

Minutes of the Lottery Advisory Commission  
January 30, 2018

Attendance

A meeting of the Lottery Advisory Commission (Commission) was held from 2:04 p.m. – 2:49 p.m., on Tuesday, January 30, 2018. Representing the Commission were Mr. Mike Rud (Chairman), Mr. Russ Hanson, Senator Nicole Poolman, and Representative Thomas Beadle all participating by telephone. Representative Lois Delmore 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 Poolman made a motion to approve the minutes of the October 11, 2017 meeting. Commissioner Beadle seconded the motion. The motion passed 4-0.

Mr. Miller stated the agenda items would need to be rearranged to accommodate the schedules of the Commission and to maintain a quorum for voting purposes.

Review of the Revised Price Proposal from Scientific Games for the Mobile Application (Executive Session)

Commissioner Hanson made a motion to move to executive session at 2:05 p.m. to review the confidential price proposal from Scientific Games for the mobile application. Commissioner Poolman seconded the motion. The motion passed 4-0.

Executive Session – Confidential Minutes

Commissioner Hanson made a motion to end executive session at 2:24 p.m. Commissioner Beadle seconded the motion. The motion passed 4-0.

Approval to Accept the Price Proposal from Scientific Game for the Mobile Application

Commissioner Poolman made a motion to accept the price proposal as reflected in Amendment No. 3 to the online Lottery system and services contract. Commissioner Hanson 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 implementation of the mobile application.

Approval of the Pick & Click Logo/Subscription Rebrand

Mr. Kopyy arrived at the meeting at 2:25 p.m. to present the rebrand and logo change for the subscription service. Commissioner Poolman made a motion to accept the proposal for the rebrand of subscriptions and the Pick & Click logo. Commissioner Hanson seconded the motion. The motion passed 3-1. Commissioner Beadle voted against the rebrand and logo change stating his dislike for the logo font. The recommendation will be presented to Attorney General Stenehjem for approval prior to moving forward with the rebrand and logo change. Commissioner Poolman left the meeting at 2:27 p.m.

## Overview of Revenues and Expenses and Sales Activity for Quarter Ended September 30, 2017 and October Through December 2017 Sales (unaudited)

Mr. Anderson arrived at the meeting at 2:25 p.m. to present the overview of revenues and expenses for the quarter ended September 30, 2017. Total ticket sales increased \$1,661,901 or 20.8% compared to the same period last year. Total operating expenses increased \$1,240,061 or 20.58% compared to the same period last year. Prize expense increased \$917,533 or 21.56%, retailer commissions/bonuses increased \$74,671 or 18.48%, and contractual services expense increased \$173,597 or 21.88%. These increases were a direct incremental relation to the increase in ticket sales. Players Club expenses and other operating expenses remained the same. Marketing expense increased \$61,781 or 35.59% due to the Power 25 promotional prize expense.

Total ticket sales for October through December 2017 increased \$254,767 or 3.99% compared to the same period last year. The increase was due to the Mega Millions jackpot run and the launch of the Lotto America game during quarter ended December 2017.

## Overview of 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 25,000 registered members. The following prizes were given away to players through the Points for Drawings program: three American Legend Soccer Foosball tables on October 18, 2017; three Crosley natural wood top kitchen cart/islands on November 15, 2017; two Ariens snow throwers on November 29, 2017; three smart home packages on December 19, 2017; and three Elite Gourmet popcorn trolleys on January 17, 2018. There are three other Points for Drawings promotions in progress including an eight piece Cuisinart cookware set, a Brookstone Renew Zero Gravity massage chair, and a 75" Samsung QLED 4K television. Upcoming Points for Drawings promotions include a Samsung 30" electric range, a Samsung 40" 4K smart television, and a 2018 Yamaha Viking EPS side by side.

The Lottery ran a point sign-up bonus promotion that awarded new Players Club members 1,000 bonus points. This promotion ran from December 1 through December 31, 2017.

The Lottery ran two separate point multiplier promotions. November 12 through December 31, 2017 all Lotto America ticket web codes entered received an additional 2X multiplier. January 1 through January 31, 2018 all Mega Millions ticket web codes entered received an additional 3X multiplier.

On Saturday, October 28, 2017, the Mega Millions game changed. The cost per play increased to \$2, the number of white balls decreased from 75 to 70 and the number of gold balls (Mega Ball) increased from 15 to 25.

