Good morning Co-Chairs Flexer and Fox, Vice Chairs Haskell and Thomas, Ranking Members Sampson and Mastrofrancesco, and other distinguished members of the Government Administration and Elections Committee. My name is Christopher Davis, and I am the Government Relations and Responsible Gaming Manager for the Connecticut Lottery Corporation. We appreciate this opportunity to comment in opposition to Senate Bill 473, AN ACT CONCERNING THE STATE CONTRACTING STANDARDS BOARD.

The Connecticut Lottery Corporation (CLC) was established in Connecticut General Statutes Sec. 12-806 to (1) operate and manage the lottery, and retail sports wagering, online sports wagering and fantasy contests “in an entrepreneurial and business-like manner free from the budgetary and other constraints that affect state agencies;” (2) provide continuing and increased revenue to the people of the state through the lottery, and retail sports wagering, online sports wagering and fantasy contests, “by being responsive to market forces and acting generally as a corporation engaged in entrepreneurial pursuits;” (3) pay to the trustee of the Connecticut Teachers' Retirement Fund Bonds Special Capital Reserve Fund the amounts, if any, required; (4) transfer to the debt-free community college account the amounts required from iLottery; and (5) ensure that the lottery, and retail sports wagering, online sports wagering and fantasy contests continue to be “operated with integrity and for the public good.” Last fiscal year, the CLC generated a record $418 million for the state’s General Fund.

The CLC looks forward to continuing our strong working relationship with the executive and legislative branches and to continue to provide transparency to our operations. Additionally, the Department of Consumer Protection (DCP) has direct oversight over the CLC’s game rules and operations, including newly adopted regulations recently approved by the legislature’s Regulation Review Committee.

Currently, the CLC follows robust purchasing and contracting standards outlined in Connecticut General Statutes Sec. 12-815 and adopted pursuant to the statute by our Board of Directors, which consists of the OPM Secretary and State Treasurer, or their designees, and appointments by the Governor and legislative leaders. Our audits for the past several years performed by the State Auditors of Public Accounts, including the most recent report released in March of 2021, found no issues with our contracting and procurement practices. Additionally, DCP must vet and license gaming system vendors and suppliers.

Though we understand the bill’s stated intentions regarding enhanced transparency and oversight, due to our existing transparency and direct oversight, the CLC has concerns regarding the unintended consequences of the often duplicative, one-size-fits-all approach attempted by the bill.
For example, the bill calls for the CLC to disregard our current, statute-driven purchasing policy and comply with yet to be determined procedures and regulations for procurement set forth by the State Contracting Standards Board (SCSB) by July 1, 2022. With the recent expansion of gaming approved by the General Assembly last session as well as with our primary lottery service contracts, the CLC is regularly engaged in several procurement processes for unique or highly specialized services that are offered by a limited number of available providers either countrywide or worldwide. The terms, conditions and technical requirements necessary for these procurements require critical knowledge of gaming, technology and regulations to select and negotiate proper outcomes. They also require advance planning and timing to maintain our games and systems in order to meet our financial projections. It is unlikely that the SCSB has the expertise to properly, and timely, vet the industry-specific vendors and policies, leading to unnecessary, extensive delays in the CLC’s revenue-generating activities that fund critical services for our state.

Likewise, Section 14 of the bill grants the SCSB authority over not only all current and future expenditures of public funds irrespective of their source, but also all contracts dating back to 2010, thereby allowing the SCSB to require the CLC to expend significant resources to review existing contracts that have enabled the CLC to deliver record revenue to the state’s General Fund and that have already been vetted by the Auditors of Public Accounts. Furthermore, pursuant to Section 17(c) of the bill, contracting agencies must seek a waiver of competitive bidding requirements from the SCSB for all expenses under $10,000. To put this in perspective, the CLC would no longer be able to source materials for timely promotions or purchase additional advertising, such as online ads or additional billboard space during an ever changing March Madness tournament, that enhances revenues to the State of Connecticut because by the time the purchase was approved by the SCSB or completed through the lengthy competitive bidding process, the promotional opportunity and additional revenue to the state will be lost.

Presently, the CLC has in place a comprehensive purchasing policy, and our Board and its Finance subcommittee, which is made up of highly skilled, engaged Board members, vets and approves the CLC’s yearly budget and provides oversight over its expenditures, including Board approval for all contracts regarding our gaming system, financial auditors, and real property transactions. Through this structure, which carefully balances the need to act nimbly in response to ever-changing market forces with the need for transparency and accountability as a state entity, the CLC has been able to return more than $1.1 billion to the General Fund in just the last three fiscal years. However, Sections 14 and 17, coupled with numerous other provisions throughout the bill, would render our legislature-approved Board essentially meaningless, as every financial and business decision by the CLC would be subject to the SCSB’s lengthy approval process, even though the SCSB likely does not have the necessary expertise with industry-specific vendors and policies, inevitably leading to unnecessary, extensive delays in the CLC’s state revenue-generating activities.

Thank you for your time and the opportunity to deliver these remarks to you today. We’ll happily answer any questions you have.

If you have any additional questions, please feel free to contact me at (860) 713-2831 or Christopher.davis@ctlottery.org.