation shall pay the total assessment in quarterly payments to the Office of Policy and Management, with the first payment commencing on October 1, 2011, and with the remaining payments to be made on January 1, 2012, April 1, 2012, and June 1, 2012. The office shall deposit any such payment in the lottery assessment account established under subsection (d) of this section.

(c) For the assessment year ending June 30, 2013, and each assessment year thereafter, the Office of Policy and Management shall, on or before May first of each year, submit the total of the assessment made in accordance with subsection (a) of this section, together with a proposed assessment for the succeeding fiscal year based on the preceding fiscal year cost, to the Connecticut Lottery Corporation. The assessment for the preceding fiscal year shall be determined not later than June fifteenth of each year, after receiving any objections to the proposed assessments and making such changes or adjustments as the Secretary of the Office of Policy and Management determines to be warranted. The corporation shall pay the total assessment in quarterly payments to the Office of Policy and Management, with the first payment commencing on July first of each year, and with the remaining payments to be made on October first, January first and April first

annually. The office shall deposit any such payment in the lottery assessment account established under subsection (d) of this section.

(d) There is established an account to be known as the "lottery assessment account" which shall be a separate, nonlapsing account within the General Fund. The account shall contain any moneys required by law to be deposited in the account. Moneys in the account shall be expended by the Department of Consumer Protection.

(e) Notwithstanding any provision of this section, the final quarterly payment for the assessment for the fiscal year ending June 30, 2011, shall be paid on July 1, 2011.

(f) Notwithstanding any provision of this section, for the fiscal year ending June 30, 2014, a supplemental assessment may be issued to provide funding to the Department of Consumer Protection for the regulatory costs of Keno. The regulatory costs for Keno will then be included in the regular assessment in subsequent fiscal years.

Sullivan, Michael J

From: Potamianos, Paul
Sent: Tuesday, June 04, 2013 9:37 PM
To: Sullivan, Michael J; Barnes, Ben; Fiore, Thomas; MESSNER, GREGORY; Buffkin, Karen; Casa, GianCarl
Subject: FW: revenue loss without additional fix

From: Calandro, Alan [mailto:Alan.Calandro@cga.ct.gov]
Sent: Tuesday, June 04, 2013 9:23 PM
To: Magnan, Maureen; Scalettar, Ellen; Slap, Derek; Potamianos, Paul
Cc: Carroll, Anne Brennan; Roberts, Jo; Wetzel, Christopher; Murphy, Michael; Wysock, Robert; Perillo, Christopher
Subject: revenue loss without additional fix

Maureen, Ellen and Paul - The below language change is needed to avoid a revenue loss. Please let Anne or Jo know if it can be included as soon as possible. Thanks, Al

Section 86 of HB 6704 specifies that a certain portion of "gross operating revenues" from Keno may be transferred to the tribes. However, the Fiscal Note calculation was based on the transfer of "net operating revenues," which would exclude commissions and vendor costs that the Connecticut Lottery Corp will incur operating Keno. The difference could be as much as \$2.0 million in additional transfers on an annualized basis.

Sec. 86. (NEW) (*Effective from passage*) Notwithstanding the provisions of section 3-6c of the general statutes, the Secretary of the Office of Policy and Management, on behalf of the state of Connecticut, may enter into separate agreements with the Mashantucket Pequot Tribe and the Mohegan Tribe of Indians of Connecticut concerning the operation of keno by the Connecticut Lottery Corporation in the state of Connecticut. Any such agreement shall provide that the state shall distribute to each tribe a sum not to exceed twelve and one half per cent share of the [gross] net operating revenue raised by the state from keno. For the purposes of this section, "[gross] net operating revenues" means the total sum wagered, less amounts paid out as prizes and the operating costs related to keno, as determined by the Connecticut Lottery Corporation each quarter.

From: Calandro, Alan
Sent: Tuesday, June 04, 2013 8:51 PM
To: Murphy, Michael
Cc: Wetzel, Christopher
Subject: RE: General Government Implementer

We would need the language change also...

From: Murphy, Michael
Sent: Tuesday, June 04, 2013 8:50 PM
To: Calandro, Alan
Cc: Wetzel, Christopher
Subject: FW: General Government Implementer

Al, can we propose this fix for the implementer?

From: Wetzel, Christopher
Sent: Tuesday, June 04, 2013 4:20 PM
To: Murphy, Michael
Subject: RE: General Government Implementer

Here's a summary- let me know what you think:

Christopher M. Wetzel
Associate Budget Analyst
Office of Fiscal Analysis
(860) 240-0234

From: Murphy, Michael
Sent: Tuesday, June 04, 2013 3:37 PM
To: Wetzel, Christopher
Subject: FW: General Government Implementer

We should recommend the keno fix. Can you write it up and I will send to chairs? Thanks.

From: Perillo, Christopher
Sent: Tuesday, June 04, 2013 3:36 PM
To: Office of Fiscal Analysis
Subject: General Government Implementer

They very real goal is to run the GG implementer before sine die.

Attached are two documents: 1) LCO 8731 (PDF file); 2) section by section cheat sheet (Word doc).

Please review this draft of the GG implementer ASAP. Write-up the impact to your agencies. Make sure to note if the fiscal impact is IN (or NOT IN) HB 6704, the FY 14 and FY 15 budget.

