



Steven Grossman
Treasurer and Receiver General

The Commonwealth of Massachusetts
Department of the State Treasurer
State House
Boston, Massachusetts 02133

October 31, 2012

Senator Harry Reid
522 Hart Senate Office Building
Washington, DC 20510

Senator Jon Kyl
730 Hart Senate Building
Washington, DC 20510

Dear Senator Reid and Senator Kyl:

I am writing in my capacity as State Treasurer and Chairman of the Massachusetts State Lottery Commission (MSLC) to object in the strongest possible terms to the proposed "Internet Gambling Prohibition, Poker Consumer Protection, and Strengthening UIGEA Act of 2012" ("Act").

The Lottery Commission has voted to vigorously oppose any attempt to impose the Act's draconian federal limitations on the ability of states to control online gaming within their borders. The Commissioners believe this unwarranted and unjustified usurpation of authority will be harmful to the interests of the people of Massachusetts.

Gaming historically has been subject to state regulation, and the Department of Justice in its opinion released December 23, 2011 ("Whether Proposals by Illinois and New York to Use the Internet and Out-Of-State Transaction Processors to Sell Lottery Tickets to In-State Adults Violate the Wire Act") has extended that principle to online intrastate sales.

The proposed Act would effectively limit participation in the online gaming marketplace to gaming operations with a presence in Nevada and sharply constrain the ability of state lotteries to offer online products. This would have a damaging effect on the Commonwealth of Massachusetts where casino gaming was authorized

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by the Legislature last year and the Massachusetts Lottery is the most successful in the nation as measured by per-capita sales.

While the MSLC has made no decision to go forward with online products and we have vowed to protect the interests of the 7,400 businesses that sell Lottery products, it is studying the potential of the Internet marketplace for the future. The Lottery achieved record revenues (\$4.7 billion) and profits (\$982 million) last year, helping provide significant unrestricted aid to the Commonwealth's 351 cities and towns. The Lottery maintains a broad portfolio of draw games (such as MegaMillions, MassCash, and Lucky for Life), instant (scratch) tickets, and Keno. The latter two are responsible for more than 85% of the Lottery's sales – yet those are precisely the products that would be banned from being offered online by the Act.

Additionally, the Massachusetts Gaming Commission has begun the process of awarding the three casino and one slot parlor licenses approved by the Legislature. The Act would imperil that process by creating an unequal playing field for casino applicants. Those that have Nevada ties would have access to the online market while those who don't would compete at a disadvantage. Thousands of jobs and millions of dollars in licensing and tax revenues expected from casino gaming would be potentially undercut as a result.

We are particularly puzzled by the Act's choice of Internet poker as the sole form of online gaming to be allowed other than Lottery games with no more than one drawing per day. It is well understood in the gaming industry that the profit margins on Internet poker are minimal. It is equally well understood in the Internet commerce world that attempts to wish the online gaming genie back into the bottle are doomed to fail.

There is no business case for such a limitation. Accordingly, we can only assume that the Act is a blatant, unwarranted, and inappropriate attempt to secure first-mover advantage in the online gaming space for Nevada interests.

We regard this as a grievous misuse of federal legislative authority, and we call upon you to withdraw the Act protect the interests of the people of Massachusetts and dozens of the states that would be adversely affected by your legislation.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven Grossman", with a long horizontal flourish extending to the right.

Steven Grossman
Treasurer and Receiver General
Commonwealth of Massachusetts
Chairman, Massachusetts State Lottery Commission

cc: Senator John Kerry
Senator Scott Brown
Representative Michael E. Capuano
Representative Barney Frank
Representative William Keating
Representative Stephen F. Lynch
Representative Edward J. Markey
Representative James P. McGovern
Representative Richard E. Neal
Representative John W. Olver
Representative John F. Tierney
Representative Niki Tsongas
Governor Deval Patrick
Senate President Therese Murray
Speaker of the House Robert A. DeLeo
Stephen Crosby, Chairman, Massachusetts Gaming Commission
Paul Sternburg, Executive Director, Massachusetts State Lottery Commission
Martin J. Benison, Comptroller; Commissioner, Massachusetts State Lottery
Commission
Mary Elizabeth Heffernan, Secretary of Public Safety; Commissioner, Massachusetts
State Lottery Commission
Tim McMahon, Commissioner, Massachusetts State Lottery Commission
Beth I. Z. Boland, Commissioner, Massachusetts State Lottery Commission