

NATIONAL COUNCIL OF LEGISLATORS FROM GAMING STATES
COMMITTEE ON LOTTERIES
JANUARY 9, 2004
DRAFT MINUTES

The Committee on Lotteries of the National Council of Legislators from Gaming States (NCLGS) met at Harrah's Las Vegas on January 9, 2004, at 11:00 a.m. Rep. Talmadge Heflin of Texas, Chair of the Committee, presided.

Other legislators present were:

Rep. James Buskey, AL
Rep. Kevin Ryan, CT
Rep. Helene Keeley, DE
Sen. Alex Diaz de la Portia, FL
Sen. Steve Geller, FL
Sen. Pete Brungardt, KS
Rep. Bill Mason, KS
Rep. Dan Ward, MO
Rep. Chris Sainato, PA
Rep. Thomas Van Norman, SD

Others present were:

Bob Mackin, Mackin & Company, NCLGS Executive Director
Susan Nolan, Mackin & Company, NCLGS Deputy Executive Director

MINUTES

The Committee voted unanimously to accept, as submitted, the minutes of its September 5, 2003, meeting in Newport, Rhode Island.

IMPACT OF BUDGET CUTS ON STATE LOTTERIES

The Committee heard a presentation by Mr. Thomas Shaheen, Chief Executive Officer of the New Mexico Lottery and First Vice President of the North American Association of State and Provincial Lotteries (NASPL).

Mr. Shaheen began his presentation by reporting that state lotteries experienced a high volume of management turnover. He said that recently there had been a 41 percent turnover in state lottery directors.

Mr. Shaheen said that, as far as could be determined, few state lotteries had experienced budget cuts. He reported on the results in those states. He said

- Missouri had cut its lottery budget by 50 percent, with no negative effect on Powerball because the game was jackpot driven, generating free advertising through the news media's focus on prize amounts;
- Minnesota had been instructed to make sizeable across-the-board budget cuts, resulting in a 22 percent cut in the lottery's work force, as well as cuts in advertising and marketing, which had hurt sales;
- Maryland had also been instructed to cut the lottery's advertising and marketing budget with similar results; and
- Massachusetts, on the other hand, had ended its eight-year ban on lottery advertising in order to raise state revenue for aid to state municipalities.

In response to a comment from Sen. Geller, Mr. Shaheen said the effects of cutbacks in lotteries occurred over time, with reduced sales only apparent a year or more after the cutback. He noted that lottery directors do not know the effectiveness of their advertising until after they cut it.

Mr. Shaheen said the belief in Massachusetts had been that lottery tickets sold themselves and that advertising was not needed.

FEDERAL LEGISLATION

Mr. Shaheen said NASPL took the position that Internet wagering was a states' rights and not a federal issue. He said that if federal Internet wagering legislation were enacted it would hurt lotteries' ability to compete with other forms of gaming.

Mr. Shaheen reported that the government of Antigua and Barbuda claimed that U.S. efforts to restrict the supply of cross-border gaming and betting services from Caribbean island states are in violation of the United State's obligations and commitments under a general agreement relating to trade and services. He noted that the U.S. claims that Internet wagering carries risks of money laundering, tax evasion and funding for international terrorism. He said Antigua and Barbuda have asked for the creation of a World Trade Organization dispute panel to review the U.S. claim. He reported that the panel had met on December 24, 2003. He said the U.S. had filed a "no case" submission, which the panel overturned. He said it could mean that foreign countries may legally offer Internet gaming in the U.S. He said that another session was scheduled for late January 2004.

UPDATE ON MULTI-STATE LOTTERIES

Mr. Shaheen said Rhode Island, Vermont, and the Virgin Islands had begun participating in Powerball in 2003. He said Powerball would add North Dakota in 2004. He said the odds of winning a top prize in Powerball were about one in 120 million.

Mr. Shaheen reported further that Powerball had entered into an agreement to license the Powerball name to create another source of income for its member lotteries to offset their contributions to the Powerball budget.

Mr. Shaheen also reported that an initiative is underway for an international game, but that European lotteries began to back way from it with the start of the war in Iraq.

Mr. Shaheen said that Texas had become the eleventh state to join Megamillions, bringing the total population of the states in that game to 115 million.

In response to a question from Sen. Geller regarding whether multi-state lotteries take away from state lotteries, Mr. Shaheen said that sales increase overall.

In response to another question, Mr. Shaheen said that, while the New Mexico Lottery had grown, its growth would have been much greater were it not for competition from casinos.

STATE UPDATES

Mr. Shaheen reported on developments relative to several state lotteries.

Mr. Shaheen said that Iowa had restructured its lottery from a state agency to an authority which, he said, gave it more opportunity to operate like a business.

Mr. Shaheen said that South Carolina was considering taxing the sale of lottery tickets. He said that similar proposals had failed in Massachusetts and Missouri.

Mr. Shaheen said that Nebraska had enacted legislation to increase prize levels, based on promises that the lottery would return the same amount to education that it did last year.

Mr. Shaheen also said that Delaware had been allowed 500 additional machines in every video lottery venue in the state.

NEW LOTTERY PRODUCTS

Mr. Shaheen reported on new lottery products in different states.

Mr. Shaheen said that Iowa was offering an electronic games card, called an ECG. He said it was the size of a credit card and programmed with different games and play structures. He said that it would sell for \$20. In response to questions, he said the card was not interactive and that it functioned like a scratch-off ticket.

Mr. Shaheen said that Montana would introduce online games within the state.

Mr. Shaheen also said that New Hampshire had introduced a game called “Heads or Tails,” in which players pick numbers, as in an ordinary game, but double their prize if, in addition to picking the right numbers, they correctly pick “heads” or “tails.”

Rev. Tom Grey then addressed the Committee.

Rev. Grey described electronic gambling on lotteries as a “third rail” for politicians. He said electronic games were not scratch-offs but more addictive products. He said legislation to authorize such products would prove difficult to enact. He noted that in 2003 five states had said no to lotteries, six states had said no to convenience store gambling, and none had said yes. He said he believed citizens were smart enough to understand that electronic game devices were not something they wanted to see sold in neighborhood convenience stores. He noted also that the National Gaming Study Commission had raised many questions with regard to electronic gambling.

ADJOURNMENT

There being no further business, the meeting was adjourned at 11:30 a.m.