

Minutes of the Lottery Advisory Commission
December 16, 2014

Attendance

A meeting of the Lottery Advisory Commission (Commission) was held from 1:30 p.m. – 2:04 p.m., on Tuesday, December 16, 2014. Representing the Commission were Mr. Mike Rud (Chairman), Mr. Russ Hanson, and Senator Nicole Poolman; Representative Thomas Beadle participated by telephone. Representative Lois Delmore was absent. Representing the North Dakota Lottery (Lottery) were Mr. Randy Miller, director, Mr. Matt Anderson, account/budget specialist, Mr. Ryan Koppy, sales and marketing manager, and Ms. Sonja Walder, administrative assistant.

Approval of Minutes

Commissioner Hanson made a motion to approve the minutes of the September 24, 2014 meeting. Commissioner Beadle seconded the motion. The motion passed 4-0.

Final Approval of the Proposed Administrative Rules for the Monopoly Millionaires' Club Game and Miscellaneous Rule Changes (Effective Date February 1, 2015)

Mr. Miller informed the Commission that the Monopoly Millionaires' Club game rules are being withdrawn due to the Multi-State Lottery Association suspending the game effective December 26, 2014. Monopoly Millionaires' Club sales have been below industry projections since the game launched on October 19, 2014. Consideration is being given by the Multi-State Lottery Association to relaunch the Monopoly Millionaires' Club game at a later date with changes that would make the game more appealing to players.

Overview of Revenues and Expenses and Sales Activity (Unaudited)

Mr. Anderson presented the overview of revenues and expenses for the fiscal year ended June 30, 2014. Total ticket sales decreased \$903,027 or 3.24% compared to fiscal year 2013. The decrease was mainly due to fewer big jackpots for Powerball in 2014. The Powerball jackpot hit a record-setting \$590 million in 2013. Total operating expenses decreased \$449,425 or 2.28% compared to fiscal year 2013. Prize expense decreased \$420,294 or 2.96%, retailer commissions/bonuses expense decreased \$47,890 or 3.43%, and contractual services expense decreased \$42,588 or 1.74%. These decreases were a direct incremental relation to the decrease in ticket sales. Marketing expense increased \$17,957 or 3.08%. Other operating expenses decreased \$6,004 or 1.83%.

Total ticket sales for the quarter ended September 30, 2014 decreased \$1,031,468 or 14.41% compared to the same period last year. The decrease was mainly due to significant higher Powerball and Mega Millions jackpots. Total operating expenses decreased \$473,562 or 10.63% compared to the same period last year. Prize expense decreased \$481,116 or 13.04%, retailer commissions/bonuses expense decreased \$55,743 or 15.38%, and contractual services expense decreased \$23,901 or 4.06%. These decreases were a direct incremental relation to the decrease in ticket sales. Marketing expense decreased \$6,242 or 12.37% because in 2013 there were expenses for a 2by2 promotion and jackpot radio advertisement during this quarter. Other operating expenses decreased \$104,835 or 274.43% because in 2013 the Multi-State Lottery Association dues were paid during this quarter. Ticket sales for October and November 2014 increased \$358,306 or 8.76% compared to the same period last year. The increase was mainly due to the Mega Millions jackpot hitting over \$300 million.

Overview of Marketing Activity and Short-Term Marketing Plans

Mr. Kopyy presented the overview of marketing activity and short-term marketing plans. The third flight of the rebranding campaign ran from September 2 through October 3, 2014. The total budget for the flight was \$60,000 including radio and TV ads, Pandora, Facebook, and Twitter.

The North Dakota Lottery Players Club currently has 5,014 registered members. On December 8, two Go-Pro camera packages and five 20,000 point packages were given away through the Points for Drawings program. The current Points for Drawings promotion is accepting entries for three Kitchen Aid Artisan mixers. Three winners will be drawn on January 20, 2015.

The 2by2 7-draw promotion was a huge success, running from November 2 through November 29, 2014. The qualifying purchase was a single play, 7-draw 2by2 ticket for \$7. With the qualifying purchase, players were eligible to instantly win a free 7-draw 2by2 ticket or \$500. Players, who were members of the Players Club, could also enter their tickets for a chance to win one of 20 \$500 second chance prizes. On December 1, 2014, twenty winners were drawn. This was the most successful 2by2 promotion compared to any previous 2by2 promotions. 2by2 sales were up approximately 63% compared to the 26-week, weekly average prior to the promotion. Total 2by2 sales were \$469,942.

The Lottery began an ad campaign for the subscription service on December 1, 2014. The budget for advertising costs was \$35,000 (radio, digital billboards, Pandora, Facebook, Twitter, and a two-minute "How to Subscribe" video). The goal of the ad campaign is a 10% increase in the number of subscribers, 10% increase in funding, and 10% increase in subscription sales. As of November 30 there were 681 subscribers with \$146,910 in total sales. The goal by June 30 is to have 1,514 subscribers and \$571,909 in total subscription sales.

Facebook fans are up to 4,011 which is an increase of 34%. Twitter followers are up to 818 which is an increase of 68%.

Overview of the 2015-17 Budget Request

Mr. Miller presented an overview of the 2015-17 budget request. The total budget request increased from \$4,133,821 to \$5,353,485. The main increase was to operating fees and services, increasing from \$1.51 million to \$2.84 million due to the additional fees for the Monopoly Millionaires' Club game.

Omnibus Items

Mr. Miller informed the Commission that Lutheran Social Services is considering a request to the Legislature to increase the amount the Lottery transfers to the State Treasurer each quarter for deposit in the compulsive gambling prevention and treatment fund. Currently the Lottery transfers \$50,000 per quarter.

Mr. Miller informed the Commission that the Powerball Group has decided to delay the Powerball game change until July 12, 2015 rather than April 12, 2015 as originally planned.

Adjournment

Commissioner Hanson made a motion to adjourn. Commissioner Poolman seconded the motion. The motion passed 4-0. The meeting adjourned at 2:04 p.m.