Do not send Rob or me any verbiage just yet. Hold onto it for now. We are still meeting with Chairs.

Sullivan, Michael J

From: Potamianos, Paul
Sent: Tuesday, June 04, 2013 9:51 PM
To: 'Calandro, Alan'; Magnan, Maureen; Scalettar, Ellen; Slap, Derek
Cc: Carroll, Anne Brennan; Roberts, Jo; Wetzel, Christopher; Murphy, Michael; Wysock, Robert; Perillo, Christopher; Barnes, Ben; Buffkin, Karen; Sullivan, Michael J; Casa, GianCarl; Fiore, Thomas
Subject: RE: revenue loss without additional fix

OPM is fine with this language.

From: Calandro, Alan [mailto:Alan.Calandro@cga.ct.gov]
Sent: Tuesday, June 04, 2013 9:23 PM
To: Magnan, Maureen; Scalettar, Ellen; Slap, Derek; Potamianos, Paul
Cc: Carroll, Anne Brennan; Roberts, Jo; Wetzel, Christopher; Murphy, Michael; Wysock, Robert; Perillo, Christopher
Subject: revenue loss without additional fix

Maureen, Ellen and Paul - The below language change is needed to avoid a revenue loss. Please let Anne or Jo know if it can be included as soon as possible. Thanks, Al

Section 86 of HB 6704 specifies that a certain portion of "gross operating revenues" from Keno may be transferred to the tribes. However, the Fiscal Note calculation was based on the transfer of "net operating revenues," which would exclude commissions and vendor costs that the Connecticut Lottery Corp will incur operating Keno. The difference could be as much as \$2.0 million in additional transfers on an annualized basis.

Sec. 86. (NEW) (*Effective from passage*) Notwithstanding the provisions of section 3-6c of the general statutes, the Secretary of the Office of Policy and Management, on behalf of the state of Connecticut, may enter into separate agreements with the Mashantucket Pequot Tribe and the Mohegan Tribe of Indians of Connecticut concerning the operation of keno by the Connecticut Lottery Corporation in the state of Connecticut. Any such agreement shall provide that the state shall distribute to each tribe a sum not to exceed twelve and one half per cent share of the [gross] net operating revenue raised by the state from keno. For the purposes of this section, "[gross] net operating revenues" means the total sum wagered, less amounts paid out as prizes and the operating costs related to keno, as determined by the Connecticut Lottery Corporation each quarter.

From: Calandro, Alan
Sent: Tuesday, June 04, 2013 8:51 PM
To: Murphy, Michael
Cc: Wetzel, Christopher
Subject: RE: General Government Implementer

We would need the language change also...

From: Murphy, Michael
Sent: Tuesday, June 04, 2013 8:50 PM
To: Calandro, Alan
Cc: Wetzel, Christopher
Subject: FW: General Government Implementer

Al, can we propose this fix for the implementer?

From: Wetzel, Christopher
Sent: Tuesday, June 04, 2013 4:20 PM
To: Murphy, Michael
Subject: RE: General Government Implementer

Here's a summary- let me know what you think:

Christopher M. Wetzel
Associate Budget Analyst
Office of Fiscal Analysis
(860) 240-0234

From: Murphy, Michael
Sent: Tuesday, June 04, 2013 3:37 PM
To: Wetzel, Christopher
Subject: FW: General Government Implementer

We should recommend the keno fix. Can you write it up and I will send to chairs? Thanks.

From: Perillo, Christopher
Sent: Tuesday, June 04, 2013 3:36 PM
To: Office of Fiscal Analysis
Subject: General Government Implementer

They very real goal is to run the GG implementer before sine die.

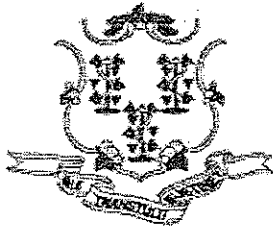
Attached are two documents: 1) LCO 8731 (PDF file); 2) section by section cheat sheet (Word doc).

Please review this draft of the GG implementer ASAP. Write-up the impact to your agencies. Make sure to note if the fiscal impact is IN (or NOT IN) HB 6704, the FY 14 and FY 15 budget.

Do not send Rob or me any verbiage just yet. Hold onto it for now. We are still meeting with Chairs.

DIVISION OF SPECIAL REVENUE

EXECUTIVE DIRECTOR



TO: Honorable Robert Genuario
Secretary
Office of Policy and Management

FROM: Paul A. Young
Executive Director

DATE: January 6, 2009

RE: Keno

You have asked the Division for an opinion on Keno, specifically, would Keno be a permissible game in Connecticut, and if so, would that violate the agreements with the Tribes? Of course, the Division takes no position on whether the game should be offered.

The generally accepted view is that lottery is a game in which participants purchase tickets that give them an opportunity to win a prize based solely upon random chance. Keno operates in the above fashion. Our position would be that Keno is permissible under Connecticut Statutes Sec. 12-806, which states in part that the Connecticut Lottery Corporation (CLC) has the power "to introduce new lottery games, modify existing lottery games, utilize existing and new technologies...". The Division's position is that Keno is not substantially different from any game the CLC currently offers in which the outcome is determined by the drawing of numbers.