The Mega Luck promotion ran from October 28 through November 11, 2017. The qualifying purchase was three plays of Mega Millions with Megaplier for \$9. With the qualifying purchase players received a \$2 Lucky for Life ticket free. Prize expense totaled \$12,424. Players won 6,212 free tickets. The marketing budget was \$20,000 with \$15,030 billed to date. Mega Millions sales increased 49.3% when compared to comparable Mega Millions jackpot sales.

The Multi-State Lottery Association game, Hot Lotto, ended after the October 28, 2017 draw in all 14 participating jurisdictions. Players can still claim prizes within 180 days of the last draw. The Hot Lotto jackpot was rolled into the starting jackpot for the new game, Lotto America.

On Sunday, November 12, 2017, the Lottery launched Lotto America. The jackpot starts at \$2 million, but because the Hot Lotto jackpot did not go out, it was rolled into Lotto America with the jackpot starting at \$15 million. Drawings are held Wednesday and Saturday. Tickets are \$1 per play, and \$1 to add the All Star Bonus which multiplies all non-jackpot prizes by 2, 3, 4 or 5 times. The marketing campaign was budgeted at \$40,000 and \$29,788 has been billed to date. Players Club members received an additional 2X point multiplier on all Lotto America tickets entered through the Players Club Rewards page. Sales through January 20, 2018, totaled \$606,275 with weekly average sales of \$60,627.

The Lottery ran two Flash sale subscription promotions on December 6 and December 20, 2017. The qualifying purchase was any \$10 subscription or renewal. With each qualifying purchase, subscribers received a \$2 credit to their account. During the sale on December 6, \$3,362 in credits was awarded to subscribers. The total purchase amount was \$10,458 and the total extension amount was \$6,652. There were sixteen new subscribers. During the sale on December 20, \$2,598 in credits was awarded to subscribers. The total purchase amount was \$9,607 and the total extension amount was \$3,922. There were twenty new subscribers. The advertising cost for each promotion was \$100.

On February 4 through March 3, 2018 the Lottery will be conducting the Money Medal Madness promotion. The qualifying purchase is a single draw, three-play Lotto America with All Star Bonus ticket (\$6 value). With the qualifying purchase, players will have a chance to win a free \$2 Lotto America with All Star Bonus ticket, \$10 or \$100. Winners will be chosen at random. Advertising and promotional prize expense budgets are set at \$80,000 and \$30,000, respectively.

The Lottery is in the early stages of developing a mobile application for iOS and Android smartphones. With this application, players will be able to purchase subscriptions, fund their wallet, scan tickets to check winning numbers, scan to redeem Players Club web codes for rewards, find the nearest retailer, use their points to enter Points for Drawings promotions, and use their points to purchase merchandise from the Points for Prizes store. The tentative launch is scheduled for April or May of 2018.

During the mobile launch, the Lottery will be rebranding the subscription services. KK Bold has proposed a new name and logo. "Pick & Click" will be the new name for the subscription services.

The 2by2 Seven-Draw promotion is scheduled to run during the summer of 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 still being discussed.

#### Omnibus Items

Mr. Miller provided the following:

Unaudited ticket sales from July 2017 through January 29, 2018 are \$19.3 million. This represents a \$3.1 million increase in sales or 19% compared to the same period last year. The Lottery is on track for its second highest sales year.

On January 24, 2018, the Office of the State Auditor completed the field audit portion of the financial audit for the years ended June 30, 2017 and 2016. The final audit report should be available in March 2018.

On December 5, 2017, Mr. Miller met before the Administrative Rules Committee to describe the procedures followed by the Lottery for the changes to the Mega Millions game, repeal of the Hot Lotto game, addition of the Lotto America game and other miscellaneous rule changes. There were no questions or concerns.

Representatives from the Office of Attorney General legal counsel continue to have discussions with AutoLotto's legal counsel. AutoLotto has changed their name to Lottery.com.

The \$25,000 a year for life Lucky for Life prize is still unclaimed despite numerous attempts to inform the public that the prize expires on February 10, 2018. The Lottery issued a news release on January 11, 2018, displayed posters at the retail location in Michigan, ND and posted on the Lottery-In-Motion in all retail locations in North Dakota. In addition, radio announcements will begin tomorrow.

#### Adjournment

Commissioner Beadle made a motion to adjourn. Commissioner Hanson seconded the motion. The motion passed 3-0. The meeting adjourned at 2:49 p.m.