February 27, 2024

House Ways and Means Committee
Room 131, House Office Building
Annapolis, MD 21401

Re: Letter of Information – House Bill 1218 - State Lottery – Internet Sales Authorization and Distribution of Proceeds

Dear Chair Atterbeary, Vice Chair Wilkins, and Members of the Ways and Means Committee:

The Maryland Lottery and Gaming Control Agency ("MLGCA" or "Agency") submits this letter of information to the House Ways and Means Committee ("Committee"), as background information regarding House Bill 1218 – State Lottery – Internet Sales Authorization and Distribution of Proceeds.

Landscape Analysis
Currently 14 U.S. jurisdictions have authorized iLottery programs, and 11 jurisdictions have launched iLottery. No two iLottery programs are the same, and each jurisdiction carefully selects which games to offer on its iLottery platforms and which games will remain exclusive to retail.

Retailer Impact and Collaboration
There is no traditional lottery cannibalization in markets that have iLottery programs. Retail lottery sales continue to increase in states that have active and robust iLottery offerings due to retailer collaboration efforts. The premise behind retailer collaboration is taking non-lottery players and engaging with them in the iLottery platform and encouraging them to visit and engage at traditional retail locations.

On-going retailer collaboration programs in other states are funded with a percentage of traditional lottery sales being reinvested into the iLottery program at traditional retail locations.

Impact on Existing Lottery Subscriptions
The proposed legislation would amend State Government Article §9–101(e) by authorizing players to purchase a subscription through an electronic device that connects to the Internet, such as a personal computer or mobile device.

Currently, a subscription player must complete a State Lottery subscription application from the Lottery's website, print the completed application and mail it to the Agency, along with a check, for processing the player's subscription plan. Once the Agency completes its review of the application and payment, the Agency then activates the player's subscription, and the player

receives an email that the subscription plan has been activated for the requested number of drawings. Subscriptions differ from iLottery partly in terms of the number of draws purchased. The Agency currently offers subscriptions that are valid for between 13 and 52 weeks and only for our jackpot type games. iLottery purchases tend to be for shorter durations, even a single drawing.

Increased Player Protections Available Through iLottery
Every state that has adopted iLottery has also adopted measures designed to address this issue.

- **Age Verification** – Age and identity-verification technology is used during account registration to ensure all players are at least 18 years of age.
- **Geolocation** – Players must be physically located in the state to make purchases and use some other features. Advanced geolocation technology is used to determine each player's location at the time of purchase.
- **Deposit Limits** – Players may set daily and weekly deposit limits. A default weekly limit can be set at registration.
- **Time Limits** – Players can set up daily and weekly time playing limits.
- **"Take-A-Break"** – Targeted messages can be displayed after X number of minutes of play to encourage healthy play.
- **Self-Exclusion** – Players may choose to take a break from iLottery.
- **Play History** – Players can monitor the time and money they spend on Lottery online gaming through their personalized account histories.
- **No Credit Cards** – Players would be prohibited from using credit cards for the purchase of iLottery.

Michigan iLottery Program Highlights
Michigan was the first U.S. jurisdiction to launch iLottery in 2014. Its sales distribution is very similar to Maryland in that 43% of revenue is generated from scratch off ticket sales and 57% is generated from draw game sales whereas Maryland's split is 42% scratch off ticket sales and 58% draw game sales.

Michigan's iLottery mobile app serves three purposes:

1.   Ticket checker
2.   Rewards platform which offers a free daily *Spin to Win* game to play for anyone 18+
3.   iLottery platform

Michigan has an average of 490,000 users per month on its mobile platform (6.2% of the 18+ population). Of its average monthly app users, 59% use the app **only** as a ticket checker and to participate in the rewards/second chance platform. These users do not deposit any money into the iLottery program. The remaining 41% (203,000 average monthly users) are iLottery players. Of the 203,000 iLottery players, 49,000 play **both** iLottery games and traditional retail games.
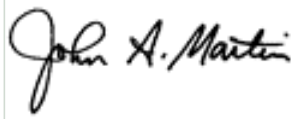
Thank you for your consideration of this information, as the Agency takes no position on this proposed bill. If you have any questions or need more information about this subject, please do not hesitate to contact Julianne Fiastro, MLGCA Senior Advisor at (410) 967-7229 or julianne.fiastro@maryland.gov.

Sincerely,

John A. Martin
Director