Keno is also a lottery-type game that is currently being played at both Tribal Casinos under authority of the Mashantucket Pequot Gaming Procedures (the Tribal Gaming Procedures) and the Mohegan Tribal Compact (the Compact).

By way of history, Keno was never listed as a Las Vegas night table game for charitable organizations by the Las Vegas night law, which became the basis for the Gaming Procedures and the Compact. Neither document lists Keno as a table game. They do authorize both Tribes

to conduct lottery type games, and Keno conforms to the definition of "lottery" in both documents. It appears that the only way both Tribes can operate Keno is as a lottery game. The Division, with the support of the Attorney General, had a dispute with the Mashantucket Pequot Tribe in 2004 on how the Tribe operated a subset of its Keno game, which was called PlayAway. All correspondence between the Tribe, the Attorney General, and the Division referred to PlayAway as "Keno, a lottery type game." The Division also has a letter from a previous Chairman of the Mashantucket Gaming Commission acknowledging that Keno is a lottery type game.

While we feel that Keno is a lottery type game in Connecticut, it is less clear in other jurisdictions. The surrounding states of New York, Massachusetts and Rhode Island operate Keno under the authority of their Lottery operations. There are, however, several states that operate Keno as a casino table game. The National Indian Gaming Commission (NIGC) refers to Keno in its regulations, dated April 9, 1992, as an example of a casino game. However, our position is that Connecticut's law, and our Tribal Gaming Procedures (promulgated on May 31, 1991) and Compact are the deciding factors, and Keno, in Connecticut, is a Lottery type game and permissible under existing law.

If the CLC were to choose to move forward with Keno, the Division would review its procedures as we would any new lottery game. If you would like to discuss the matter further please feel free to contact me.

PAY:sja

MEMORANDUM

TO: Thomas J. Fiore, Office of Policy and Management

FROM: Anne Noble, President & CEO, Connecticut Lottery Corporation

DATE: December 30, 2011

RE: Request for Data Re New Gaming Initiative at the Connecticut Lottery Corporation

PROPRIETARY AND CONFIDENTIAL

NOT FOR PUBLIC DISTRIBUTION OR DUPLICATION

Pursuant to your request, I enclose proprietary financial data relating to the implementation and operation of Keno over a three year period. This information represents the Lottery's best estimate at this time and the estimates may change as the program and marketplace evolve.

Please note the following critical factors:

- Keno enjoys success in many states, including New York, Rhode Island and Massachusetts.
- Weekly per capita ("WPC") in Connecticut will be dependent on a myriad of factors including, but not limited to, the number of operational retailers, market conditions, competition, and game design. The licensing of retailers, which is done by the Department of Consumer Protection ("DCP"), must be smooth, effective and efficient if retailer recruitment is to reach satisfactory levels to achieve noted per capitas. The number of operational retailers plays a major role in the success of Keno.
- Online system costs are subject to completing contract negotiations. Capital expenditures will fluctuate with the number of retailers and the timing of capital payments is subject to change and contract negotiations.
- Marketing, advertising and promotional costs are critical to the game's success and will vary depending upon the business circumstances of the launch of Keno.
- WPC projections at this time do not include increases in the sales of other games, such as the instant portfolio, due to a broader distribution network. A reasonable expectation is that additional returns to the General Fund from other lottery games will be realized as the result of the introduction of Keno.
- Increases in payment to the Chronic Gambling Rehabilitation Fund are not included in this forecast.
- Our estimate of DCP's cost is just that, an estimate. DCP will have to provide data on their anticipated regulatory expenditures.

Memorandum to Thomas J. Fiore
December 30, 2011
Page 2 of 2

Keno represents a source of substantial growth for the Connecticut Lottery, in part because the game expands the Lottery's existing distribution network. Keno can also be sold over the internet.

In addition to sales forecasts, I have also attached metrics which detail WPC from other lotteries during the first full year of sales as well as in fiscal year '11. Our neighboring states, while very different marketplaces, enjoy a healthy per capita on Keno, and the Lottery believes that, upon full implementation, Keno represents a source of significant revenue. With the advent of casinos in Massachusetts and possibly, internet gaming in our surrounding states, most notably New York, cannibalization of Connecticut's gaming revenues is real. Keno may be necessary, in part, to simply maintain General Fund transfers from gaming revenue.

Please call me if I can further assist you or answer additional questions.

