



Keno

A summary of Keno gaming start up if implemented in the state of New Hampshire.

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Keno is a game that could be offered in either age controlled environments such as bars and lounges, and/or through the lottery's 1,200 established retailer base. The same machines that sell Powerball and other popular lottery products could also sell Keno. Some additional hardware such as TV monitors would be needed to allow players to view the Keno drawings.

A Keno game is played very much the same as other traditionally drawn lottery games. A player selects numbers from a field of numbers, for example, four numbers out of eighty. The lottery draws twenty numbers from the same field of eighty. Prizes are won for matching some, all, or even none of the selected numbers – depending on how many numbers are selected and wagered by the player. Keno drawings are conducted every five minutes. Some lotteries draw Keno every four minutes.

Through FY 2008, Keno was offered in thirteen lottery jurisdictions, most recently implemented in Ohio in mid 2009. Keno sales in the thirteen lotteries totaled over \$2.6 billion in FY 2008 (source: NASPL 2008 Lottery Resource Handbook). The following table details FY 2008 per capita Keno sales:

State	Population	Fast (every 4 or 5 min) or Regular Keno	Keno Sales FY 2008	Per Cap Annual Sales FY 2008	Per Cap Wkly Sales FY 2008
California	36,800,000	Fast	\$ 137,580,000	\$ 3.74	\$ 0.07
D.C.	600,000	Fast	\$ 13,640,000	\$ 22.73	\$ 0.18
Georgia	9,700,000	Fast	\$ 90,580,000	\$ 9.34	\$ 0.13
Kansas	2,800,000	Fast	\$ 31,270,000	\$ 11.17	\$ 0.21
Maryland	5,600,000	Fast	\$ 386,580,000	\$ 69.03	\$ 1.33
Massachusetts	6,500,000	Fast	\$ 739,880,000	\$ 113.83	\$ 2.19
Michigan	10,000,000	Fast	\$ 540,320,000	\$ 54.03	\$ 1.04
Missouri	5,900,000	Fast	\$ 57,750,000	\$ 9.79	\$ 0.19
New York	19,500,000	Fast	\$ 444,260,000	\$ 22.78	\$ 0.44
Oregon	3,800,000	Fast	\$ 109,790,000	\$ 28.89	\$ 0.56
Rhode Island	1,100,000	Fast	\$ 77,650,000	\$ 70.59	\$ 1.36
Washington	6,500,000	** Regular	\$ 6,510,000	\$ 1.00	\$ 0.02
West Virginia	1,800,000	Fast	\$ 9,600,000	\$ 5.33	\$ 0.10
			<hr/> \$ 2,645,410,000		<hr/> \$ 0.42

** Keno drawn once a day, 7 days a week.

New Hampshire game sales FY 2008:

1,300,000	Powerball	\$ 46,421,000	\$ 35.71	\$ 0.69
	Tri-State Megabucks	\$ 10,459,000	\$ 8.05	\$ 0.15
	Daily Numbers	\$ 10,507,000	\$ 8.08	\$ 0.16
	Instant Games	\$ 183,991,000	\$ 141.53	\$ 2.72

Timeline:

If New Hampshire were to introduce Keno gaming the following will be required to provide minimum time needed to successfully launch the product. A very aggressive timeline could take six months from the date the lottery starts to develop specifications. All estimated timelines are based on historical product launches and assume no delays.

1. Up to 4 weeks to develop software specifications with the lottery's existing gaming vendor. Specs would cover:
 - a. game design,
 - b. game play,
 - c. prize structures,
 - d. security,
 - e. retailer sales terminal specifications,
 - f. financial reporting.
 - i. During the development of specifications, advertising and marketing will be separately developed to support the new product line.
 - ii. During the development of specifications, TV monitors and peripherals will be ordered.
2. Following final specs, up to eight weeks are needed to print play slips.
3. Following final specs, up to eight weeks for gaming system software development.
4. Following final specs, up to sixteen weeks for manufacture of sales terminals.
5. Following receipt of sales terminals and monitors, up to four weeks to install sales terminals, communications system, and TV monitors in all Keno retailers.
 - a. Keno retailers will receive training on the game and its equipment during the four week time period to install Keno equipment.
6. Following software development, up to two weeks for software testing.
7. Following software testing, up to one week for final issue resolution.
8. Advertising for the new product line will begin two weeks prior to launch date and will continue for two weeks after launch. Maintenance advertising will run periodically throughout the year.

State Expenses to launch Internet gaming operations:

1. Keno would be operated through the lottery's existing gaming system. The same sales terminals and communications system would also sell Keno.
2. If Keno was only sold in age controlled environments, the lottery estimates approximately 300 new retailers could be licensed.
3. The estimated cost for additional sales terminals, TV monitors and associated peripherals would be approximately \$225,000 annually.
4. All new retailers would also sell traditional lottery products such as instant tickets and Powerball.
5. Some additional lottery sales staff may be needed to manage the Keno retailer base depending on the number of new retailers opened, promotional activities, and whether the game is offered in only age controlled locations and/or in existing lottery licensed locations.
6. Estimated advertising costs are \$300,000 the first year to launch the product and some media maintenance.

State Revenues from Keno gaming operations:

1. As indicated in the sales data listed earlier in this report, weekly per cap Keno sales range from a low of \$0.02 (Washington) to a high of \$2.19 (Massachusetts). The Mass. Lottery offers Keno in age controlled and traditional lottery retailers. It should also be noted that the Mass. Lottery has much higher than average per cap sales for instant and daily numbers games and should not be viewed as representative of the New England area or the overall lottery industry.
2. New Hampshire's lottery games' weekly per caps currently range from \$0.06 (Hot Lotto) to \$0.69 (Powerball), and to \$2.72 for Instant tickets.
3. If Keno in New Hampshire were to average \$0.25 weekly (slightly less than average daily numbers and Megabucks sales combined), then net annual revenues could exceed \$4.5 million. These sales estimates are similar to Missouri (\$0.19), D.C. (\$0.18) and Kansas (\$0.21).
4. If Keno in New Hampshire were to average \$0.50 weekly (somewhat less than average Powerball sales), net annual revenues could exceed \$9.0 million. These sales estimates are similar to New York (\$0.44) and Oregon (\$0.56).