

Minutes of the Lottery Advisory Commission  
January 28, 2020

Attendance

A meeting of the Lottery Advisory Commission (Commission) was held from 1:31 p.m. – 2:19 p.m., on Tuesday, January 28, 2020. Representing the Commission were Mr. Russ Hanson and Mr. Mike Rud, with Representative Karla Rose Hanson, Senator Nicole Poolman, and Representative Thomas Beadle participating by telephone. Representing the North Dakota Lottery (Lottery) were Mr. Randy Miller, director, Mr. Ryan Kopyy, sales and marketing manager, Mr. Matt Anderson, account budget specialist, and Ms. Sonja King, administrative assistant.

Approval of Minutes

Commissioner R. Hanson made a motion to approve the minutes of the October 10, 2019 meeting. Commissioner Beadle seconded the motion. The motion passed 5-0.

Acceptance of the Audit Report for the Years Ended June 30, 2019 and 2018

Mr. Miller recommended the Lottery not request a representative from the Office of the State Auditor to present the audit report since there were no recommendations in the report. The Commission agreed. Since the Commission serves as the audit committee for the Lottery, Mr. Miller requested acceptance of the audit report for the years ended June 30, 2019 and 2018. Commissioner Poolman made a motion to accept the audit report. Commissioner R. Hanson seconded the motion. The motion passed 5-0.

Approval of the Draft Administrative Rules for Changes to the Lucky for Life Game

Mr. Miller requested this agenda item be tabled as the Lucky for Life game group postponed making any changes to the game. The Commission provided consensus to table.

Mr. Miller requested agenda items six and seven be moved up on the schedule to allow all commissioners to participate in the agenda items requiring a vote.

Review of Revised Contract Extension Proposal from Scientific Games (Executive Session)

Commissioner R. Hanson made a motion to enter Executive Session at 1:35 p.m. to discuss the contract extension. Commissioner Poolman seconded the motion. The motion passed 5-0.

Commissioner R. Hanson made a motion to end Executive Session at 1:42 p.m. Commissioner Beadle seconded the motion. The motion passed 5-0.

Recommendation of the Contract Extension Proposal from Scientific Games

Commissioner R. Hanson made a motion for Mr. Miller to continue negotiations with Scientific Games. Commissioner Beadle seconded the motion. The motion passed 5-0.

Overview of Revenues and Expenses for Quarter Ended September 30, 2019 and Sales Activity for October-December 2019 (unaudited)

Mr. Anderson arrived at 1:43 p.m. and presented the overview of revenues and expenses for the quarter ended September 30, 2019 and sales activity for October-December 2019. Total ticket sales for quarter ending September 30, 2019 decreased \$1,448,987 or 19.95% compared to the same period last year. The decrease was due to higher jackpots for the same time last year.

Total operating expenses decreased \$962,381 or 18.36% compared to the same period last year. Prize expense decreased \$712,427 or 19.45%, retailer commissions/bonuses decreased \$82,229 or 22.70%, and contractual services expense decreased \$129,708 or 18.79%. These decreases were a direct incremental relation to the decrease in sales. Players Club expenses increased by \$27,083 or 50% due to the timing of payments, one additional payment was made during the quarter. Marketing expense increased \$27,414 or 30.87% due to the timing of payments, one additional payment was made during the quarter. Other operating expenses decreased \$104,450 or 69.68% due to the timing of payments, one less payment was made during the quarter.

Total ticket sales for October through December 2019 decreased \$6,262,619 or 50.23% due to the Powerball jackpot hitting \$687 million and the Mega Millions jackpot hitting \$1.6 billion during the same period last fiscal year.

Mr. Anderson left the meeting at 1:51 p.m.