Enclosure

CONNECTICUT LOTTERY CORPORATION

Preliminary Analysis of Incremental Income From Keno

First Three Years of Operation

	year 1 weekly sales per capita *	year 1 \$0.14	% of Sales	year 2 \$0.39	% of Sales	year 3 \$0.44	% of Sales
SALES		\$25,480,000	100.00%	\$70,980,000	100.00%	\$80,080,000	100.00%
COST OF SALES							
Prize expense (65% of sales)		\$16,562,000	65.00%	\$46,137,000	65.00%	\$52,052,000	65.00%
Retailer sales commissions (5% of sales)		\$1,274,000	5.00%	\$3,549,000	5.00%	\$4,004,000	5.00%
Retailer cashing commissions (1% of prizes)		\$165,620	0.65%	\$461,370	0.65%	\$520,520	0.65%
Launch-related costs		\$2,000,000	7.85%	\$0	0.00%	\$0	0.00%
On-line systems (1.57% of sales)		\$400,036	1.57%	\$1,114,386	1.57%	\$1,257,256	1.57%
Marketing, advertising, and promotion		\$254,800	1.00%	\$709,800	1.00%	\$800,800	1.00%
Total cost of sales		\$20,656,456	81.07%	\$51,971,556	73.22%	\$58,634,576	73.22%
OPERATING EXPENSES							
Salaries and benefits (preliminary estimate: 9 employees)		\$781,821	3.07%	\$805,275	1.13%	\$829,434	1.04%
Other operating expenses (vehicles, furniture, CPU's, office supplies)		\$63,612	0.25%	\$26,262	0.04%	\$26,262	0.03%
Depreciation of up-front capital payments		\$340,000	2.12%	\$1,080,000	1.52%	\$1,080,000	1.35%
Department of Consumer Protection, regulatory purposes (0.30% of sales, est.)		\$76,440	0.30%	\$212,940	0.30%	\$240,240	0.30%
Total operating expenses		\$1,461,873	5.74%	\$2,124,477	2.99%	\$2,175,936	2.72%
CHANGE IN NET ASSETS AVAILABLE BEFORE PAYMENT TO STATE GENERAL FUND		\$3,361,671	13.19%	\$16,883,967	23.79%	\$19,269,488	24.06%
CASH FLOW IMPACT TO PAYMENT TO STATE OF CONNECTICUT GENERAL FUND, DUE TO CAPITALIZATIONS AND DEPRECIATION							
Cash Flow Effect of Depreciation		\$540,000	2.12%	\$1,080,000	1.52%	\$1,080,000	1.35%
Cash Flow Effect of Capitalizations		(\$2,700,000)	(10.60%)	(\$2,700,000)	(3.80%)	\$0	0.00%
ADJUSTED INCOME AVAILABLE FOR PAYMENT TO STATE OF CONNECTICUT GENERAL FUND		\$1,201,671	4.72%	\$15,263,967	21.50%	\$20,349,488	25.41%

* estimates based on certain design and marketing assumptions

Connecticut Keno Comparison Metrics

Keno First Year Sales (millions)								Various Rankings		
Lottery	Start Date	First Full Fiscal Year	First Year Sales	Average Weekly Sales	Population First Year	Weekly Sales/PC		First Year Sales	Weekly Sales/PC	
1	OR	Sep-91	1993	\$ 106.70	\$ 2.05	2.93	\$ 0.70	6	3	
2	RI	Sep-92	1994	\$ 28.39	\$ 0.55	1.01	\$ 0.54	11	6	
3	CA	Sep-92	1994	\$ 392.20	\$ 7.54	30.97	\$ 0.24	2	9	
4	KS	Oct-92	1994	\$ 35.10	\$ 0.68	2.53	\$ 0.27	10	8	
5	WV	Dec-92	1994	\$ 17.40	\$ 0.33	1.81	\$ 0.19	13	11	
6	MD	Jan-93	1994	\$ 202.80	\$ 3.90	4.97	\$ 0.78	5	2	
7	MA	Sep-93	1995	\$ 299.50	\$ 5.76	6.06	\$ 0.95	4	1	
8	NY	Sep-95	1997	\$ 561.10	\$ 10.79	18.52	\$ 0.58	1	5	
9	GA	Dec-95	1997	\$ 76.50	\$ 1.47	7.33	\$ 0.20	8	10	
10	MO	May-02	2003	\$ 42.60	\$ 0.82	5.67	\$ 0.14	9	13	
11	DC	May-03	2004	\$ 9.70	\$ 0.19	0.57	\$ 0.33	14	7	
12	MI	Oct-03	2005	\$ 332.40	\$ 6.39	10.04	\$ 0.64	3	4	
13	OH	Aug-08	2008	\$ 99.03	\$ 1.90	11.52	\$ 0.17	7	12	
Connecticut Year 1 Moderate Projection Metrics										
CT		2013	\$ 25.48	\$ 0.49	8.60	\$ 0.14		12	14	
Average				\$ 42.37	103.94	\$ 0.41				

First Year Sales from LaFleurs

Note: used US Census Bureau data "Intercensal Estimates"

