

Minutes of the Lottery Advisory Commission  
November 19, 2012

Attendance

A meeting of the Lottery Advisory Commission (Commission) was held from 1:00 p.m. – 1:34 p.m., on Monday, November 19, 2012. Representing the Commission was Mr. Russ Hanson. Mr. Mike Rud (Chairman), Representative Dwight Wrangham, Representative Lois Delmore, and Senator Lonnie Laffen all participated by telephone. Representing the North Dakota Lottery (Lottery) were Mr. Randy Miller, director, Mr. Rob Yost, accountant/budget specialist, and Ms. Sonja Walder, administrative assistant.

Approval of Minutes

Commissioner Delmore made a motion to approve the draft minutes of the October 2, 2012 meeting. Commissioner Hanson seconded the motion. The motion passed 5-0.

Overview of the 2013-15 Budget

Mr. Yost provided an overview of the 2013-15 budget requested for the Lottery. The budget request for the 2013-15 biennium is \$4,101,199, an increase of \$400,957 or 10.8% over the 2011-13 budget. The majority of the increase is due to the \$350,000 for IT contractual programming services related to the following items: tracking of background checks, winning tickets, and winners; phase 2 of the text messaging project; lottery website number's checker; and electronic import subscription data into the game management system. The remaining balance of the budget increase of \$59,957 is due to increases in salaries and benefits (an increase of 3.5% over the 2011-13 budget).

Projected ticket sales and general fund transfer for the 2013-15 biennium are \$47 million and \$11 million, respectively. Projected ticket sales and general fund transfer for the 2011-13 biennium were \$46.5 million and \$11 million, respectively. Both the 2013-15 and the 2011-13 budgets include transfers of \$400,000 to the Compulsive Gambling Prevention and Treatment Fund and \$845,000 to the Multi-Jurisdictional Drug Task Force Grant Fund.

Approval of the Draft Administrative Rules for the Hot Lotto Game Changes (Effective May 12, 2013)

Mr. Miller provided an overview of the draft administrative rules for the Hot Lotto game changes.

**CHAPTER 10-16-05**  
**HOT LOTTO® GAME**

**10-16-05-01. Game description.** To play HOT LOTTO®, a player selects five different white numbers, between one and ~~thirty-nine~~ forty-seven, and one additional orange number (hot ball) between one and nineteen. The additional number may be the same as one of the first five numbers selected. The price of a play is one dollar. A gross grand prize amount is paid, ~~at the election of a winning player or by a default election either on an annuitized pari-mutuel basis or as a cash lump sum payment of the total cash held for the prize pool~~ on a pari-mutuel basis. A set prize (cash prize of ~~ten~~ thirty thousand dollars or less) is paid on a single-payment cash basis. Draws are held every Wednesday and Saturday.

**History:** Effective February 1, 2004; amended effective April 1, 2006; May 12, 2013.

**General Authority:** NDCC 53-12.1-13

**Law Implemented:** NDCC 53-12.1-13

**10-16-05-02. Expected prize pool percentages and odds.** The minimum gross grand prize is one million dollars and is paid on a pari-mutuel basis. Except as provided by rule, a set prize must be paid according to these matches per play and prize amounts with these expected prize payout percentages:

<u>Matches Per Play</u>	<u>Prize</u>	<u>Prize Pool Percentage Allocated to Prize</u>	<u>Odds*</u>
5 white + 1 orange	<u>Grand prize</u>	<u>52.58%</u>	<u>1:10,939,383</u>
	<u>Gross grand prize**</u>	<u>52.12%</u>	<u>1:29,144,841</u>
5 white + 0 orange	<u>\$10,000</u>	<u>3.29%</u>	<u>1:607,744</u>
	<u>\$30,000</u>	<u>3.71%</u>	<u>1:619,158</u>
4 white + 1 orange	<u>\$500</u>	<u>1.55%</u>	<u>1:64,349</u>
	<u>\$3,000</u>	<u>4.32%</u>	<u>1:138,785</u>
4 white + 0 orange	<u>\$50</u>	<u>2.80%</u>	<u>1:3,575</u>
	<u>\$100</u>	<u>2.59%</u>	<u>1:7,710</u>
3 white + 1 orange	<u>\$50</u>	<u>5.13%</u>	<u>1:1,950</u>
		<u>2.95%</u>	<u>1:3,385</u>
3 white + 0 orange	<u>\$4</u>	<u>7.38%</u>	<u>1:108</u>
	<u>\$6</u>	<u>6.38%</u>	<u>1:188</u>
2 white + 1 orange	<u>\$4</u>	<u>4.38%</u>	<u>1:183</u>
	<u>\$6</u>	<u>4.73%</u>	<u>1:254</u>
1 white + 1 orange	<u>\$3</u>	<u>12.72%</u>	<u>1:47</u>
		<u>11.52%</u>	<u>1:1.52</u>
0 white + 1 orange	<u>\$2</u>	<u>10.17%</u>	<u>1:39</u>
		<u>11.68%</u>	<u>1:1.34</u>

Overall odds of winning a prize on a one dollar play are ~~1:16~~ 1:17.22.

\*Reflects the odds of winning and probable distribution of winning plays in and among each prize tier, based on the total number of possible combinations.

\*\*The gross grand prize amount will be reduced by federal and state withholding taxes which will be remitted by the lottery on behalf of the prize winner with the prize winner receiving the residual amount as their grand prize payment (subject to any setoff requirements).

**History:** Effective February 1, 2004; amended effective April 1, 2006; May 12, 2013.

**General Authority:** NDCC 53-12.1-13

**Law Implemented:** NDCC 53-12.1-13

**10-16-05-04. Prize pool and payment.**

1. The prize pool for all prize categories must consist of fifty percent of each draw period's sales after the prize reserve account is funded.
2. The prize money allocated to the gross grand prize pool must be divided equally by the number of plays that win the grand prize. If the gross grand prize is not won in a draw, subject to any restrictions by the game group, the prize money allocated for the gross grand prize must roll over and be added to the gross grand prize pool for the next draw.
3. The prize pool percentage allocated to set prizes must be carried forward to a subsequent draw if all or a portion of it is not needed to pay the set prizes awarded in the current draw.
4. The lottery may not pay a grand or set cash prize until after it receives authorization from the MUSL. The lottery may pay the prize before it receives the funds from the MUSL.
- ~~5. An annuitized grand prize must be paid annually in twenty five equal payments with the initial payment being made in cash, to be followed by twenty four payments funded by the annuity.~~
5. A gross grand prize winner will receive a withholding taxes paid prize where the lottery pays the prize winner a net prize amount, which consists of the lottery reducing the gross grand prize amount by the required federal and state withholding taxes, and withholding and depositing on behalf of the prize winner the required federal and state withholding taxes on the gross grand prize amount and the lottery paying the prize winner the residual amount (subject to any setoff requirements).
6. The advertised grand prize amount will be publicly announced as the grand prize for the drawing. The advertised grand prize amount is not the gross grand prize amount. The advertised grand prize is the minimum cash amount the prize winner receives, on a pari-mutuel basis, after the lottery reduces the gross grand prize amount by the required federal and state withholding taxes (subject to any setoff requirements).

**History:** Effective February 1, 2004; amended effective April 1, 2006; April 1, 2008; May 12, 2013.

**General Authority:** NDCC 53-12.1-13

**Law Implemented:** NDCC 53-12.1-13

**10-16-05-06. Triple sizzler option.**

1. The triple sizzler option is a limited extension of the HOT LOTTO® 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 the amount of a set prize.
2. A qualifying play is a single HOT LOTTO® play for which the player pays an extra one dollar for the triple sizzler option. The triple sizzler option does not apply to the grand prize. A qualifying play which wins one of the eight set prizes will be multiplied by three. The game group may change the multiplier number three for a special promotion.
3. A prize awarded must be paid as a lump sum set prize. Instead of the normal set prize amount, a qualifying triple sizzler play will pay the amounts shown below:

<u>Matches Per Play</u>	<u>Prize</u>	<u>3x</u>
5 white + 0 orange	<del>\$10,000</del> <u>\$30,000</u>	<del>\$30,000</del> <u>\$90,000</u>
4 white + 1 orange	<del>\$500</del> <u>\$3,000</u>	<del>\$1,500</del> <u>\$9,000</u>
4 white + 0 orange	<del>\$50</del> <u>\$100</u>	<del>\$150</del> <u>\$300</u>
3 white + 1 orange	\$50	\$150
3 white + 0 orange	\$4 <u>\$6</u>	\$12 <u>\$18</u>
2 white + 1 orange	\$4 <u>\$6</u>	\$12 <u>\$18</u>
1 white + 1 orange	\$3	\$9
0 white + 1 orange	\$2	\$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, the triple sizzler prizes will be a multiple of the new set prize amounts. For example, if the match 5+0 set prize amount of thirty thousand dollars becomes twenty-seven thousand dollars under the game group's rules, a triple sizzler player winning that prize amount would win eighty-one thousand dollars (\$27,000 x 3).

**History:** Effective January 3, 2008; May 12, 2013.

**General Authority:** NDCC 53-12.1-13

**Law Implemented:** NDCC 53-12.1-13

Commissioner Delmore made a motion to approve the draft administrative rules for the Hot Lotto game changes. Commissioner Laffen seconded the motion. The motion passed 5-0. The recommendation will be presented to Attorney General Stenehjem for approval prior to moving forward with the rule adoption process.

#### Approval to Participate in the Powerball Treasure Hunt Second-Chance Promotion

Mr. Miller explained the Powerball Treasure Hunt second-chance promotion. The Multi-State Lottery Association Marketing/Promotions Committee is considering a second-chance promotion called Treasure Hunt. Players would log into a website to enter the serial number from their Powerball ticket to get “digs” on a map of the United States for a chance to win prizes. Treasure Hunt would be available to play on computers, tablets, and smart phones. The goals of the promotion include increasing Powerball sales at starting jackpot levels; increasing the appeal of Powerball to a new demographic by reaching out to their play style; adding value to the game; and further differentiating the game from Mega Millions.

The cost to participate would be based on Powerball sales. There would be a one-time cost for the Lottery ranging from \$3,000-\$5,000 for development of the promotion.

Mr. Miller restated the Multi-State Lottery Association is only considering the promotion at this time, but the Lottery would like approval from the Commission to participate as long as the costs were in line with projections and the promotion would be conducted within the Lottery’s rules and laws.

Mr. Miller requested approval for the Lottery to participate in the Powerball Treasure Hunt second-chance promotion. Commissioner Delmore made a motion to approve. Commissioner Hanson seconded the motion. The motion passed 4-1. Commissioner Wrangham voted no. The recommendation will be presented to Attorney General Stenehjem for final approval.

#### Omnibus Items

Mr. Miller informed the Commission the Request For Information (RFI) for online gaming system and services was issued on October 31, 2012. Responses are due by November 30, 2012. The Lottery issued the RFI to explore options as they relate to converting and updating the Lottery’s online gaming system. The information gathered will be used to develop the Request For Proposal (RFP) that will result in the best value and most responsive proposal for the Lottery. The goal is to issue the RFP sometime in early April 2013.

Commissioner Rud reminded the Commission that the next Lottery Advisory Commission meeting is tentatively scheduled for Thursday, January 10, 2013. Since this is during the legislative session, the Lottery will coordinate a time with the Commissioners, based on their availability, as the January 10<sup>th</sup> date gets closer.

#### Adjournment

Commissioner Laffen made a motion to adjourn. Commissioner Delmore seconded the motion. The motion passed 5-0. Meeting adjourned at 1:34 p.m.