

**Testimony of David P. Corey, Executive VP  
Bowling Centers Association of Ohio  
Senate Government Oversight & Reform Committee  
Opponent Testimony - SB 269  
Wednesday, May 18, 2022**

Chairman Roegner, Vice Chair McColley, Ranking Member Craig and members of the Senate Government Oversight & Reform Committee, thank you for the opportunity to provide opponent testimony on SB 269 – Internet Lottery Game Operations. My name is David Corey, and I’ve been the Executive Vice President of the Bowling Centers Association of Ohio for almost 25 years. BCAO is a trade association consisting of 130 of the almost 200 bowling centers in the state of Ohio, and we represent approximately 5,000 Bowling Center employees. We truly appreciate your time today to have an honest discussion about the Ohio Lottery’s ill-conceived plans to implement iLottery.

First, we want to respectfully remind the Committee members that the entities that have made the Lottery what it is today, a money-making juggernaut, are Ohio’s retail community, which bowling centers have been a part of for decades. Some of the Lottery’s best performing Lottery & Keno retailers are Bowling Centers, so that’s one of the reasons why we are here today. Secondly, our testimony today will have one very powerful and common theme that we have been advocating for, for decades and that is: **FAIRNESS and a LEVEL PLAYING FIELD. Our testimony will focus on three vital issues: iLottery should have the same games, same payouts and same commissions as traditional lottery scratch-off games. There should be no competitive advantage whatsoever, from one form of lottery game platform to another.**

On November 5<sup>th</sup>, 2021 the Ohio Lottery circulated the attached document that speaks directly to our request for a level playing field and fairness. Players are smart. Once they realize payouts are higher, they will gravitate to on-line games – guaranteed. The result: In-person lottery sales decrease and the “ancillary sale” (the extra game of bowling, piece of pizza, pack of gum, beverage, etc.) which is where the profit margin is for brick & mortar locations and how they generate their revenue, also decreases. (Remember, in all their “research” there is never a mention of what happens to “ancillary sales”, it only

mentions what supposedly happens to traditional lottery sales.) It is common sense for small business owners to fear the loss of their ancillary revenue regardless if their lottery sales go up. As the Lottery's November 5<sup>th</sup> document identifies, the brick & mortar retailer is already at a large disadvantage related to trying to attract customers looking to play lottery:

- Lottery VLTs at racetracks pay out a higher percentage to winners
- Lottery kiosks in fraternal clubs' pay out a higher percentage to winners
- Your recently approved e-Bingo machines at Fraternal & Veterans Clubs pay out a higher percentage to winners
- Casino games payout at a higher percentage to winners

As proven by studying Michigan data, iLottery will pay out a significantly higher win percentage to its customers than traditional lottery games will. **Directly from the Ohio Lottery's document, a \$1 play in a bowling center has a payout percentage of 67%. A \$1 bet on iLottery has a payout percentage of 88%.** Now, please tell us how that is fair and a level playing field? If you were a lottery player, would you play in a brick & mortar store and win only 67% of the time or would you play on your cell phone where you would win 88% of the time?

Also, how long before we turn our cell phones into pocket VLT's? Once this program is started it will most certainly attempt to place more aggressive games on its platform.

**We found the proponent testimony a couple of months ago to be a bit puzzling:**

- a.) Why would the current Michigan & New Hampshire Lottery Directors provide proponent testimony, but not anyone from the Ohio Lottery?
- b.) Why is the Michigan Lottery, a fierce competitor with the Ohio Lottery, advising Ohio on what to do with its Lottery? Why do they want to improve our Lottery? How is it in the best interest of Michigan taxpayers to improve Ohio's Lottery?
- c.) Who paid for these out of state Lottery Directors to come and testify in Ohio? We doubt New Hampshire and Michigan taxpayers paid their directors to testify.
- d.) Neo Games claimed that Ohio will receive a \$100 million annual benefit, more than double what they testified to previously and also contrary to testimony from the Ohio Lottery Director during budget hearings. During that testimony, they stated it

would start out at potentially just over \$25 million per year and grow to as much as \$50 million per year. How can Ohio make an educated decision with revenue numbers being created randomly? If the General Assembly is considering giving a higher commission to a segment of its retailer base, it would cause the entire program to potentially become a “net negative” revenue. Let us explain: For example, let’s take their revenue number of \$50 million (I know that they’ve said, \$25, \$50 and \$100 million, so let’s just use their \$50 million number for this example.) If they increase commissions by 2% all on lottery products (which is what we hear they are proposing to do to get buy-in), that would equate to a loss of approximately \$60 million. So, why institute iLottery at all if it’s going to result in a net loss of \$10 million? The numbers and explanations just don’t add up.

