

## Minutes of the Meeting of the Lottery Advisory Commission

October 8, 2010

### Attendance

A meeting of the Lottery Advisory Commission (Commission) was held from 2:00 p.m. – 3:41 p.m., on Friday, October 8, 2010. Representing the Commission was Mr. Laurel Thoreson. Senator Gary Lee (Chairperson), Representative Lois Delmore, and Mr. Mike Rud participated by telephone. Representative Dwight Wrangham was absent. Representing the North Dakota Lottery (Lottery) were Mr. Randy Miller, director, Ms. Cassandra Keller, sales and marketing manager, and Ms. Sonja Walder, administrative assistant.

### Approval of Minutes

Commissioner Delmore made a motion to approve the minutes of the July 13, 2010 meeting. Commissioner Rud seconded the motion. The motion passed 4-0.

### Overview of Revenue and Expenses for the Fiscal Year Ended June 30, 2010 (unaudited)

Mr. Miller provided an overview of the fiscal year ended June 30, 2010. Unaudited ticket sales increased \$2,697,825 or 12.42% and operating expenses increased \$2,054,728 or 12.74% compared to last fiscal year. Operating income increased \$628,879 or 11.05%. The record breaking ticket sales was attributed to the Lottery's partnership with and support from our retailers, successful promotions, increase in the number of jackpots rolling to \$100 and \$200 million, and adding Mega Millions. The increase in operating expenses was mainly due to the direct impact on expenses that vary with increased ticket sales, both one-time and on-going expenses associated with the relocation of the Lottery office, and increase in Multi-State Lottery Association game group dues.

Unaudited ticket sales decreased \$1.145 million or 17.68% for the first three months of the fiscal year (July-September 2010) compared to the same period last year. The main reason for the decrease is fewer jackpots rolling over \$100 million.

### Overview of Marketing Activity

Ms. Keller provided an overview of the marketing activities and short-term marketing plans. The Mega Millions game change launched on September 14. When players match the five white balls, they automatically win \$1 million regardless of the Megaplier number drawn.

The Cash Dash – One of Each promotion will run from October 31 through November 27. For \$8 get One of Each (Powerball with Power Play, Mega Millions with Megaplier, Hot Lotto with Triple Sizzler, Wild Card 2 and 2by2) for a chance to win \$5, \$20, \$100, or \$500 instantly. Over \$30,000 in instant prizes will be given away.

The Holiday Subscription Discount promotion is planned for December. The promotion will offer up to a 10 percent discount on subscriptions for Powerball, Hot Lotto, Wild Card 2, and 2by2. Mega Millions subscriptions will be available in February. The Lottery will be promoting subscription sales at the Pride of Dakota showcases in Fargo and Bismarck.

The Big Three promotion is planned for February. The promotion will provide a discount of \$1 if you purchase Powerball with Power Play, Mega Millions with Megaplier, and Hot Lotto with the Triple Sizzler.

Ms. Keller provided an update on the Lottery's Facebook site. She has been working on making it more interactive by having trivia contests and giving prizes such as can koozies, scrapers, and t-shirts. The popularity of the Lottery's Facebook site seems to be increasing as we have 1,272 likes on our page, and the highest number of posts for one item was 25.

#### Review of 2011-2013 Budget

Mr. Miller provided an overview of the 2011-2013 budget requested for the Lottery. The budget request for 2011-2013 is \$3,622,607 which is an increase of \$38,219 or 1%. The increase is mainly due to increases in salaries/benefits and the North American Association of State and Provincial Lotteries dues, along with on-going expenses associated with the relocation of the Lottery office.

Projected ticket sales and general fund transfers for 2011-2013 are \$46.5 million and \$11 million, respectively. Projected ticket sales and general fund transfers for 2009-2011 were \$46,453,880 and \$11.155 million, respectively. Both the 2011-2013 and the 2009-2011 budgets include transfers in the amount of \$400,000 to the Compulsive Gambling Prevention and Treatment Fund and \$845,000 to the Multi-Jurisdictional Drug Task Force Grant Fund.