http://www.census.gov/popest/archives/2000s/vintage_2001/CO-EST2001-12/

<http://www.census.gov/popest/intercensal/state/ST-EST00INT-02.html>

FY11 KENO Data (ranked on WPC Sales)								Various Rankings					
Lottery	Pop	FY11 (in millions)	Weekly Sales/PC	Keno Retailers	Weekly Sales Per Retailer	Retailer Density		Pop	FY11 Sales	Weekly Sales/PC	Keno Retailers	Weekly Sales Per Retailer	Retailer Density
1	MA	6.55	\$ 789.00	\$ 2.32	2,454	\$ 6,183	2,668	6	1	1	7	1	8
2	RI ⁽¹⁾	1.05	\$ 81.10	\$ 1.48	1,224	\$ 1,274	860	13	10	2	10	7	1
3	MI ⁽¹⁾	5.77	\$ 380.60	\$ 1.27	4,586	\$ 1,596	1,259	8	4	3	4	6	5
4	MD ⁽¹⁾	9.88	\$ 511.50	\$ 1.00	10,964	\$ 789	901	4	2	4	1	8	2
5	OR	3.83	\$ 93.30	\$ 0.47	2,515	\$ 713	1,523	9	8	5	6	9	6
6	NY ⁽²⁾	19.38	\$ 424.20	\$ 0.42	3,550	\$ 2,298	5,459	2	3	7	5	4	10
7	DC ⁽¹⁾	0.60	\$ 11.50	\$ 0.37	506	\$ 437	1,189	14	13	8	13	10	4
8	GA	9.69	\$ 144.30	\$ 0.29	1,179	\$ 2,354	8,217	5	6	9	11	3	13
9	OH	11.54	\$ 167.10	\$ 0.28	1,335	\$ 2,407	8,642	3	5	10	9	2	14
10	MO ⁽¹⁾	5.99	\$ 65.30	\$ 0.21	5,352	\$ 735	1,119	7	11	11	3	14	3
11	KS ⁽²⁾	2.85	\$ 24.10	\$ 0.16	1,823	\$ 254	1,565	11	12	12	8	13	7
12	WV	1.85	\$ 6.40	\$ 0.07	313	\$ 393	5,920	12	14	14	14	12	12
13	CA	37.25	\$ 130.50	\$ 0.07	6,378	\$ 393	5,841	1	7	13	2	11	11
Connecticut Year 5 Moderate Projection Rankings													
CT	8.63	\$ 82.98	\$ 0.44	765	\$ 2,086	4,744		10	9	6	12	5	9
Totals w/o CT	116.24	\$ 2,828.90	\$ 0.47	42,179	\$ 1,290	2,756							

(1) All retailers sell Keno but not all have a Keno monitor.

(2) NY Retailers from FY10, KS Retailers are estimated.

STATE OF CONNECTICUT
Keno in Other States
5/8/2013

	Sales	Commissions	Prize Awards	Unclaimed Prize	Cost of Sales	Gross Profit	% Profit	Population	Profit/Capita	# Sites	Sites/Capita	Frequency	Latest News
Rhode Island*	\$ 82,251,847	\$ 10,667,440	\$ 53,676,191	\$ (306,706)	\$ 64,825,315	\$ 17,426,532	21.2%	1.1	\$ 16,596,697	600+	571	Every 4 minutes	FY 2012 Annual Report
Massachusetts	790,459,000	39,522,960				163,827,000	20.7%	6.6	24,650,466	1,725	260	Every 4 minutes	FY 2012 Annual Report
Maryland	414,400,000					143,460,663	34.6%	5.8	24,734,602				
New York*	502,039,368	30,122,900	318,664,000		4,853,000	148,400,368	29.6%	19.6	7,593,055	3,000	153	Every 4 minutes	FY 2012 Annual Report
Average	447,287,559						26.5%		\$ 18,391,205				

*From the state's lottery financial annual report
Note: MA rough estimate that keno is 16.7% of GF transfer- as it is 16.7% of sales

	New York	Rhode Island	Massachusetts	Maryland	RI,MA,NY,MD
CT Population	3.5	3.5	3.5	3.5	3.5
Avg/ Profit/Capita	7,583,055	16,596,697	24,650,466	24,734,602	18,391,205
Est. Revenue-CT	\$ 26,540,693	\$ 58,088,440	\$ 86,276,633	\$ 86,571,108	\$ 64,369,218

Another way to look at it:

	FY 2008	Per Capita	Weekly Sales*	CT Est. Sales	Profit:25%
Rhode Island	1.36		247,520,000		61,880,000
Massachusetts	2.19		398,580,000		99,645,000
New York	0.44		80,080,000		20,020,000
Maryland	1.33		242,080,000		60,515,000
Average	1.33		242,060,000		60,515,000

*Source: NASPL 2008 Lottery Resource Handbook

Keno First Year Sales

State	1st Year Sales (Nominal)		1st Year Sales (Real)*		FY 2011 Sales		Per Capita		Per Capita		Per Capita		Year	CPI-U	CPI Inflation	Population (for First Year)	Population 2011
	1st Year Sales (Nominal)	1st Year Sales (Real)*	1st Year Sales (Nominal)	1st Year Sales (Real)*	FY 2011 Sales	FY 2011 Sales	1st Year Sales (Nominal)	1st Year Sales (Real)*	FY 2011 Sales	FY 2011 Sales	CT Forecasted First Year Sales						
Massachusetts	\$299,500,000	\$437,603,525	\$789,000,000	\$789,000,000	\$50	\$73	\$260,685,578	\$120	\$260,685,578	1995	150.41	0.68	6,006,000	6,550,006			
New York	\$561,100,000	\$776,027,422	\$424,200,000	\$424,200,000	\$30	\$42	\$149,919,321	\$72	\$149,919,321	1997	158.90	0.72	18,520,000	19,380,000			
Rhode Island	\$28,390,000	\$42,663,108	\$81,100,000	\$81,100,000	\$28	\$43	\$152,489,497	\$77	\$152,489,497	1994	146.24	0.67	1,001,000	1,050,000			
Average:																	3,577,845
																CT:	

*In 2011 Dollars

CT:

3,577,845

Fiore, Thomas

From: Wirtanen, Kristin
Sent: Tuesday, May 21, 2013 10:00 AM
To: Barnes, Ben
Cc: Buffkin, Karen; Casa, GianCarl; Fiore, Thomas
Subject: Keno

Ben,

FYI- under previous administrations we have proposed to implement Keno with and without legislation.