#### Overview of Marketing Activity and Short-Term Marketing Plans

Mr. Kopyy presented the overview of marketing activity and short-term marketing plans. The North Dakota Lottery Players Club has 38,860 registered members. The following prizes were given away to players through the Points for Drawings program: five Celestron telescopes and two Ariens snow throwers on October 8, 2019; five Cuisinart air fryers on November 12, 2019; ten one-year Lucky for Life Pick & Click online plays, one trip for two to Key West, Florida, and two iPhone X bundles on December 10, 2019; and five Studebaker Bluetooth turntables on January 14, 2020. There are three Points for Drawings promotions in progress including a JBL Pulse 3 Bluetooth speaker, a Dremel 3D printer, and an Ultimate Entertainment package. Upcoming Points for Drawings promotions include a Samsung washer and dryer set, a travel steam package, and a Smart Home mystery box.

November 24 through December 2, 2019 a Black Friday/Cyber Monday promotion ran. A 20% discount was offered on Points for Prizes cart purchases with promotion code BFCYM2019. 50 players used the code.

December 1 through December 31, 2019 a Season Savings Spectacular promotion ran. A 15% discount was offered on Points for Prizes cart purchases with promotion code HOLIDAY2019. 46 players used the code.

December 1 through December 31, 2019 a Holiday Season sign-up bonus promotion ran. New members received 1,000 bonus points for signing up for the Players Club.

The Cash Dash promotion ran from November 3-30, 2019. The qualifying purchase was one of each the Lottery games with the multipliers (Powerball with Power Play, Mega Millions with Megaplier, Lotto America with All Star Bonus, Lucky for Life, and 2by2) for \$11. With the qualifying purchase, players had a chance to instantly win \$5, \$20, \$100, or \$500. Winners were chosen at random. There were 4,556

instant winners, winning \$32,790. Sales increased 17.9% compared to the 13-week, weekly average prior to the promotion. \$65,629 of the \$80,000 advertising budget was billed so far.

A Pick & Click branding campaign began January 6, 2020 and runs through January 31, 2020. The media buy consists of TV, radio, Facebook sponsored posts, Midco CTV/OTT, Google online display, and digital billboards. A “How to Play” instructional videos were posted on our website. A “Buy \$10 Get A \$2 Discount promotion is running concurrently with the branding campaign. The promotion is available every Monday, Wednesday, and Friday in January, beginning January 6. Players spending \$10 on any game or combination of games on Monday, Wednesday, and Friday receive a \$2 discount upon checkout. The advertising budget is \$106,000 and prize expense budget is \$25,000.

The Lottery is working with the IT department to convert the Lottery website to a bootstrap template. It will give the website a modern look, better mobile responsiveness, and make changes to the website easier and more efficient. Mr. Kopy displayed the test version for the new website, commercials for the Pick & Click branding campaign, and the “How to Play” instructional videos.

The 2by2 7 Draw promotion will run from March 1 through March 28, 2020. The qualifying purchase will be a 7 draw 2by2 ticket for \$7. With the qualifying purchase, players will be eligible to instantly win a free 7-draw 2by2 ticket or \$500. Winners will be chosen at random. The media buy includes radio, social media, YouTube Prerolls, Google online display, programmatic video, and digital billboards. The advertising budget is \$40,000. The prize expense budget is \$33,000 which will be covered by the excess reserve in the 2by2 Grand Prize Pool.

#### Omnibus Items

Mr. Miller stated unaudited ticket sales from July 2019 through December 2019 totaled \$12.06. This represents a \$7.74 million decrease in sales or 39.09% compared to last fiscal year. The decrease was due to big jackpot runs by Powerball and Mega Millions in October 2018.

On December 18, 2019 the Department of Justice extended the forbearance period from December 31, 2019 to June 30, 2020 for businesses to bring their operations into compliance with federal law or 60 days after entry of final judgement in the New Hampshire litigation, whichever is later.

On February 4, 2020 Mr. Miller will meet before the Judiciary Committee to provide an update on the operation of the Lottery.

#### Adjournment

Commissioner R. Hanson made a motion to adjourn. Commissioner Poolman seconded the motion. The motion passed 5-0. The meeting adjourned at 2:19 p.m.