



February 29, 2024

The Honorable Vanessa Atterbeary
Chair, House Ways and Means Committee
House Office Building, Room 130
Annapolis, Maryland 21401

Re: Support HB1218 “State Lottery – Internet Sales Authorization and Distribution of Proceeds

Dear Chair Atterbeary,

On behalf of Scientific Games, thank you for the opportunity to provide testimony to the House Ways and Means Committee in support of HB1218 and the modernization of Maryland’s Lottery through the potential authorization of online sales.

My name is Christine Wechsler. I am an attorney and Senior Vice President of Public Policy and Government Affairs for Scientific Games. In my role, I provide support to our company’s professionals as they develop digital solutions for our global lottery customers and implement programs to modernize technology that will grow revenue for good causes all over the world. These efforts include delivering digital promotions tied to retail games, online loyalty programs, iLottery services and instant games that are consistent with best practices while working to ensure safety, security and strict compliance with governmental laws and regulations.

Scientific Games is the global leader in retail instant games, a major provider of retail systems and technology, and an industry pioneer in iLottery and digital lottery solutions that drive profits for government-sponsored lottery programs. We are a trusted partner to more than 130 lotteries in 50+ countries, including 30+ iLottery customers.

We are a 27-year partner of the Maryland Lottery providing the systems technology, terminals and communications infrastructure supporting sales of lottery games at retail. Scientific Games also provides other products and services including printing instant tickets, inventory management software (SciTrak) for instant games, and we manage the entire interactive category which includes the Lottery’s loyalty program (My Lottery Rewards), associated mobile app, and second-chance promotions.

Our investment in this nearly three-decades-long partnership is reflected in our dedicated in-state team over 50 employees who support the Lottery and its retailers as well as millions of dollars invested in automation and infrastructure to ensure continuous operations. Our focus is on delivering solutions and services to facilitate retail growth and maximize profit returned to the State’s beneficiaries.

As a long-term partner to the Lottery, Scientific Games is invested and fully committed to helping shape a successful iLottery framework for the State that also responsibly drives continued growth across the Lottery’s established retailer network while providing incremental

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internet/mobile revenue. We have facilitated and experienced this growth first-hand with our partners globally, including the Pennsylvania Lottery's record-breaking iLottery program, which delivered incremental returns to the state while simultaneously growing retail sales by 7.2% in its first year. We welcome this opportunity to share facts and best practices as the Committee considers legislation to modernize the Maryland Lottery.

Threat of Not Modernizing

With \$1.589 billion in contributions to the state during FY23, Maryland Lottery and Gaming is the state's fourth-largest source of revenue. To maintain and grow the more than \$1.5 billion in profits returned annually, the Lottery must remain competitive and modernize at the same pace as other gaming products offered in the market. Maryland players expect the option to purchase lottery games at retail or online, just as they can with most other consumer products and as they now see offered with in-state sports betting and by lotteries in neighboring Virginia, District of Columbia, Pennsylvania, and soon West Virginia.

Offering online sales is essential for the Lottery to market to and attract new players, protect its brand and maintain its relevance and continued revenue growth in an increasingly competitive gaming market. Consumers in Maryland have many choices as to how they spend their entertainment dollars, including state-licensed casinos and retail and online sports betting, but none of those options return 100% of their net proceeds to fund public programs and initiatives like the Lottery.

Protect and Grow Lottery Sales Across All Channels

It is imperative the Lottery positions its core retail business and 4,300+ small business partners for sustained success while also introducing the brand to new online consumers.

Selling online is an important step for the Lottery to market and deliver its products and programs to players across all sales channels – protecting its core brick-and-mortar sales and retailer earnings while developing and growing a new digital audience. A well-designed iLottery program with a full-line product strategy that markets the Lottery's whole portfolio together and rewards retail participation, like the SG-designed Pennsylvania Customer Referral program providing incentives for retailers supporting iLottery, will ensure growth across all channels and continue to facilitate growing returns for Maryland.

iLottery Benefits Retailers

Retailers are well-positioned to benefit from iLottery, through well-managed and successfully implemented marketing strategies and retailer programs. In Pennsylvania, Scientific Games and the Lottery created, with input from retailers, an effective way for retailers to participate in online sales success.

A retail affiliate program was established providing additional financial incentives for retailers who refer players to the iLottery program.

The "Customer Referral" program provides retailers with three ways to earn more:

1. Through a Profit Share approach – Retailers can earn a 20% revenue share from each

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- player they refer.
2. With Cash Awards – Retailers can earn \$100 cash instantly for each player they refer.
 3. A Hybrid of both – Retailers can earn \$50 cash instantly for each player they refer as well as a 10% revenue share.

Webcash – Players may purchase a voucher at retail to fund their online iLottery wallet. Retailers earn their commission on the Webcash sale since it is generated in-store, from the terminal. Since the launch of iLottery, over \$20 million in WebCash has been sold, and retailers have earned over \$1 million in commissions on these sales.

Big Win Commission – Players who win a big prize and were referred by a retailer to the iLottery program, enable the retailer to win too. From \$100 to \$20,000, retailers may receive an extra commission when their referred player wins in the iLottery program.

Cross-promotions – The Lottery runs promotions where an online version as well as a retail version of a game of the same brand are sold simultaneously. The Lottery motivates players who purchase the online game to purchase at retail by awarding them with a coupon they redeem at retail establishments.

Key iLottery facts:

- **Growth in Lottery play will benefit all key stakeholders.**

Despite concerns that retail lottery sales may be cannibalized once a lottery begins selling its games online, it is actually proven the opposite.

- Of the 12 U.S. lotteries selling online today, none have experienced cannibalization at retail. Retail sales have grown faster in iLottery jurisdictions than in states that do not sell online.
- U.S. lotteries have averaged instant game retail growth of 10% post-introduction of iLottery indicating that “rising tides lift all ships.”

- **Online sales platforms deliver player protections and tools that support healthy, responsible play.**

Lotteries and their vendors, like SG, are integrating strong player protections and certified responsible gaming practices into iLottery platforms. These include:

- Tools that allow players to set bet, deposit and time limits as well as select cool-off-periods or opt to self-exclude from play, combined with one-click access to resources and help for any potential problems.
- “Know Your Customer” age and ID verification for all registered players.
- Security measures to protect players’ financial information and data privacy.
- Geolocation technology to ensure players are within the state.

Best practices to legislatively set the course for Maryland’s iLottery Success:

- Modernize the Lottery by implementing a best-in-class consumer experience via online and on mobile.

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- Keep the Lottery's retailers engaged and informed. Share data on how iLottery enhances, NOT cannibalizes, retail business. Build in programs that benefit retailers and help them grow along with online success.
- Require iLottery solutions to include mobile and internet solutions that also increase retail sales.

The Maryland Lottery is like all other businesses selling products to consumers; it must modernize to meet changing consumer demand. Providing convenient and relevant experiences to consumers online **and** at retail will be critical to enable the Lottery's sustainability and maximize revenue potential for the state.

Thank you again for the opportunity to share this information in support of online sales for the Maryland Lottery. Please do not hesitate to contact us with any questions.

Sincerely,

Christine Wechsler

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