#### Final Approval of the Proposed Administrative Rules for the Mega Millions Game Changes and Other Amended Administrative Rules

Mr. Miller indicated there were no written or oral comments submitted and no changes to the proposed administrative rules. In an effort to allow more time for the Lottery to further review if adequate resources are available (such as assistance from the North Dakota State and Local Intelligence Center or the United States Immigration and Customs Enforcement) to determine if a winner of \$600 or more is in the United States legally, Commissioner Delmore made a motion to amend the proposed administrative rules by removing subsection 19 of section 10-16-03-08 as described below. Commissioner Thoreson seconded the motion. The motion passed 4-0. The recommendation will be sent to Attorney General Stenehjem for final approval.

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.

Approval of the Draft Administrative Rules for Powerball and Mega Millions Game Change

Mr. Miller provided an overview of the draft administrative rules for the Powerball game changes. The Powerball rules would be adopted as emergency rules so they are effective November 1, 2010.

Section 10-16-04-06. Power play option.

Subsection 1.

The power play option is a limited extension of the POWERBALL® game and is conducted according to the game group’s game rules. The option offers the owner of a qualifying play a chance to multiply or increase the amount of a set prize. A match 5 bonus prize is awarded independent of the power play option and is not multiplied by the power play multiplier.

Subsection 3.

A qualifying play which wins one of the seven lowest set prizes (excluding the match 5+0 prize) will be multiplied by a single number (2, 3, 4, or 5) drawn in a separate random power play drawing. The announced match 5+0 prize, for players selecting the power play option, shall be multiplied by five regardless of the number two through five drawn as the multiplier for the seven lowest set prizes paid \$1,000,000 unless a higher limited promotional dollar amount is announced by the game group or unless a lower dollar amount is announced by the game group under its limitation of liability rules. The game group may change one or more of the multiplier numbers and / or the match 5+0 power play prize amount for a special promotion.

Subsection 4.

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

<u>POWERBALL® Pays Instead</u>			
<u>Matches per</u>	<u>Set</u>		
<u>Play</u>	<u>Prize</u>		
	<u>Amount</u>	<u>Prize Amount With Power Play Purchase</u>	
5 white + 0 red	\$200,000	\$1,000,000	<del>\$1,000,000</del> <del>\$1,000,000</del> <del>\$1,000,000</del>

Prize Amounts With Power Play Purchase and Multiplier

	<u>Set Prize Amount</u>	<u>5X</u>	<u>4X</u>	<u>3X</u>	<u>2X</u>
4 white + 1 red	\$10,000	\$50,000	\$40,000	\$30,000	\$20,000
4 white + 0 red	\$100	\$500	\$400	\$300	\$200
3 white + 1 red	\$100	\$500	\$400	\$300	\$200
3 white + 0 red	\$7	\$35	\$28	\$21	\$14
2 white + 1 red	\$7	\$35	\$28	\$21	\$14
1 white + 1 red	\$4	\$20	\$16	\$12	\$8
0 white + 1 red	\$3	\$15	\$12	\$9	\$6

Rarely, under the game group’s limitation of liability rules, a set prize amount may be less than the amount shown. In that case, a power play prize will be a multiple of two through five for the new set prize amount for the seven lowest set prizes. ~~The power play prize for a match 5 prize will be a multiple of five.~~ For example, if the match 4+1 set prize amount of ten thousand dollars becomes five thousand fifty dollars under the game group’s rules, a power play player winning that prize amount when a “4” has been drawn would win twenty thousand two hundred dollars (\$5,050 x 4). ~~If the match 5 set prize amount of two hundred thousand dollars becomes twenty-five thousand fifty dollars under the game group’s rules, a power play player winning that prize amount would win one hundred twenty five thousand two hundred fifty dollars (\$25,050 x 5).~~ The match 5+0 prize may be reduced as announced by the game group.

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 December 1, 2010.

10-16-08-03. Prize pool and payment.

Subsection 1.

The prize pool for all prize categories must consist of ~~fifty~~ up to fifty-five percent of each draw period’s sales after the prize reserve account is funded.

10-16-08-04. Megaplier® option.

Subsection 1.

