

Testimony

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LONG TERM GROWTH OF PA LOTTERY

SENATE FINANCE COMMITTEE HEARING

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Thank you Sen. Brubaker, Sen. Blake and members of the Senate Finance Committee for having this hearing today. My name is David Fillman. I'm the Executive Director of AFSCME Council 13. At the end of my testimony I will be available to answer any questions. On behalf of AFSCME's 65,000 members, thank you for this opportunity to testify. 175 of these members work for the Pennsylvania Lottery where they have done a superb job for 42 years.

AFSCME Council 13 supports unilateral expansion of gaming to ensure long term growth of the Pennsylvania Lottery. Statistics show that the two top performing state lotteries (New York and Georgia) – states that pulled even stronger net revenues than Pennsylvania - offer some form of Monitor Games such as Keno.

Keno is a traditional lottery drawing game played on an existing lottery system. U.S. Lottery Monitor Game sales totaled \$13.6 billion from 2007 to 2011 and Lottery retailers earned \$814 million in commission. Seven of the top ten U.S. Lotteries offering Monitor Games increased revenues significantly for their state. For example, based on total per capita sales of online games, Monitor Game sales for 2007 to 2011 in Massachusetts totaled \$3.8 Billion; in New York: \$2.2 Billion; and in Maryland: \$2.0 Billion.

We believe Monitor Games like Keno would have the same results in Pennsylvania and we would support its inclusion so long as it is legally implemented within the Game Control Acts and Lottery Laws of the Commonwealth. Keno represents the single biggest opportunity for increased profits to a lottery and requires little or no cost to the state. Generally, the lottery system provider

will cover the capital investment expenses to support Monitor Games.

Initial research among lottery employees supports claims that 2,500 bars, lounges, and restaurants exist in Pennsylvania today that would be suitable locations for Keno immediately. AFSCME believes that once Keno is authorized in the Commonwealth, 1,500 of these locations could be brought online with Keno in the first full year through aggressive retailer expansion. We already have the equipment, the staff and the expertise to do this work in-house.

In year two, the total complement of locations hosting Keno could surpass 2,000. In year three, we anticipate 2,200. As we move into year four, the draw that Keno provides to a potential customer base could expand the available pool for Keno locations. An estimated goal of 2,600 retailers in year four is reasonable, with an estimated 3,300 Keno locations in year five.

In addition, because a WAVE terminal is provided to every authorized retailer to track sales and winnings, these same 3,300 locations can also serve as instant-win and terminal-based game locations. Further analysis will need to be performed on how to maximize cross-over sales between Keno and other offerings such as Powerball, Mega Millions, Millionaire Raffle, The Daily Number and instant-win tickets.

One suggestion would be to offer second chance giveaways at these locations, so that Keno players at these locations who do not match their numbers could be randomly selected to receive free plays of other lottery portfolio games. The Lottery will have to

closely analyze the number of draws it will offer each day from Keno to maximize Keno's effects for businesses and the Lottery.

Another suggestion would be to start-up and ramp-up the Players Loyalty Program. Gaining valuable participation and player data is exceptionally valuable in this age of digital marketing and dealing face to face with consumers.

Through AFSCME research, we concluded that WAVE terminals and other equipment used by retailers to sell lottery tickets are already equipped to scan Player Loyalty cards. However, we have never pursued this type of program here in Pennsylvania. The key to a successful Player Loyalty Program is to run an expansive and aggressive program.

The Lottery should focus on consistent value returns to the Loyalty Program members; perform ongoing research into Loyalty Programs that work - such as player's club programs at casinos, frequent flyer miles programs, supermarket loyalty programs, and others.

And finally, the Lottery should look into innovative and cutting edge technology to continue to make participation in this program easier.

Once the Lottery has its Player Loyalty Program up and running, the Lottery, along with the Governor and General Assembly's approval, could then begin to look at the possibility of internet gaming as another way to increase revenues into the lottery system. This idea is already in the early stages of determining how it would operate within the laws of Pennsylvania; however, I don't believe we have enough time to go into all the details and possibilities here today.

We would suggest the Lottery consider returning to partnering with known Pennsylvania franchises and brands. For example, instant tickets for sports teams branded with their logos for distribution in stadiums, concerts, workplaces, resorts, and amusements parks. This practice was very successful before it was discontinued.

Amending the Liquor Code to permit Wine and Spirit Stores to become Lottery sales areas would be another way to increase lottery revenue.

These are some of the ways AFSCME believes the lottery system in Pennsylvania can increase the needed revenues to supplement the growing senior population, and at the same time better utilize the programs already in place.

Our Lottery has the best asset to increase revenues right now - its employees. Utilize the expertise and years of experience these dedicated employees are anxious to offer. And continue to work with Scientific Games to develop and implement any Lottery expansion the Commonwealth deems appropriate.

Thank You and I will entertain any questions you might have.