

Minutes of the Meeting of the Lottery Advisory Commission

July 13, 2010

Attendance

A meeting of the Lottery Advisory Commission (Commission) was held from 1:30 p.m. – 2:37 p.m., on Tuesday, July 13, 2010. Representing the Commission was Representative Dwight Wrangham. Senator Gary Lee (Chairperson), Representative Lois Delmore, and Mr. Laurel Thoreson participated by telephone. Mr. Mike Rud joined by teleconference at 1:40 p.m. Representing the North Dakota Lottery were Mr. Randy Miller, director, Ms. Tasha Gerding, accountant/budget specialist, Ms. Missy Reich, administrative staff officer, and Ms. Sonja Walder, administrative assistant.

Selection of Chairperson

Commissioner Thoreson made a motion to nominate Commissioner Lee as chairman. Commissioner Rud seconded the motion. Commissioner Lee made a motion to nominate Commissioner Rud as chairman. Commissioner Wrangham seconded the motion. Roll call vote. Commissioner Wrangham voted for Commissioner Rud, Commissioner Delmore voted for Commissioner Lee, Commissioner Thoreson voted for Commissioner Lee, Commissioner Lee voted for Commissioner Rud, and Commissioner Rud voted for Commissioner Lee. Commissioner Lee received 3 votes and Commissioner Rud received 2 votes. Commissioner Lee was elected to serve a one-year term as chairman.

Approval of Minutes

Commissioner Delmore made a motion to approve the minutes of the April 13, 2010 meeting. Commissioner Thoreson seconded the motion. The motion passed 5-0.

Overview of Revenue and Expenses for the Quarter Ended March 31, 2010 (unaudited)

Ms. Gerding provided an overview of the quarter ended March 31, 2010. Unaudited ticket sales increased \$356,854 or 6.45% and expenses increased \$481,756 or 12.72% compared to the same period last year. Prize expenses increased \$274,646 or 9.47% due to the increase in ticket sales and timing of payments. Other operating expenses increased due to expenses related to the relocation of the Lottery office.

Unaudited ticket sales increased \$1.855 million or 10.44% for the first nine months of the fiscal year (July- March) compared to the same period last year. Ticket sales for the quarter ended June 30, 2010 increased \$716,108 or 10.91% compared to the same period last year.

Adding Mega Millions has seen a shifting of sales from some of the other games, and that is expected at first when adding a new game. It was projected that adding the Mega Millions game would increase total ticket sales between \$2 and \$3 million. Mega Millions ticket sales for the first five months were \$1.745 million. However, the sales are expected to level off for Mega Millions.

Overview of Marketing Activity

Mr. Miller provided an overview of the most recent marketing promotions, as well as short term marketing plans. The Powerball with Power Play 10X promotion ran from April 29 through May 29, but had to be extended to June 12 when the 10X multiplier was finally selected. Of the 44 Powerball lotteries participating in the 10X promotion, the North Dakota Lottery ranked #1 in Power Play sales increase with a 30.6% increase, #1 in Power Play sales as a percent of Powerball sales with an 8.4% increase, and #2 in combined Powerball and Power Play sales with an 11.9% increase. The success of the 10X promotion was due to the Clerk Coupon promotion that ran in conjunction with the 10X promotion. \$3,250 in prizes was claimed by clerks.

The Cash Dash – One of Each promotion is scheduled to begin October 31 and run through November 27. With each qualifying One of Each purchase (\$8 purchase = \$2 Powerball with Power Play, \$2 Mega Millions with Megaplier, \$2 Hot Lotto with Sizzler, \$1 Wild Card 2, and \$1 2by2) players have a chance to win up to \$500 instantly. The cash prize increments are \$5, \$20, \$100, and \$500.

The Mega Millions game is scheduled to re-launch on September 14. With the game change, when a player purchases Mega Millions with the Megaplier option and matches all five white numbers, the player will automatically win \$1 million.

Approval of the Draft Administrative Rules for the Mega Millions Game Changes and Other Amended Administrative Rules

Mr. Miller provided an overview of the draft administrative rules for the Mega Millions game changes. The Mega Millions rules would be adopted as emergency rules so they are effective September 14, 2010.

Section 10-16-08-04. Megaplier® option.

Subsection 3.

A qualifying play which wins one of the ~~eight~~ seven lowest set prizes (excluding the match 5+0 prize) will be multiplied by the number selected, two through four, in a separate random Megaplier® drawing. The match 5+0 prize shall be multiplied by four regardless of the number two through four drawn as the multiplier for the seven lowest set prizes.