Per CGS 12-806(b)(4), one of the Connecticut Lottery Corporation's powers is: "to introduce new lottery games, modify existing lottery games....".

In 2009 we proposed to implement Keno **without** legislation under the theory that it is a "new lottery game" (was a potential item to securitize at the time).

In 2010 we proposed to implement Keno **with** legislation under the 12-806(b)(4) that clearly clarified the CLC's authority to implement Keno:

"To introduce new lottery games, including keno, modifying lottery games..." (Raised Bill 484-AAC the Governor's Revenue Plan-February 2010 Session, section 5).

Fiore, Thomas

From: Barnes, Ben
Sent: Wednesday, May 29, 2013 11:03 AM
To: Fiore, Thomas
Subject: FW: Keno Opinion
Attachments: kenoopinion (3).pdf

From: Clark, Robert
Sent: Wednesday, May 29, 2013 9:05 AM
To: Sullivan, Michael J
Cc: Barnes, Ben; Buffkin, Karen; Bronin, Luke; Drake, Christopher
Subject: FW: Keno Opinion

FYI. Here is our 2009 informal opinion on Keno.

From: Deichert, Robert J.
Sent: Wednesday, November 09, 2011 8:55 AM
To: Clark, Robert
Cc: Dannehy, Nora R
Subject: Keno Opinion

Bob,
Per your request, attached is our keno letter from 2009, which Sue Cobb and I worked on. I will look into the Internet poker question and get back to you as soon as possible.

Rob

RICHARD BLUMENTHAL
ATTORNEY GENERAL



55 Elm Street
P.O. Box 120
Hartford, CT 06141-0120

Office of The Attorney General
State of Connecticut

June 1, 2009

The Honorable Stephen D. Dargan, Co-chair
Public Safety and Security Committee
Legislative Office Building
Hartford, Connecticut 06106-1591

Dear Representative Dargan:

You have requested a legal opinion regarding a provision in the Governor's revised budget legalizing the game of Keno. In particular, you ask whether (1) Keno is a lottery game; and (2) legalizing Keno would impact the State's compact and memoranda of understanding (MOUs) with the Mohegan and Mashantucket Pequot Tribes.

As you know, pursuant to Conn. Gen. Stat. § 3-125, the Attorney General can provide legal opinions to legislators only if requested by the Senate President Pro Tempore, Speaker of the House of Representatives or the majority or minority leaders of the Senate or the House. I offer the following information and comments, which hopefully will be useful to you in considering the Governor's proposal.

At this point, there is no definitive answer to the questions you raise. Courts are divided on the issue of whether Keno is a lottery game and the answer may well depend on specific factual details -- not yet available -- as to the specific type and structure of Keno gaming contemplated by the Governor's budget. One critical point seems certain: a possible violation of the Tribal/State slot machine agreements could put at risk more than \$400 million in state revenues. Therefore, after the details are determined as to the Keno game proposal, the most prudent and responsible course, fiscally and legally, would seem to be an amendment to the Mohegan and Mashantucket Pequot slot machine agreements (MOUs). An amendment negotiated with the tribal nations would explicitly authorize the State to operate Keno games, once approved by the legislature pursuant to Conn. Gen. Stat. §3-6c.

Keno gaming has been discussed informally among legislators for several weeks and was recently included in the Governor's revisions to her February proposed budget, through a press release and her accompanying list of budget

revisions. The press release simply states "Introduction of Keno" as a proposed revision. The accompanying document contains only the line item "Implementation of Keno in the state" with estimated revenue of \$20 million for fiscal year 2009-2010 and \$60 million for fiscal year 2010-2011. Completely lacking is any explanation of the operation or structure of such Keno gaming and who would manage it -- two elements essential to a legal analysis and answers to your important questions.

As to your first question -- whether Keno is a lottery game -- our state Supreme Court has never directly addressed this issue. The relevant statute, Conn. Gen. Stat. § 12-801(3), does not resolve it. The Connecticut Supreme Court has "held that a lottery is characterized by three constituent elements, namely, a prize, a chance, and a price." *Farina v. Kelly*, 147 Conn. 444, 449 (Conn. 1960). That definition could arguably encompass Keno, and several courts outside of Connecticut have found that Keno is a lottery game. *See, e.g., Boasberg v. United States*, 60 F.2d 185, 186 (5th Cir. 1932); *Harris v. Missouri Gaming Comm'n*, 869 S.W.2d 58, 64 (Mo. 1994); *Knight v. State*, 574 So. 2d 662, 664 (Miss. 1990); *A.B. Long Music Co. v. Commonwealth*, 429 S.W.2d 391, 394 (Ky. 1968).

