Testimony on iLottery to the Ohio Senate Select Committee on Gaming

SB197 Interested Party Testimony

Robert Wesley – Aristocrat Interactive

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Chairman Manning, and members of the Ohio Senate Select Committee on Gaming, my name is Rob Wesley, and I am the Vice President of North American Customer Development at Aristocrat Interactive, the premier global platform and content provider for the regulated online gaming industry. In 2024, Aristocrat acquired NeoGames, the leading provider of iLottery solutions around the world. Over the past 10 years, we have helped to shape the US iLottery landscape as the technology and content provider in the strongest performing states including Virginia, Michigan, New Hampshire, and North Carolina.

Before joining NeoGames and Aristocrat Interactive, I worked at the Virginia Lottery for more than 25 years, most recently as the Deputy Executive Director of Lottery. In this role, I was responsible for building and leading the team that planned, launched, and operated the state's iLottery program. I saw firsthand the authorization of iLottery, the successful launch of an iLottery program, the many challenges we faced, and the lessons learned, and most importantly, the benefits to the state, consumers, and retailers.

I am here before you today as an interested party to share our position on SB197. While we support the authorization of iLottery, there are several concerns with the bill as currently written. In this testimony, I plan to discuss the history of iLottery in Ohio, share the benefits of iLottery, and urge the legislature and Ohio Lottery to coordinate a path forward to authorize iLottery in the state of Ohio.

The Ohio Lottery began this journey back in 2016 when it commissioned a study from Spectrum Gaming Group prepared for the Ohio Department of Administrative Services which concluded that an important driver of growth was implementing an online sales presence. Following the study, there were various attempts to authorize iLottery through legislation, which most recently included SB269 in 2023. Within that time span, the Ohio

Lottery Commission selected NeoGames and Pollard, as a joint bidder under "NeoPollard Interactive," as their iLottery vendor. The selection was done through a competitive bidding process, similar to what we have seen and been a part of in other jurisdictions. While NeoGames and Pollard were collectively prepared to begin the regulatory process and move forward as the iLottery provider - and preliminarily invested in resources and high costs to launch the program – to date, the Controlling Board has not executed the contract which has ultimately led us here as we reconsider this issue.

We appreciate Chairman Manning for his leadership on the issue. The newly introduced SB197 is an effort to modernize Ohio's current lottery and gaming market. We understand the iLottery portion bill was written using SB269 from a few years ago, but we would like to make a few suggestions that reflect both the passage of time since SB269 passed the Senate in 2023 and the rapidly changing gaming environment in Ohio. We believe the goals of a successful iLottery program should be to maximize revenues, build an omnichannel program between retailers and the online provider, innovate with new offerings, and grow the player base while maintaining strong consumer protections. Our assessment is that SB197, as currently drafted, may prevent the Ohio Lottery from achieving these goals.

SB197 would dramatically increase the amount of compensation to be paid to licensed lottery sales agents. The current commission rate of 5.5% for retailers is in line with the national average. We fully understand the goal to help support retailers, but that will happen organically with iLottery authorization. In neighboring Michigan, retailers participate fully in the cross-promotion and marketing iLottery program. A report[1] by Spectrum Gaming shows that based on their participation and the growth of the market, Michigan's retailer base earned $370.9 Million in commissions in 2021 with iLottery. At that time, it was a record amount and was more than double the $167.3 Million in commissions earned in Fiscal Year 2015 before iLottery was launched. Michigan and other states have not increased their retailer commission rates because iLottery has served as a conduit for customer growth, new marketing and promotion opportunities, and increased revenue for retailers.

[1] Spectrum Gaming Group, "Future of iLottery: Analyzing, Developing Multi-Channel Strategy", March 2022.

SB197 also has prohibitions on the types of games offered under iLottery. Eliminating the prohibition on certain types of games like online instant games can help provide customers a full slate of options in the legal regulated market, expand cross promotional options between the iLottery provider and retailers, and better align with the national approach on iLottery. In addition, while typical draw games and statewide joint lottery games are a big part of the market, the online instant market creates a new and innovative option for consumers. Restricting what iLottery games can look like and limiting design capabilities will go against the goal of innovation and ultimately restrict revenue potential.

We are hopeful that Chair Manning, this committee and the legislature will work with us and other stakeholders to ensure that these concerns with the bill are addressed to help better align Ohio with the national iLottery market.

Online lottery sales are currently authorized in 14 states and have been considered in several others during the 2025 legislative session, including Louisiana, Maryland and New York. As this committee, the Ohio Legislature and the Ohio Lottery Commission consider the future of lottery, we respectfully suggest that the legislature first authorize the sale and purchase of lottery games online and second allow the Ohio Lottery to select an online lottery vendor through an open, transparent, and competitive procurement process specific to iLottery. Subsequently, the state of Ohio may then launch a digital lottery program to complement and enhance its existing retail program and continue to maximize returns for the state.

