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PGRI INTRODUCTION: Over the past couple of years, the U.S. gaming industry has been undergoing transformational changes. The explosion of new gaming options is changing the competitive landscape and represents a challenge for lotteries. At the same time, the need for states to increase revenues from their state lotteries represents an opportunity for lotteries to innovate and expand. So, now more than ever, Lottery Directors need to steer their organizations through some very tricky waters. The potential for collective action to enhance results makes it an even more complex puzzle. Collaboration between 40+ lotteries with their own unique sets of policy and business objectives is challenging indeed. But collaboration is key to the long-term success of each individual lottery business. As President of NASPL, Jeff Anderson discusses the focus and charter of the industry association, and how the members are pulling hard to implement an agenda that is ambitious while being targeted towards achievable objectives.

Paul Jason, Public Gaming: *Congratulations to you and all the Directors for the break-through on differentiating the two super-jackpot games. An "Enriched" PB that is More, Bigger, Better would seem to be the next logical step towards optimizing the performance of both games. As it happened, though, not all states agreed that raising Powerball to \$2 was the best thing for their particular state. To what extent does the in-state agenda conflict with a national or multi-state perspective?*

Jeff Anderson: The need to deliver optimum benefits to the state is not in conflict with the need to have a national and multi-state perspective and agenda, although there are distinct issues at the individual state level. For example, some states have legislatively mandated profit percentages that restrict the ability to increase prize expense for a game such as Powerball. Collaboration does create opportunities to enhance the performance and results of each individual Lottery, enabling the Lottery to generate additional funding for our Good Causes.

That's why we invest time and resources in working together – because that investment delivers a positive ROI for our respective in-state constituents. In Idaho, Governor Otter

supports our involvement in national issues and understands that taking the time to contribute to problem-solving of national issues is important for the long-term success of the industry and is therefore something we should do. Even if there is not a direct connect between a particular initiative and the people of Idaho, issues that affect the national industry do ultimately affect us. I think lottery directors feel a sense of responsibility to contribute to the progress of the lottery industry nationally and realize that none of us can always be fully insulated from the events that happen around us.

There are many initiatives to date that demonstrate the significant benefits of multi-state collaboration to our in-state stakeholders. The multi-state games produce tremendous benefits for each and every participating state; benefits that there's no way any of us could produce individually on the scale that we achieve without collaboration. And our industry association, NASPL, is a vital organization that enables meaningful interaction between lottery directors. It's been an invaluable catalyst for education, disseminating best-practices more rapidly, and assisting new directors to ramp up quickly with objective guidance from experienced peers. This industry is evolving such that our

future success will require ambitious collaborative initiatives.

State lotteries that see a benefit to a particular idea have the option to adopt it or not. Where consensus is required, like the decision to raise Powerball to \$2, then you perform as much due diligence as needed, take a vote, and everyone then moves forward with the group's decision regardless of which way we may have voted individually.

I frankly think that, as a group, lotteries and their directors can be very proud of the progressive attitude they have towards working together to achieve big-picture results. There are too many Directors to mention by name that contribute their time and talent to helping the industry and their colleagues to succeed, but their leadership has been decisive, important, and very much appreciated by all of us.

It would seem like all other interest groups have well-funded lobbying campaigns and that nobody is representing the interests of state lotteries. Is there any traction to engage NASPL in a more active role in communicating the benefits of lotteries to shapers of public and regulatory policy at both the federal and the state levels? And is unanimous agreement among all the members necessary on each issue?

J. Anderson: It's true that many interest groups have well-funded lobbying efforts and that NASPL is somewhat restricted in following suit. However, on July 1, 2011 the NASPL members approved, without a single "no" vote I might add, a historic resolution clearly stating our position on the issue of the sovereign states' prerogative to regulate gaming within our borders. This is a legacy right based on the Tenth Amendment to the Constitution of the United States. The resolution, prompted by legislative ideas regarding Internet gaming currently being circulated in Congress, was shared with policymakers at both the congressional and gubernatorial levels. My theme as President of NASPL, "In unity there is strength" was evidenced by this historic vote. Margaret DeFrancisco, along with the NASPL Government Affairs Committee and our key vendor partners GTECH, Scientific Games, and Intralot were instrumental in making this a reality.