Other state courts have held that Keno is not a lottery game. *See, e.g., W. Telcon v. Cal. State Lottery*, 917 P.2d 761 (Cal. 1996); *Eslava v. State*, 44 Ala. 406, 409 (Ala. 1870). The rulings show that the conclusion as to whether a particular Keno game is a lottery game depends on its specific structure and operation, because the term "Keno" can apply to a variety of different games, not all within the definition of lottery. *See, e.g., W. Telecon*, 917 P.2d at 659 (noting that "decisions from other jurisdictions have held 'keno' to be a form of lottery, or stated so in *dictum*, but" concluding that "the game referred to is found to be materially different from [the] keno" at issue in that case); *see also Shakopee Mdewakanton Sioux Community v. Hope*, 798 F. Supp. 1399, 1409 (D. Minn. 1992) (noting the evolution of two distinct forms of Keno, one derived from bingo and the other derived from a lottery game).

In short, in this situation, there is no clarity in the statute, no ruling from our state courts, no unanimity in other state courts, and most important, no relevant specific facts as to the operation and structure of the proposed game or even what type is proposed. Concluding whether the proposed Keno is a lottery game would be more a guess than a legal analysis.

Because rulings are divided and details are lacking, and there are different types of Keno games, we cannot predict what courts would conclude about the type of Keno contemplated in the Governor's budget revisions.

Your second question -- whether legalizing Keno will affect the State's agreements with the Mashantucket Pequot Tribe and the Mohegan Tribe -- likewise presents unsettled issues, directly implicating key agreements with the Mashantucket Pequot and Mohegan Tribes. The MOUs authorize the operation of video facsimile games, particularly slot machines, at the tribal casinos in Ledyard and Uncasville, as long as the Tribes pay the State 25 percent of the gross operating revenues from video facsimile machines. 1993 Conn. Op. Atty. Gen. Letter to Rep. Ritter and Rep Krawiecki (February 11, 1993); 1994 Conn. Op. Atty. Gen. Letter to Sen. Larson, et. al. (May 18, 1994). Last year, these payments totaled over \$411 million. These payments continue "so long as no change in State law is enacted to permit the operation of video facsimiles or other commercial casino games by any other person and no other person within the State lawfully operates video facsimiles or other commercial casino games." Mashantucket Pequot Second Amendment to MOU dated April 25, 1994, pp. 1-2; Mohegan MOU of May 17, 1994, p. 2 (language slightly different but same meaning).

While a strong argument could be made that the state should not be regarded as "any other person," there is no judicial decision or other authority interpreting Connecticut's MOUs to support this position or authoritatively resolve this question. Some courts have found the phrase ambiguous in other contexts. See, e.g. *Fid. & Deposit Co. v. FitzGerald Contrs., Inc.* (In re *Whitaker Constr. Co.*), 439 F.3d 212, 224 (5th Cir. 2006) (analyzing state bankruptcy statute and holding that "ambiguity remains as to the identity of section 9:4822(C)'s 'other person'"); see also Conn. Gen. Stat. § 36a-2(48) (defining "Person" to include the State). Under Connecticut law, contract interpretation focuses on determining the intent of the parties, which "is determined from the language used interpreted in the light of the situation of the parties and the circumstances connected with the transaction." *Conn. Light & Power Co. v. Lighthouse Landings, Inc.*, 279 Conn. 90, 108 (2006) (quotation marks omitted).

Looking to the intent of the parties when the MOUs were negotiated and enacted, a court might conclude that the parties never contemplated the State operating casino games, including Keno, within the State while receiving 25 percent of slot machine revenue from the Tribal casinos.

Similarly, the State could contend that Keno is not a "commercial casino game," but a court might disagree because clearly some types of Keno are prevalent in casinos, including the tribal casinos in Connecticut. Courts have been sympathetic to tribal efforts to protect their rights under the Indian Gaming Regulation Act and other federal statutes. See, eg. *Mashantucket Pequot Tribe v. Connecticut*, 913 F.2d 1024 (2nd Cir: 1990). Again, specific facts as to the type of Keno -- its structure, operation and management -- might be relevant and significant.

Only after the type of Keno is determined could we assess whether it constitutes a change in state law that permits the operation of commercial casino games by any other person, abrogating the MOU's and eliminating tribal obligations to pay the state a 25 percent share of slot revenue.¹ No state or federal court -- in Connecticut or elsewhere -- has clearly addressed this issue. We cannot predict how a Connecticut court would decide it, particularly without details about the proposed Keno game.²

If the legislature wishes to pursue the Keno proposal, a prudent and reasonable course would be an amendment to the MOUs to clarify its legal impact. Structuring the operation and types of Keno games -- and other details -- might well affect the practical as well as legal conclusion. The legislature no doubt would wish some assurance that legalizing Keno would neither undermine agreements nor relieve the Tribes of obligations under the MOUs to make contributions to the State. Such an approach would avoid the risk of potentially

¹ In our view, even if the Keno proposal is enacted by the legislature and the Tribes believe that it changes state law to violate the MOUs, the Tribes cannot unilaterally cease making their contributions under the MOUs but are required to seek a court determination as to whether the State's actions in fact violates the MOUs. Unilateral withholding of payments would violate the gaming procedures (Mashantucket Pequot Tribe) and the Gaming Compact (Mohegan Tribe). The issues would be litigated in federal district court, which might order that the funds be held in escrow pending the outcome, depriving the state of the use of the money during the course of litigation -- which could take years.