Furthermore, since the legislature approved slot machine style e-Bingo machines for fraternal & veterans clubs ONLY last summer (see attached pictures of their slot-machine style equipment), we have discovered that NEO Games’ parent company, NEO Pollard, has been granted an e-Bingo license by the charitable gaming section of the Attorney General’s Office. So, which team is Neo Games on? The fraternal & veteran clubs’ e-Bingo product is in direct competition with the entire product line of the Ohio Lottery. How does a vendor provide slot machines to fraternal clubs while also receiving a monopoly to conduct iLottery on all Ohioans’ cell phones? Maybe these details need closer scrutiny by the Ohio General Assembly?

e.) All the recent record revenue they are trying to attribute to iLottery in other states should instead be attributed to COVID-19. Every lottery in the country had record revenue in 2021 due to the stimulus money that our government flooded into the economy. It has been documented that much of that money was used to play lottery products. Also, as Ohio’s hospitality industry tries to continue to dig out of from under the pandemic, it has become very apparent that the success of iLottery products in other states has come at the demise of those products conducted in brick-and-mortar locations. As always, we are happy to provide that data if you would like to review it.

It is also important to inform you that the hospitality community is somewhat insulted because the Ohio Lottery continues to push for iLottery while refusing to enact the sports betting legislation passed by the General Assembly according to its intent. The Ohio Lottery has proposed rules that will provide no integrity to their sports betting product. Most importantly, the Ohio Lottery plan does not ensure that ALL retailers will have the opportunity to participate, which will result in even further disparity of treatment amongst lottery retailers by only the large chain accounts having sports betting.

We know it sounds like we are trying to kill iLottery, but we really aren't. We're here to help educate you on what's occurring (and what's not occurring) out in the field. If Ohio really believes this is the way to go (and we're not sure if you really do) then all we ask, all we've ever asked, is that it should be implemented in a fair and equitable manner to benefit the entire state and our small businesses - and not to help one vendor.

**Retailers will support iLottery if the platform has identical games, same payouts and same commissions as traditional lottery scratch-off games. There should be no stark competitive advantage whatsoever, from one form of lottery game platform to another, or one lottery retailer to another. There also should be multiple vendors so that the brick & mortar retailers have a choice on which company to partner with. The General Assembly did an amazing job related to free markets with Sports Betting by allowing up to 25 mobile sports betting operators. Why would Ohio only award only 1 mobile iLottery provider?**

To continue to facilitate an uneven playing field is a mistake for Ohio and we hope you will make the necessary changes in SB 269 to ensure fairness for all. Thank you for your time and I would be more than happy to try and answer your questions.

**To:** Senator Nathan Manning  
**From:** Nick Ciofani, Chief Legislative Officer, Ohio Lottery Commission  
**Date:** November 5, 2021  
**Subject:** Response to Questions About iLottery

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### **Overview of the Ohio Lottery's iLottery Retailer Support Plan**

The Ohio Lottery is a state agency whose mission is to help fund education with revenue generated from the sale of lottery games. These games are available at over 10,000 retailers who receive commissions, incentives, and bonuses from selling games and cashing prizes.

Twelve states have authorized the sale of lottery products via the internet (*see Appendix A*). While we have heard concerns from a handful of retailers and retail associations on the potential impact that selling lottery games online may have on foot traffic in their stores. However, in research done in other states with iLottery, the data shows there was no negative impact on traditional Lottery sales but an increase in-store lottery sales (*see Appendix B*). Additionally, **we required and mandated specific retail support marketing tactics in the iLottery RFP** to help support our retail network and grow brick-and-mortar sales even further.