Most will recall the effort in the waning hours of the last Congress, when Nevada Senator Harry Reid attempted to enact Internet gaming legislation that would have benefited the casino industry. NASPL President, Ed Trees, mobilized quickly at the eleventh hour to state our industry's position in opposition. Our 2011 resolution allows us to get out in front of the issue before it becomes a late-blooming crisis.

For an issue such as this resolution on an important but somewhat unique situation, we needed alignment of purpose. It's not often we need to go in this direction but when we do, our collective strength at the state and local level makes us a formidable force. NASPL needs to be ready to defend the rights of states to decide for themselves which are the best regulatory structures to serve the sensibilities of their citizens.

Everything you're saying makes so much sense. The fact that NASPL couldn't and probably shouldn't get involved in most political issues doesn't mean they can't choose their battles carefully and exert influence where it is strategically most impactful.

J. Anderson: I think NASPL has a role to play in communicating the facts about the formulation of regulatory structures for things as important as Internet gaming. NASPL should have a seat at the table where the issues are being discussed; issues like security of the games and financial transactions, player privacy, technological interoperability among systems, age/location verification, etc. It is not our intent to dictate to commercial companies how to run their

businesses. But with Powerball, for instance, there is a set of standards that the commercial partner must comply with. I think we want to look at Internet gaming in the same way because we do not want those standards to be determined by people whose interests are not aligned with the interests of the citizens of lottery states. And we do not want a patchwork system of different technological platforms and protocols that become obstacles to inter-operability. Too, we need to ensure that the federal government perceives the importance of their role to help states enforce state law on foreign nationals.

But the federal government should not form policy, right? For one thing, that would be a small step away from getting a share of the tax pie, right?

J. Anderson: Once states' prerogatives are superseded by the federal government on the policy and regulatory level, it then becomes much easier for the same thing to happen on the determination of tax regimes. We need to be vigilant against the federal government encroaching on the states' domain. In my opinion, we need to prevent the federal government from inserting itself into Internet-gaming just as we would work to stop them from offering a national jackpot lotto game without the states. Common sense says they may want to cut into the states' lottery business to augment federal revenues. Their budgetary crisis is no less dire than the states', after all.

Most of the discussion about the benefits of i-gaming refer not to states tax receipts, but to the way it would kick in billions of dollars to the federal government. I don't understand why the fed feels the need to insert itself into the states' business of regulating the gaming industry.

J. Anderson: It's simple and basic, really. Gaming policy is formed by the individual state. As such, intrastate gaming is regulated by each individual state. If the state wants to monopolize i-gaming through their lottery, that's their right. If they want their lottery to operate i-gaming but to also compete with private business which are also licensed to operate in that state, that's up to the state to decide. Maybe the state wouldn't want the lottery to operate i-gaming at all but would want to license multiple private operators, or to prohibit i-gaming altogether – these decisions all belong to the state, not the federal government.

NASPL can and should be an outspoken advocate for the rights of each state to control gaming and gambling and the tax benefits of this industry within its borders.

On a related topic - Why couldn't NASPL employ a publicist to just push out news more supportive of lotteries, beginning with the nationalization of PB and Mega winners, but also countering negative news in the general media as well?

J. Anderson: I think we're at the point right now where we need to get alignment of purpose among ourselves first. I actually think the other way around. First, we need to fully inform and educate the policymakers who are influencing regulatory and tax policy. The PR efforts to reach out to the general public would be the next priority. Though I would add that I am not speaking officially for the membership on all these issues, just my own opinions.

I would also add, though, that on the topic of nationalizing the publicity of winners, I think that role is being performed quite well on the state level.