Subsection 5.

A prize awarded must be paid as a lump sum set prize. Instead of the normal set prize amount, a qualifying Megaplier® will pay the amounts shown below when matched with the Megaplier® number drawn:

MEGA MILLIONS® Pays Instead

Matches per Play	Prize Amount	4X	3X	2X
5 white + 0 gold	\$250,000	\$1,000,000	\$750,000	\$500,000
<u>5 white + 0 gold</u>	<u>\$250,000</u>	<u>\$1,000,000</u>	<u>\$1,000,000</u>	<u>\$1,000,000</u>

Rarely, a set prize amount may be less than the amount shown. In that case, a Megaplier® prize will be a multiple of two through four for the new set prize amount for the seven lowest set prizes. The Megaplier® prize for a match 5+0 prize will be a multiple of four. For example, if the match 4+1 set prize amount of ten thousand dollars becomes five thousand dollars under the game group's rules, a Megaplier® player winning that prize amount when a "4" has been drawn would win twenty thousand dollars (\$5,000 x 4). If the match ~~5~~ 5+0 set prize amount of two hundred fifty thousand dollars becomes one hundred fifty thousand dollars under the game group's rules, a Megaplier® player winning that prize amount ~~when a "4" has been drawn~~ would win six hundred thousand dollars (\$150,000 x 4).

Mr. Miller provided an overview of other amended administrative rules. These rules would be effective January 1, 2011.

Section 10-16-03-02. Ineligible player. A ticket issued by a retailer or a subscription may not be bought by, or a prize won by that ticket or subscription play or lottery-related promotion may not be paid or issued to:

Subsection 2.

A person who regularly resides in the same household of a person described in subsection 1; or

Subsection 3.

A minor; ~~or~~

Subsection 4.

~~4. A person who is in the United States illegally.~~

Section 10-16-03-08. Claim of a prize. A prize for a validated winning ticket must be claimed as follows:

Subsection 19.

A winning ticket with a total prize value of all plays of six hundred dollars or more may not be paid to a person who is identified as being in the United States illegally.

Commissioner Delmore made a motion to approve the draft administrative rules for the Mega Millions game changes and other amended administrative rules. Commissioner Wrangham seconded the motion. The motion passed 5-0.

Omnibus Items

Mr. Miller informed the commissioners the Wild Card 2 game group (ND, SD, MT and ID) could not reach a conclusive decision on an add-on feature for the game. The game group unanimously agreed to table the add-on feature option and revisit game changes at a later date, possibly in a year or more.

Mr. Miller informed the commissioners the Lottery continues to experience the blocking of credit card payments for subscriptions which has motivated subscribers to change their method of payment to ACH or check. On a monthly basis comparison, the Lottery has not seen much of a change in subscription sales.

Mr. Miller informed the commissioners the New Hampshire Lottery decided not to move forward paying the \$5,000 MVV registration fee. They were informed in addition to the \$5,000 fee there is a \$1,000 annual fee and no guarantee that even if the registration fee was paid, subscription transactions would not continue to be blocked. Similarly the New Hampshire Lottery has not seen much of a change in subscription sales either.

Mr. Miller informed the commissioners that on May 10 he met before the Judiciary Committee to present an update on the operation of the Lottery. The Committee requested the amount of federal and state income tax withheld from prize payments since the Lottery began. Through calendar year 2009, the Lottery withheld \$3,626,135 in federal income tax and \$775,906 in state income tax.

Mr. Miller informed the commissioners that on June 10 he met before the Administrative Rules Committee to describe the procedure followed by the Lottery in adopting the rule changes for adding the Mega Millions game and other amended rules. On June 24 the Lottery received notification from Legislative Council that the rule changes would be published in the July 2010 supplement of the North Dakota Administrative Code.

Upon the request of Commissioner Wrangham, Mr. Miller reminded the Commissioners if the Lottery adds any new games, one of the current games would have to be replaced.

Mr. Miller informed the commissioners the Lottery completed interviews for the vacant sales and marketing manager position on Friday, July 9. The Lottery is in the process of conducting a background investigation. An offer should be made soon and the position filled in early August.

Adjournment

Commissioner Delmore made a motion to adjourn the meeting. Commissioner Thoreson seconded the motion. The motion passed 5-0.

The meeting adjourned at 2:37 p.m.