### **RFP Requirements for Retail Support Plan:**

As stated above, during our RFP process, we **required** bidders to meet various requirements for retailer support. This retail support plan will include but is not limited to:

- **Prize Cashing:** The ability to cash iLottery digital prizes at retail. Not only will this feature generate foot traffic, but it will also count towards retailers' prize cashing commissions.
- **Retail Game Card ("iCash"):** A \$20 game card available only at retail that will allow players to add \$25 to their digital wallets to purchase iLottery games. Once again, this card will both drive foot traffic into brick-and-mortar stores and count towards retailers' sales commissions.
- **Promotions:** Many players of iLottery are new to Lottery, which opens the opportunity to bring in **new** foot traffic into retailers. iLottery promotions can be redeemed at retail for discounts on lottery products. Here are some examples:
  - **Daily Promotions** – iLottery players can receive a free spin each day for in-store coupons, free-play, and other prizes.
  - **Cross-promotion**—Mobile vouchers can be offered to drive digital players into stores for free or discounted products.
- **Affiliate Marketing:** An affiliate marketing program that will allow retailers to earn a commission for recruiting new iLottery players.
- **Exclusive Games:** As was committed to the retail associations in 2019, we have agreed to keep some of our most popular lottery games exclusive at retail.
- **Find Nearest Retailer:** The iLottery platform will contain the ability to locate retailers near the player's location. This will help players find retailers to cash out their iLottery accounts or redeem online promotions.

These retail strategies are modeled off best practices. With this retail support plan in place, we are confident that iLottery will be a win-win for both the Ohio Lottery as well as our 10,000+ retail partners. **Retail has been, is, and will always be the backbone—and the heartbeat—of the Ohio Lottery's success.**

### **Current Lottery Games and Payouts**

The Lottery offers 230+ games categorized as traditional Lottery games. These include draw-based games (*Pick 3, 4, 5, Rolling Cash 5, Classic Lotto, Lucky One, etc.*) and instant scratch-off tickets. The Lottery develops each game—including the prize matrix and odds—with careful consideration to its sales potential, profitability, and reception from players.

#### **EZPlay Games**

The Lottery offers several fast-play style games called EZPlay®. Every EZPlay ticket is generated at the time of purchase with a set of numbers or symbols on it. Players simply match their play numbers/symbols to see if they won.

Both EZPlay and EZPlay Progressive games are generated and printed at lottery retailers. Like scratch-offs, the product mix is determined and rotated based on key metrics including sales opportunity and profitability. These games have higher average payouts.

**EZPLAY**

Price Point	Average Payout %
\$1	67.87%
\$2	67.65%
\$3	66.59%
\$5	71.92%
\$10	76.33%
\$20	77.64%
\$40	82%



**EZPlay Tap and "Touch & Win" games:**

There are also over 80 electronic, tap-style games offered known as EZPlay TAP and EZPlay Touch & Win games. Currently, these games are similar to e-instants which are simply electronic reveals of instant-win style games (like scratch-offs and EZPlay). These games can be played on the Lottery's terminals that are found in Veteran and Fraternal Halls, Bars/restaurants and truck-stop locations.

Game Style	Average Payout %
Tap	87.91%
"Touch & Win"	78.86%

**Scratch-off Games:**



Currently, there are over 70 scratch-off games offered at retail. Payouts vary by price but averaged 73.4% in Fiscal Year '21. **Ohio ranked 8<sup>th</sup> in the country for highest payout of lottery scratch-offs last fiscal year.**

Over the past couple of years, we have been steadily increasing the prize payout in our \$1, \$2, and \$5 products. Our aggregate payout in the past year and a half has increased over 2%.

The chart to the right depicts the aggregate rates as compared to Michigan last year. As you can see, based on the payout metric alone, Ohio outpaces Michigan in the majority price points, and remains competitive in the other price points.

Aggregate Payout FY '21	Ohio	Michigan
\$1	63.3%	60.5%
\$2	66.7%	63.0%
\$3	70.0%	65.0%
\$5	69.9%	69.9%
\$10	73.3%	75.1%
\$20	75.2%	77.3%
\$30	80.9%	76.7%

**Note:** For every 1% increase in payout, there needs to be a corresponding 7% increase in sales to maintain the same profit. This is critical as the Lottery is under an annual legislative mandate to transfer a specified amount to the Lottery Profits Education Fund.