Right now, NASPL is focused on two things. Education, and working with its members to establish standards for the industry. Collaborating to establish common standards is critical to success with the national "big-box" chain stores. They simply require us to have a uniform, standard way of managing inventory and processing transactions. NASPL needs to help to bring us all together on this, meeting the needs of the big retailers for modernizing and standardizing our processes. The NASPL Standards Initiative (NSI) for Quality Assurance fills that bill. Now the challenge is to get everyone to participate so we're in alignment when it comes to how our inventory is handled in these multi-state businesses. It's something that NASPL has worked very hard to do. Now we're working at getting folks onboard.

Why couldn't a fund for nationalizing advertising be built into the structure of the game itself? To reinvest even the tiniest fraction, like a half a percent of sales of PB or Mega, would make such a huge difference and would also have an off-the-charts ROI. Just build it right into the game as a condition that everyone who sells the game complies with.

J. Anderson: There are obstacles to doing that. One, states have widely differing rules regarding advertising. A national campaign that included messaging that goes into each state would need to comply with all those different state-specific constraints. Two, many states have restrictions on the amount of money that can be spent on advertising. It's not always just a budgetary constraint. The maximum amount may be based on the state's determination that there should be limitations to the amount that lottery is promoted,

from a social responsibility point of view. So a state legislature might look at the amount peeled off to promote a multi-state game as being a part of the lottery's ad' budget and reduce the amount the lottery can spend by that amount that was spent on the national campaign. Many lotteries would not want that. I know I wouldn't.

When we talk about common interests and working together, we need to realize that there are a lot more moving parts to this puzzle that can't always be pushed into a simple solution. Peeling off a small slice of the proceeds from a multi-state game to fund a national ad' program may seem like a simple thing to do, but it's not.

Likewise transaction-processing and inventory control for national distribution, or establishing standards for inter-operability of Internet-gaming technology platforms. How do we do the banking? How do we do player identification and responsible gaming agendas? Lotteries have different public policy and business needs that make it difficult to create consensus on even the broadest issues, much less the countless details that need to be wrestled down to enable these things to actually happen.

Frankly, we all realize that we need to accelerate the rate at which we evolve our businesses. And we are all committed to making

that happen. But just as the federal government needs to respect the rights of individual states to determine regulatory policy, NASPL and our industry groups and associations also need to appreciate the rights of individual lotteries to decide how best to serve the interests of their constituents.

U.S. lottery directors have overcome many obstacles to forge a collaborative approach, whether it be on a change to a national multi-state game or staking out a position on national gaming issues. Fortunately, there is a lot more upside potential on the collaboration front! We just need to have the patience and persistence to work hard to make it happen; to be focused on the objectives but also sensitive to the concerns and differences among all the different lotteries.

It is disheartening to read that not everyone knows that age and location verification technology is tested, proven, and reliable, and has been working effectively without incidence for many years in Europe and Canada.

J. Anderson: I have directed NASPL staff to engage with the appropriate stakeholders to develop some basic foundational standards that can free lotteries up to move forward on Internet gaming more quickly as regulations change. Of course, enabling legislation needs to come from the individual states for a lot-

try to implement Internet gaming. It's my understanding that Age/Location verification is one issue that is, as you say, no longer a technological obstacle.

More pressing are the technological issues that have mostly to do with inter-operability, enabling the consumer to buy tickets in the same way in different states. Basically, there is a need to establish some common standards for the operator of the central server that supports lottery transaction processing functions, typically GTECH, Scientific Games, or INTRALOT. We all need to adhere to a certain standard of security and integrity, and technological inter-operability. It's not much different from the way we approach the contract to join a multi-state draw game. If you want to sell Powerball you need to agree to operate according to specified technological processes and standards.

We will always be a defender of the right of each individual state to make its own policy decisions regarding the regulation of gaming and gambling. We're ready to fight overtures from the federal government and other gambling interests that want to carve out a slice of resulting net revenues that belongs to the states and the good causes we support, and that means having these issues all worked out ahead of time for states to move quickly if they feel a need to do so. ♦