

Minutes of the Lottery Advisory Commission

June 29, 2016

Attendance

A meeting of the Lottery Advisory Commission (Commission) was held from 11:01 a.m. – 11:31 a.m., on Wednesday, June 29, 2016. Representing the Commission was Mr. Mike Rud (Chairman); with Representative Lois Delmore, Representative Thomas Beadle, and Mr. Russ Hanson participating by telephone. Senator Nicole Poolman was absent. Representing the North Dakota Lottery (Lottery) were Mr. Randy Miller, director, Mr. Ryan Kopyy, sales and marketing manager, Mr. Matt Anderson, account budget specialist, and Ms. Sonja Walder, administrative assistant.

Approval of Minutes

Commissioner Delmore made a motion to approve the minutes of the March 30, 2016 meeting. Commissioner Hanson seconded the motion. The motion passed 4-0.

Overview of Revenues and Expenses and Sales Activity (Unaudited)

Mr. Anderson presented the overview of revenues and expenses for the quarter ended March 31, 2016. Total ticket sales increased \$6.49 million or 78.88% compared to the same period last year. The increase was due to the record-setting \$1.5 billion Powerball jackpot run. Total operating expenses increased \$4.67 million or 79.40% compared to the same period last year. Prize expense increased \$3.48 million or 82.94%, retailer commissions/bonuses increased \$318,195 or 75.58%, and contractual services expense increased \$734,332 or 88.08%. These increases were a direct incremental relation to the increase in ticket sales. Marketing expense increased \$59,819 or 72.81% due to advertising the Powerball jackpot. Other operating expenses increased \$67,219 or 44.57% due to more PlayCentral (PCT) terminal cashes during the Powerball jackpot run, prepayment of building lease, Wild Card 2 insurance fees, and Points for Prizes fees.

Total ticket sales for April and May 2016 increased \$1.09 million or 25.04% compared to the same period last year. The increase was due to a \$429 million Powerball jackpot run, 3 Great Deals promotion, and the launch of the Lucky for Life game.

Mr. Miller noted record-setting ticket sales continue to climb as the Lottery nears the end of the fiscal year. Unaudited ticket sales from July 2015 through May 2016 were \$32.94 million. This represents a \$7.79 million increase in sales or 30.99% compared to the same period last year. As of June 28, total ticket sales were at \$35.4 million. The previous record for ticket sales was \$27.8 million.

Marketing Activity and Short-Term Marketing Plans

Mr. Kopyy presented the overview of marketing activity and short-term marketing plans. The North Dakota Lottery Players Club has 16,070 registered members. The following prizes were given away to players through the Points for Drawings program: one bedroom package on April 12; three Callaway men's golf sets on April 19; two camping packages on May 10; three his and her Mongoose bicycle sets on May 17; and three Xbox One bundles on June 21. There are three other Points for Drawings promotions in progress including a PlayStation 4 bundle, Samsung washer and dryer set, and spa package. The Lottery is currently running a point sign-up bonus promotion. New Players Club members

receive 250 bonus points upon registration. Upcoming Points for Drawings promotions include a juke box and an entertainment package.

The Lottery is currently running a Father's Day discount promotion during the month of June. Players receive a 20% discount using the Promo Code DADSDAY20 on their entire purchase. This is similar to the Mother's Day promo that was run in May.

The Lottery held a Flash Sale promotion for subscriptions offered through the Players Club on April 26, 2016 for a four hour time period. Subscribers received a \$2 credit for each \$10 in subscriptions they purchased or extended. The total dollar amount of credit earned by subscribers was \$892. It was promoted through Facebook posts, emails to Players Club members, Lottery-In-Motion monitors, and text alerts. The advertising cost was \$73.14.

The average weekly sales projections for Lucky for Life through June 30, 2016 were between \$73,948 and \$88,738 with a weekly sales per capita average of 10 to 12 cents. Through June 18, 2016, actual weekly sales averaged \$124,121 with a weekly sales per capita average of 16.8 cents.

The Lottery ran an "Instant Luck" Lucky for Life promotion from May 1 through May 28, 2016. The qualifying purchase was a single draw, 3-play Lucky for Life ticket. With the qualifying purchase, players had the chance to instantly win a free Lucky for Life ticket, \$10, \$20, or \$100. All winners were chosen at random. Advertising expense billed to this point is \$70,873.93 with some remaining to be billed. Prize expense totaled \$40,884. The promotion was a huge success as sales increased 49.47% and the participation rate was 57.54%. A 6-week post promotion analysis will be provided at the next LAC meeting.

Subscription promotions for SciPlay are currently being tested. A subscription promotion is tentatively planned to run in either August or October.

The Lottery is running an emerging markets campaign from June 13 through July 9, 2016. The campaign consists of point-of-sale items, digital billboards and social media in six of North Dakota's major markets: Bismarck, Minot, Fargo, Grand Forks, Williston, and Dickinson. The advertising budget is \$30,000.

The 2by2 7-draw promotion is tentatively scheduled to run September 4 through October 1, 2016. The qualifying purchase will be a single play 7-draw 2by2 ticket for \$7. With the qualifying purchase, players will have a chance to instantly win a free 7-draw 2by2 ticket or \$500. All winners will be chosen at random. This promotion is part of a multi-state 2by2 promotion with the majority of the prize expenses covered by the excess reserve in the 2by2 low-tier prize pool. Each state is allotted \$30,000 with a 10% buffer for a total of \$33,000. The Lottery will submit the total prize expense to MUSL at the end of the promotion for reimbursement.

Omnibus Items

Mr. Miller reported that Mr. Anderson and Mr. Miller attended the Legislative Audit and Fiscal Review Committee meeting on April 21, 2016. The June 30, 2015 and 2014 audit report for the Lottery was presented by a representative from the Office of the State Auditor. The Committee had no questions.

On September 13, 2016 Mr. Miller will testify before the Administrative Rules Committee to describe the procedures followed by the Lottery for the repeal of the Wild Card2 game and miscellaneous rule changes.

Mr. Miller reported that Kaycee Link, part-time draw operator is resigning effective August 9, 2016. Interviews have been completed. The Lottery is in the process of making an offer to a candidate.

Mr. Miller reported that at the last Multi-State Lottery Association/Powerball meeting in Cleveland on June 14 and 15, 2016, he was elected to serve a one-year term as chair of the Powerball Game Group effective July 1, 2016.

The next Lottery Advisory Commission meeting will be held in late September. The specific date and time will be determined at a later date.

Adjournment

Commissioner Delmore made a motion to adjourn. Commissioner Beadle seconded the motion. The motion passed 4-0. The meeting adjourned at 11:31 a.m.