One important way retailers can achieve their goal of increasing payouts is to carry the games with higher price points. Below are two examples (as of week ending 10/23) of top-selling games that would help retailers earn more commission.

- \$30 – *Extreme Millions* has a payout of 81.15%; currently only 46% of retailers carry that game.
- \$20 – *\$300 Million Diamond Dazzler* has a payout of 75.4%; currently only 64% of retailers carry that game.

The Lottery, and its vendor partners, use data analytics and predictive modeling to determine what games should be sold at each location. Lottery staff work with retailers daily to help them understand how this will increase their sales (and commission) by carrying the right product mix for their specific store. Ultimately, this is a win-win-win as it meets our players preferences, increases retail commissions and maximizes profit for education in Ohio.

**Lottery Support to Retail Businesses**

The Lottery utilizes several strategies to support its retailer base. This includes, but is not limited to, consistent enhancements to the in-venue product offerings, a retailer incentive program, and marketing support/cross-promotion through our players club – MyLotto Rewards (see attached document).

**Enhancements to Product Mix**

Over the next several months, the Lottery will add scratch-off games that have higher payout rates than our current games. This consists of the next round of holiday tickets which include a \$20 game with a 76% payout; a \$10 Gigantix ticket with at 74%; a \$5 game with a 71% and additional games over the coming year such as the \$30 Monopoly 200x game with an 81% payout and a \$2 Player Appreciation ticket that features an 80% payout. Last, but not least, the Lottery also offers a few games where all prizes are eligible to be cashed at retail stores resulting in cashing commissions (i.e., \$10 "50-100-500"; \$5 "25-50-50"; \$2 "Winner\$ Galore").

**Conclusion:**

The Lottery takes the concerns of our retail partners very seriously. In the states that have already launched iLottery, the data has shown that it increases overall lottery sale, brings in new players and continues to help retailers grow their bottom lines. The Lottery's staff has always worked to help and strengthen our retail network and this mission will never change.

**Appendix A:**

The table below shows how each of the states which have iLottery received their authorization. Based on our research, six states received some sort of legislative authorization, and six states had their own governing board make the decision to move forward with iLottery.

State	Year Launched (Calendar Year)	Games type sold over the internet	Authorization
Illinois	2012	Mega Millions, Powerball and In-State Lotto games	Legislation
Georgia	2012	Diggi Games ("e-instant" games), draw games, Keno	Lottery decision
Delaware	2013	Lottery run casino style games branded by their racinos	Legislation
Michigan	2014	Draw, "e-instant" games & on-demand Keno,	Lottery decision
North Carolina	2016	Draw games	Lottery decision
Kentucky	2016	"e-instant", and Multi-state draw games	Lottery decision
Pennsylvania	2018	"e-instant" games	Legislation
New Hampshire	2018	Multi-state games	Legislation
Virginia	2020	"e-instant" games	Legislation
D.C.	2020	"e-instant", Multi-state draw games, in state draw game	Lottery decision
Rhode Island	2020	Keno, e-Instants games	Lottery decision
Connecticut	2021	<i>In process of launching</i>	<i>Legislation Passed</i>

**Appendix B:**

This is a sampling of quotes and facts from various lotteries who already have iLottery and information about their retail sales.

**New Hampshire** – “In Fiscal Year (“FY”) 2021, ending June 30, 2021, the New Hampshire Lottery’s net gaming revenue increased by 123% year-over-year, while simultaneously growing its retail instant sales by 18%.”

**Virginia** – “Total iLottery sales exceeded \$807 million in Virginia, setting a new industry record by becoming the highest grossing first year iLottery program in North America.... The Lottery’s traditional retail sales also increased at the same time, growing by 15%....”

**Pennsylvania** - During the iLottery’s first fiscal year, PA’s traditional lottery sales at brick-and-mortar retailers increased 7.2% over the previous fiscal year. Sales of scratch-offs jumped 5.9%.

**Michigan** - Scratch-off sales in retail stores have increased by 123% since the introduction of iLottery in 2014.

**Georgia** - Has seen a 18.7% increase in scratch-off games during the past two fiscal years.





