

Minutes of the Lottery Advisory Commission
December 2, 2013

Attendance

A meeting of the Lottery Advisory Commission (Commission) was held from 2:13 p.m. – 2:45 p.m., on Monday, December 2, 2013. Representing the Commission was Mr. Mike Rud (Chairman); attending by teleconference were Representative Lois Delmore, Representative Joe Heilman, Senator Lonnie Laffen, and Mr. Russ Hanson. Representing the North Dakota Lottery (Lottery) were Mr. Randy Miller, director, Mr. Ryan Koppy, sales and marketing manager, Mr. Rob Yost, accountant/budget specialist, Ms. Missy Reich, administrative staff officer and Ms. Sonja Walder, administrative assistant. Ms. Julie Thompson, security officer attended by teleconference.

Approval of Minutes

Commissioner Delmore made a motion to approve the minutes of the September 25, 2013 meeting. Commissioner Hanson seconded the motion. The motion passed 5-0.

Overview of the 2011-2013 Biennial Report

Mr. Miller provided an overview of the 2011-2013 Biennial Report. During the biennium, ticket sales for fiscal year 2012 were \$26 million and for fiscal year 2013 were \$27.8 million. Net proceeds for fiscal year 2012 were \$7.7 million and for fiscal year 2013 were \$8.3 million. The Lottery transferred \$7 million to the state general fund for fiscal year 2012 and \$7.3 million for fiscal year 2013.

The Lottery paid out a record \$27.6 million dollars in prizes during the biennium. Retailers earned a record \$2.7 million in sales commissions and bonuses. The Lottery conducted several successful promotions, statewide player pilot study and player/non-player phone survey, retailer sales enhancement pilot program, and designed and implemented a new, user-friendly website.

Overview of Revenues and Expenses for the Quarter Ended September 30, 2013 and Sales Activity Through November 2013 (unaudited)

Mr. Yost provided an overview of revenues and expenses for the quarter ended September 30, 2013 and sales activity through November 2013. Total ticket sales increased \$892,526 or 14.25% compared to the same period last year. The increase was mainly due to the Powerball jackpot hitting \$448 million. Other factors contributing to the increase in sales were the Hot Lotto jackpot hitting \$7.3 million and a successful 2by2 promotion.

Total operating expenses increased \$706,482 or 16.74% compared to the same period last year. The increases in expenses were a direct incremental relation to the increase in ticket sales.

Ticket sales for October 2013 increased \$317,336 or 18.24% compared to October 2012. The increase in 2013 was due to the Powerball jackpot hitting \$213 million, residual sales from the August 2by2 promotion, and a Mega Millions promotion that started on October 19.

Ticket sales for November 2013 decreased \$2,467,282 or 54.8% compared to November 2012. The decrease was due to the Powerball jackpot hitting \$587.5 million in November 2012.

Overview of Marketing Activity and Short-Term Marketing Plans

Mr. Kopyy provided an overview of marketing activity and short-term marketing plans. A 6-week and 12-week post promotion analysis was conducted on the 2by2 promotion that ran August 4 through August 31, 2013. 2by2 ticket sales were up 11% after six weeks compared to the 26-week, weekly sales average prior to the promotion and up 7% after 12 weeks. 7 draw Tuesday Doubler feature sales (single play, \$7) were up 48% after 12 weeks.

The Mega Dash promotion ran October 19 through November 16, 2013. A qualifying purchase was five plays of Mega Millions with the Megaplier for \$10. With the qualifying purchase, players were eligible to instantly win \$5, \$20, \$100, or \$500. Winners were chosen at random. The promotion was a huge success with Mega Dash players winning \$28,565 in instant prizes and Mega Millions sales increasing 102% when compared to the 26-week, weekly sales average prior to the promotion along with a 58% participation rate (percent of Mega Millions sales that were Mega Dash purchases). \$27,425 was spent on promotional costs (point-of-sale materials, production costs, radio, TV, and online ads) with additional items yet to be billed.

The Holiday Subscription Discount promotion began November 17 and runs through December 31, 2013. The promotion provides subscribers the opportunity to save up to 10% on all lottery subscriptions.

The Lottery attended the Pride of Dakota Holiday Showcase in Fargo (November 22-24) and will be attending the Bismarck Showcase (December 6-8). A complete sales report will be available for the Commission at the next regular meeting.

The Powerball game will change effective January 19, 2014. The Power Play option will return to a random multiplier of 2x, 3x, 4x, or 5x, excluding the jackpot and match 5 prizes. The match 5 prize will remain at \$2 million when the Power Play option is purchased. The cost per Powerball play will remain at \$2, with the cost to add Power Play for an additional \$1 per play.

Attorney General Stenehjem approved the logo enhancement that was recommended by the Lottery Advisory Commission. The Lottery will continue to use the tagline "Imagine the possibilities."

Consideration to Discontinue Subscription Renewal Discounts

Ms. Reich arrived at the meeting at 2:35 p.m. to provide information to discontinue subscription renewal discounts. A survey was sent to subscribers in February. 64.6% of respondents said they would continue to renew their subscription without a discount. Fiscal year 2013 subscription discounts totaled \$47,000. Commissioner Hanson made a motion to table the discussion to discontinue subscription renewal discounts until the next meeting. Commissioner Delmore seconded the motion. The motion passed 5-0.

Omnibus Items

The Commission scheduled the next meeting for Monday, December 16, 2013 at 10:00 a.m.

Adjournment

Commissioner Delmore made a motion to adjourn. Commissioner Hanson seconded the motion. The motion passed 5-0. The meeting adjourned at 2:45 p.m.