Minutes of the Lottery Advisory Commission
June 28, 2018

Attendance

A meeting of the Lottery Advisory Commission (Commission) was held from 10:04 a.m. – 10:34 a.m., on Thursday, June 28, 2018. Representing the Commission was Mr. Russ Hanson. Senator Nicole Poolman, Representative Thomas Beadle and Representative Lois Delmore participated by telephone. Mr. Mike Rud (Chairman) was absent. Representing the North Dakota Lottery (Lottery) were Mr. Randy Miller, director, Mr. Ryan Koppy, sales and marketing manager, Mr. Matt Anderson, account budget specialist, Ms. Missy Steele, administrative staff officer and Ms. Sonja Walder, administrative assistant.

In the absence of Chairman Rud, the consensus from the Commission was for Commissioner Hanson to serve as chairman for the meeting.

Approval of Minutes

Commissioner Poolman made a motion to approve the minutes of the April 24, 2018 meeting. Commissioner Delmore seconded the motion. The motion passed 4-0.

Overview of Revenues and Expenses and Sales Activity for Quarter Ended March 31, 2018 and April through May 2018 Sales (unaudited)

Mr. Anderson presented the overview of revenues and expenses for the quarter ended March 31, 2018. Total ticket sales increased $2,342,764 or 35.92% compared to the same period last year. Total operating expenses increased $1,188,683 or 24.64% compared to the same period last year. Prize expense increased $725,202 or 21.86%, retailer commissions/bonuses increased $112,166 or 34.68%, and contractual services expense increased $265,487 or 36.25%. These increases were a direct incremental relation to the increase in ticket sales. Players Club expenses remained the same. Other operating expenses increased $3,100 or 7.8%. Marketing expense increased $72,338 or 67.79% due to the expense of the Money Medal Madness promotion and $4,000 spent on flash promotions. There was also an extra invoice paid to KK Bold this quarter compared to 2017.

Total ticket sales for April through May 2018 decreased $71,119 or 1.68% compared to the same period last year. The decrease was due to the timing of a promotion in 2017 that did not take place in 2018.

Overview of Marketing Activity and Short-Term Marketing Plans

Mr. Koppy presented the overview of marketing activity and short-term marketing plans. The North Dakota Lottery Players Club currently has 26,880 registered members. The following prizes were given away to players through the Points for Drawings program: one Yamaha Viking EPS Side by Side on May 1, 2018; three Ocean Kayak Trident 13 Anglers on May 29, 2018; and five Outdoor Game Sets on May 29, 2018. Currently the Lottery has the following Points for Drawings promotions in progress including a Segway miniPLUS Self-Balancing Scooter; a Cuisinart Ice Cream and Gelato Maker; and a 2018 Yamaha VX Limited Wave Runner with trailer. The upcoming promotion includes a Char-Broil Performance Series Stainless Steel Grill.

Ms. Steele arrived at the meeting at 10:15 a.m.
The Lottery launched the Players Club Official Mobile App in two phases. The Android version launched on May 18, 2018 and the iOS version launched on June 8, 2018. The app allows players the ability to purchase Pick and Click online plays (formerly subscriptions), fund their wallet, scan tickets to check winning numbers, scan tickets to redeem web codes for point rewards, find the nearest retailer, use their points to enter Points for Drawings promotions, purchase merchandise from the Points for Prizes store, and create and save ePlayslips. As of June 20, 2018, there were 970 Android downloads and 800 iOS downloads. Commissioner Beadle asked if there was a report to show how sales were being tracked through the app. Mr. Miller stated that Scientific Games would need to provide that report.

Mr. Miller asked Ms. Steele to provide a brief overview on the mobile application since launch. Ms. Steele stated that the app seemed to be going well with very little feedback from players. The only problem seemed to be the geo-locating of players when using the data location versus Wi-Fi in state border communities and remote areas. The Lottery and Scientific Games continue to test this issue to see what can be done to help rectify some of the problems.

At the same time as the mobile app launch, the Lottery conducted a re-brand campaign for the subscription service, renaming it Pick and Click. Along with the additions to the website, the Lottery ran a 4-week re-branding campaign across several mediums. The media buy included broadcast radio, Facebook promoted posts, Google Display Network, Teads In-Read video, You-Tube pre-rolls, and digital outdoor billboards.

Ms. Steele left the meeting at 10:22 a.m.

The 2by2 Seven-Draw promotion is scheduled to run July 8 through August 4, 2018. The qualifying purchase will be a single play, seven-draw 2by2 ticket for $7. With the qualifying purchase, players will be eligible to instantly win a free seven-draw 2by2 ticket or $500. Winners will be chosen at random. The promotional prize expense budget is $33,000. The advertising budget is $40,000. The media buy includes radio, social media, You-Tube pre-rolls, Google Display ads, Programmatic video, and digital outdoor billboards.


Mr. Miller requested acceptance of the Audit Report for the Fiscal Years Ended June 30, 2017 and 2016. There were no formal or informal recommendations in the audit report and because of this Mr. Miller suggested the Lottery not request a representative from the Office of the State Auditor to present the report. The Commission agreed. Since the Commission serves as the audit committee for the Lottery, Mr. Miller asked the Commission for a motion to accept the audit report. Commissioner Poolman made a motion to accept the audit report for the fiscal years ended June 30, 2017 and 2016. Commissioner Delmore seconded the motion. The motion passed 4-0.

Final Approval of the Proposed Administrative Rules Related to the Launch of the Mobile Application, Re-branding of Subscriptions to Pick and Click Online Play, and Miscellaneous Rule Changes

Mr. Miller reported that on May 11, 2018 a notification of a public hearing and availability of proposed rules were sent to be publicized in the 52 daily and weekly newspapers for the week of May 18-24, 2018. A copy of the proposed rules was provided to each member of the Lottery Advisory Commission and to Representative Bill Devlin, Chairman of the Administrative Rules Committee. Copies of the proposed rules were available at the public hearing, Lottery’s office, Lottery’s website, and to the public on request. A terminal message was sent to retailers.
The Lottery conducted a public hearing on June 15, 2018 in Bismarck. No one attended the hearing. The comment period ended June 26, 2018. There were no written or oral comments submitted.

Commissioner Poolman made a motion that the Commission considered all comments on the proposed rules, which there were none, and to adopt the proposed rules as presented. Commissioner Delmore seconded the motion. The motion passed 4-0. The recommendation will be presented to Attorney General Stenehjem for approval prior to moving forward with the rule adoption process.

Omnibus Items

Mr. Miller provided the following:

Unaudited ticket sales from July 2017 through May 31, 2018 are $29.2 million. This represents a $4 million increase in sales or 16.1% compared to the same period last year. This will be our second highest sales year since the Lottery began with projected sales through June 30, 2018 at $31 million.

Representatives from the North Dakota Office of Attorney General legal counsel continue to have discussions with AutoLotto (Lottery.com) legal counsel. Lottery.com is still selling tickets in North Dakota.

The next quarterly Lottery Advisory Commission meeting will include representatives from Scientific Games providing an annual update on the Lottery’s online system after year four of the current contract.

Mr. Miller thanked Commissioner Delmore for her faithful service to the Lottery as she is not running for her legislative seat. Her appointment to the Lottery Advisory Commission ends on June 30, 2018.

Adjournment

Commissioner Delmore made a motion to adjourn. Commissioner Poolman seconded the motion. The motion passed 4-0. The meeting adjourned at 10:34 a.m.