We continue to see a significant migration towards online options across all industries. The lottery industry is no different. We are seeing a shift from the historical retail-only lottery model to a more modernized hybrid approach with omnichannel retail and online components that bring in new players in new ways. Consumers want to have the access and the ability to do everything right from the convenience of their phone, computer, and mobile devices, in addition to traditional brick and mortar options. In our experience, we recommend that the following facts and perspectives be considered to understand the benefits of iLottery for the State of Ohio:

1. Lottery profits can be directed to schools -

As the legislature considers revenue generating legislation and budget proposals, we believe modernizing existing gaming programs through the authorization of iLottery can help Ohio continue making strategic investments in critical areas like education and economic development by raising revenue without raising taxes.

The latest annual financial report[2] from the Ohio Lottery showed that in Fiscal Year 2024, the Lottery sent over $1.5 Billion to Ohio schools. In an age of innovation, and as we have seen in other states, iLottery has the potential to further support the growing cost of education.

Fully implemented iLottery programs (in concert with continued support of retail programs) in states like Virginia, Michigan, New Hampshire, and North Carolina have contributed millions in incremental net revenue to good causes in their respective states. We recommend reaching out to public and lottery officials in those states to get details their successes and challenges – but we believe an iLottery program would be an important lift to Lottery profits and school funding, noting that passage would start a multi-month process of due diligence, a competitive RFP process, an award and then a project implementation program – so it will take an investment in some time from approval to when the first ticket is sold.

2. Potential to grow player base and achieve incremental lottery sales -

iLottery states can help increase retail engagement alongside their online platforms, due in large part to the successful omnichannel programs and new players. According to recent data[3] from Eilers & Krejcik Gaming, gross sales increased 37% year over year in 2024 in the 14 iLottery states. We acknowledge here today - and Sen. Manning can attest to this – retailers may be skeptical, but we look forward to collaborating with them to advance an iLottery program that is good for the state and helps them continue to grow both the lottery and other components of their business that benefit from the foot traffic.

[2] Ohio Lottery, "Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2024", October 2024.
[3] Eilers & Krejcik Gaming, "U.S. iLottery Tracker – 4Q24", February 2025.

3. Additional player safety with responsible play and consumer protection tools -

The online channel provides additional player safety with key consumer protection components such as age and identity verification, player spending limits, player session limits, and self-exclusion programs. Every state that has authorized iLottery has adopted a similar suite of responsible play protections to ensure that the online market uses technological advances to know its player base but also provides additional mechanisms to protect them. The Ohio Lottery and other lotteries are known to have a focus on responsible gaming programs and this trend has expanded with the use of digital technologies.

4. Paperless, environmentally friendly with strong governance and cost efficiencies -

As the world looks for ways to reduce carbon emission and paper usage, these environmental benefits are also a reward of iLottery systems. In addition, a modern digital program may allow for more tools to provide strong governance and financial accountability.

5. Improved accessibility through modern technologies -

As we saw during the pandemic, when many retail operations were forced to curtail their activity, the online option successfully filled the gap for players. Advanced iLottery solutions continue to benefit players who cannot access a retail point of sale for any given reason, be it health, mobility reasons, or inclement weather.

6. Successful co-existence with other forms of authorized gaming -

Aristocrat Interactive has seen firsthand the ability for iLottery to not only successfully co-exist with other forms of gaming, but to also be mutually beneficial to the states in which they operate. From the experience in states where iLottery operates side-by-side with iGaming and sports betting, it introduces new audiences to the different propositions. In fact, many states are beginning to introduce legislation to authorize both iLottery and iGaming together, as they look to capitalize on the opportunity to address them at once and fully modernize their gaming apparatus, with the proper digital controls in place.

As you consider the benefits of iLottery, please look to Virginia as a model as they are currently the highest performing iLottery state per capita since launching their iLottery program in 2020. According to publicly shared data[4], just five years into their iLottery program, Virginia saw a record $934.1 Million in proceeds, which represents a 43.8% increase over the pre-iLottery record of $649.7 Million. For retailers, yearly retailer compensation increased by over 17% during the first five years of iLottery, reaching a record high of $141.5 Million in Fiscal Year 2024. The returns in Virginia show just how impactful iLottery expansion can be for a state and its retailers.

In conclusion, there are a multitude of reasons to authorize iLottery. We want to make sure that SB197 is put forth with provisions that protect and fully capture the goals of iLottery. Aristocrat Interactive is hopeful that we can serve as a resource to this committee, the Ohio Legislature, and the Ohio Lottery, on this timely and important matter. Thank you again for allowing us to submit our comments and for your consideration. We welcome the opportunity to meet in the future to discuss our views on iLottery in greater detail and can provide additional data from various iLottery programs throughout North America. Please feel free to contact my colleague Harper Stephens (Harper.Stephens@aristocrat.com) with any questions.

[4] Based on "Virginia Lottery Revenue Distribution" Data: https://www.valottery.com/playingmatters/givingback