² Only one case, decided by a trial court in Michigan, has concluded that allowing Keno by the State of Michigan would not relieve tribes of their obligations to make payments to the State under an MOU. *State of Michigan v. Little River Band of Ottawa Indians*, 2007 U.S. Dist. LEXIS 31213 (W.D. Mich. 2007). This decision is not binding on the Connecticut courts. Whether it would be persuasive to a court in Connecticut would depend on a number of factors, including Michigan's gaming laws, gaming compact provisions, and the overall circumstances under which the MOUs were negotiated there.

The Honorable Stephen Dargan, Co-chair
Public Safety and Security Committee
June 1, 2009
Page 5

losing more than \$400 million a year from the Tribes' contributions to gain \$20 to \$60 million in estimated revenues from legalizing Keno.

I would be pleased to address any additional questions, or respond to a formal opinion request at an appropriate time.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Richard Blumenthal', written in a cursive style.

RICHARD BLUMENTHAL
ATTORNEY GENERAL

Fiore, Thomas

From: Sullivan, Michael J
Sent: Thursday, May 30, 2013 8:09 PM
To: 'Calandro, Alan'
Cc: Barnes, Ben; Potamianos, Paul; Fiore, Thomas; MESSNER, GREGORY; Buffkin, Karen
Subject: keno language

Section 1. Notwithstanding the provisions of section 3-6c of the general statutes, the Secretary of the Office of Policy and Management, on behalf of the State of Connecticut, may enter into separate agreements with the Mashantucket Pequot Tribe and the Mohegan Tribe of Indians of Connecticut concerning the operation of keno by the State Lottery Corporation in the State of Connecticut. Any such agreement shall provide that the State shall distribute to each tribe a sum not to exceed twelve and a half percent (12.5%) share of the gross operating revenue raised by the State of Connecticut from keno. For the purposes of this paragraph, gross operating revenues shall be defined to mean the total sum wagered less amounts paid out as prizes.

Section 2. Amend subsection (b)(4) of Section 12-806 as follows:

(4) To introduce new lottery games, modify existing lottery games, utilize existing and new technologies, determine distribution channels for the sale of lottery tickets, INTRODUCE KENO PURSUANT TO SIGNED AGREEMENTS WITH THE MASHANTUCKET PEQUOT TRIBE AND THE MOHEGAN TRIBE OF INDIANS OF CONNECTICUT IN ACCORDANCE WITH SECTION 1 OF THIS ACT and, to the extent specifically authorized by regulations adopted by the Department of Consumer Protection pursuant to chapter 54, introduce instant ticket vending machines, kiosks and automated wagering systems or machines, with all such rights being subject to regulatory oversight by the Department of Consumer Protection, except that the corporation shall not offer any interactive on-line lottery games, including on-line video lottery games for promotional purposes;

Michael Sullivan
Undersecretary for Legal Affairs
Office of Policy and Management
450 Capitol Avenue, 5th floor
Hartford, CT 06106
Tel.: (860) 418-6298
Fax: (860) 418-6487
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Fiore, Thomas

From: Sullivan, Michael J
Sent: Thursday, May 30, 2013 8:24 PM
To: 'Shapiro, Larry'; 'Carroll, Anne Brennan'
Cc: Potamianos, Paul; Fiore, Thomas
Subject: FW: keno language

fyi

Michael Sullivan
Undersecretary for Legal Affairs
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From: Calandro, Alan [<mailto:Alan.Calandro@cga.ct.gov>]
Sent: Thursday, May 30, 2013 8:19 PM
To: Sullivan, Michael J
Subject: Re: keno language

Got it - shared it with the revenue guys

On May 30, 2013, at 8:08 PM, "Sullivan, Michael J" <Michael.J.Sullivan@ct.gov> wrote:

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THIS ACT and, to the extent specifically authorized by regulations adopted by the Department of Consumer Protection pursuant to chapter 54, introduce instant ticket vending machines, kiosks and automated wagering systems or machines, with all such rights being subject to regulatory oversight by the Department of Consumer Protection, except that the corporation shall not offer any interactive on-line lottery games, including on-line video lottery games for promotional purposes;

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Fiore, Thomas

From: Wirtanen, Kristin
Sent: Monday, June 10, 2013 3:09 PM
To: Buffkin, Karen
Cc: Fiore, Thomas; Tassinari, Brian
Subject: RE: Keno

Karen,

Estimated Keno Revenue

FY 2014

State: \$3.8 million

Tribes: \$1.2 million

FY 2015

State: \$19.9 million

Tribes: \$6.5 million

We are awaiting to hear back from Chelsea Turner at CLC to see if they have a preliminary plan for Keno- including projected timeline/specific locations.

The estimate in the first year is significantly lower due to the time it will take CLC to develop the game design, complete licensing and regulatory approvals.

-----Original Message-----

From: Fiore, Thomas
Sent: Monday, June 10, 2013 9:07 AM
To: Wirtanen, Kristin
Cc: Tassinari, Brian
Subject: FW: Keno

-----Original Message-----

From: Buffkin, Karen
Sent: Friday, June 07, 2013 9:26 AM
To: Fiore, Thomas; Maroney, Patti J.
Subject: Keno

Tom & Patti,

Can you give me a breakdown of the Keno revenue for 14 and 15 - state v. Tribes. Also what are the projections based on in terms of the timing of the roll-out and am I correct that Keno will be offered in bars and clubs (like VFW) - anywhere else?