The Megaplier® option is a limited extension of the MEGA MILLIONS® game and is conducted according to the game group’s game rules. The option offers the owner of a qualifying play a chance to multiply or increase the amount of a set prize.

Subsection 3.

A qualifying play which wins one of the 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, for players selecting the Megaplier® option, shall be multiplied by four regardless of the number two through four drawn as the multiplier for the seven lowest set prizes paid \$1,000,000 unless a higher limited promotional dollar amount is announced by the game group or unless a lower dollar amount is announced by the game group under its limitation of liability rules.

Subsection 4.

A single number from a series of twenty-one numbers is selected according to the following frequency: two number 2s, seven number 3s, and twelve number 4s. The game group may change one or more of the multiplier numbers and / or the match 5+0 Megaplier® prize amount for a special promotion.

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:

Matches per Play	<u>Set Prize Amount</u>	MEGA MILLIONS® Pays Instead		
		<u>Prize Amount With Megaplier® Purchase</u>		
5 white + 0 gold	\$250,000	\$1,000,000	<del>\$1,000,000</del>	<del>\$1,000,000</del>

Prize Amounts With Megaplier® Purchase and Multiplier

	<u>Set Prize Amount</u>	4X	3X	2X
		4 white + 1 gold	\$10,000	\$40,000
4 white + 0 gold	\$150	\$600	\$450	\$300
3 white + 1 gold	\$150	\$600	\$450	\$300
2 white + 1 gold	\$10	\$40	\$30	\$20
3 white + 0 gold	\$7	\$28	\$21	\$14
1 white + 1 gold	\$3	\$12	\$9	\$6
0 white + 1 gold	\$2	\$8	\$6	\$4

Multiplier numbers do not apply to the grand prize or to the match 5+0 prize.

Rarely, under the game group's limitation of liability rules, 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+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 would win six hundred thousand dollars (\$150,000 x 4).~~ The match 5+0 prize may be reduced as announced by the game group.

Commissioner Delmore made a motion to amend the draft administrative rules for the Powerball and Mega Millions game changes by adding subsection 19 to section 10-16-03-08 as described below. Commissioner Rud seconded the motion. The motion passed 4-0. The recommendation will be sent to Attorney General Stenehjem for approval prior to moving forward with the rule adoption process.

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.

### Omnibus Items

Mr. Miller informed the Commissioners that on August 25 a special Powerball group meeting was held in Chicago to discuss the Powerball game moving to a \$2 base game, along with the Power Play feature either staying at \$1 or possibly moving to a \$2 price point. After a lengthy discussion, the Powerball group voted to hire a firm to conduct player research to determine the feasibility of a \$2 game for both Powerball and Mega Millions, along with the possible increase to the add-on feature. The research is expected to be available at the end of October. In the best interest of our players, the consensus from the Commission was not to move to a \$2 base game.

Mr. Miller provided a summary of subscription sales. Fiscal year 2010 subscription sales were \$446,000, compared to fiscal years ended June 30, 2009 and 2008 when subscription sales were \$374,000 and \$425,000, respectively. Fiscal year 2009 sales were lower due to the Lottery temporarily suspending the use of credit cards during the year because of the credit card blocking issue. Players are now utilizing other sources of payment such as check or automated clearinghouse since most credit card transactions for the purchase of subscriptions continue to be blocked. The first three months of fiscal year 2011 subscription sales were \$67,000. The Lottery anticipates fiscal year 2011 subscription sales to decrease from last year because of the credit card issue. In the past the Lottery has run a Holiday Subscription Discount promotion in December through newspaper inserts across the state. The Holiday Subscription Discount promotion has been very successful as the convenience of credit cards was a key feature of the promotion. This year, rather than a newspaper promotion, the Lottery will run a similar Holiday Subscription Discount promotion in December on our website.

Mr. Miller informed the Commissioners that Ryan Koppy will be joining the Lottery team as a customer service specialist on October 12.

Adjournment

Commissioner Delmore made a motion to adjourn the meeting. Commissioner Thoreson seconded the motion. The motion passed 4-0.

The meeting adjourned at 3:41 p.m.