

Minutes of the Lottery Advisory Commission
October 27, 2021

Attendance

A public meeting of the Lottery Advisory Commission (Commission) was held from 2:01 p.m. – 3:29 p.m., on Wednesday, October 27, 2021. Representing the Commission by telephone were Mr. Mike Rud (Chairman), Representative Karla Rose Hanson, Representative Emily O'Brien, and Mr. Russ Hanson. Senator Nicole Poolman was absent. Representing the North Dakota Lottery were Mr. Randy Miller, director, Mr. Ryan Kopyy, sales and marketing manager, Mr. Matt Anderson, account budget specialist, Ms. Julie Thompson, security officer, Ms. Missy Steele, administrative staff officer, and Scott Tarno, customer service specialist. Representing Scientific Games International were Dan Moran, general manager for North Dakota. Doug Parker, regional operations director, for Scientific Games International participated by telephone.

Selection of a Chairperson

Commissioner R. Hanson made a motion to nominate Commissioner Rud to serve as chairperson for a one-year term. Commissioner O'Brien seconded the motion. With no other nominations, Commissioner Rud was elected chairman. The motion passed 4-0.

Approval of Minutes

Commissioner K. Hanson made a motion to approve the minutes of the June 28, 2021, meeting. Commissioner R. Hanson seconded the motion. The motion passed 4-0.

Reports

a. **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 currently has 42,391 registered members. The following prizes were given away to players through the Points for Drawings program. Five Bose noise canceling headphones on July 20, 2021. Two Apple MacBook Aires on August 3, 2021. Five Apple Watch Series 6's on August 17, 2021. One electronic entertainment system on September 21, 2021. Ten free (39-week/273 draw) Lucky for Life Pick & Click online plays on September 21, 2021. Five \$1,000 cash prize and Powerball First Millionaire of the Year semi-finalist entries on October 12, 2021. Ten free one-year (156 draw/52 week) Powerball with Power Play Pick & Click online plays on October 12, 2021.

There are three Points for Drawings promotions in progress including New Year New You fitness package (75 points per entry), Troy-Bilt snow blower (25 points per entry), and iRobot Braava wet mop (15 points per entry). Upcoming Points for Drawings promotions include a touchscreen Karaoke System and Dyson hair dryer.

During the month of June 2021, a 15% discount was offered on Points for Prizes cart purchases using multi-use promo code DAD2021. The promo code was used 40 times by 33 individuals with 48,684 points saved. This was a 21.2% increase in points saved when compared to the 2020 Father's Day month long promotion.

November 21 – November 29, 2021, a Black Friday/Cyber Monday 20% discount will be offered on Points for Prizes cart purchases using multi-use promo code BFCYM2021.

During the month of December 2021, a Season Savings Spectacular 15% discount will be offered on Points for Prizes cart purchases using multi-use promo code HOLIDAY2021.

Currently all new membership signups receive a 250 point signup bonus. During the month of December 2021, a 1,000 point signup bonus promotion will run. All players who sign up and complete registration during the prescribed promotional period will receive 1,000 bonus points.

The Lucky for Life game change went into effect on July 19, 2021. It went from drawing on Mondays and Thursdays only, to drawing every day of the week. This was the only change; the matrix, cost per play, prize tiers and odds all remained the same.

A new promotion, MORE LUCK 4 LE\$\$ BUCK, ran July 16 through August 14, 2021, in conjunction with the game change. Players who purchased a qualifying ticket (single play, seven (7) draw Lucky for Life ticket – value \$14) received a \$4 discount. That was seven changes at \$1,000 a day FOR LIFE, for just \$10. Advertising costs were budgeted at \$110,000, this included production, point-of-sale, LIMs, TV ads, OTT/CTV ads, radio ads, social media content, billboards, YouTube and Google Online Display. This also included the production of a 30 second animated TV ad created for the new Lucky for Life game. The TV spot can be used in conjunction with a promotion or on its own as a branding spot. Advertising costs billed so far totaled \$68,325.64. Promotional discount expense was budgeted at \$30,000. The promotion was a huge success and performed much better than expected. Total sales for the 4-week (+2 days) promotion hit \$641,238, a 228.54% increase in sales when compared to sales prior to the game change/promotion. Players saved over \$114,000 with the discount promotion. Lucky for Life weekly sales average is currently seeing a 42.7% increase in sales when compared to the 26-week, weekly average prior to the game change/promotion.

The Powerball game change went into effect on August 23, 2021. Powerball added an additional draw day, Monday. Beginning August 23, Powerball now draws THREE times a week- Monday, Wednesday, and Saturday. This was the only change; the matrix, cost per play (including Power Play), prize tiers and odds all remained the same. No promotion ran for this game change. Advertising costs were budgeted at \$10,000 (production, POS, LIMs, and social media content). Advertising costs billed so far totaled \$4,401.89.

The Pick & Click online play promotion, *Buy \$10, Get a \$2 discount*, is currently running as a set of FLASH promotions in October. This is set up as a FLASH promotion in which the sale is promoted on the day of the promotion only. Players who spend \$10 on any game or combination of games or spend \$10 to extend a current Pick & Click online play, receive a \$2 discount during the prescribed dates (October 4, 12, 20, and 28). For each increment of \$10 spent (e.g. \$20, \$50, etc.), a \$2 discount is applied to the purchase at checkout. For example: \$20 spent receives a \$4 discount and \$50 spent receives a \$10 discount. Advertising and prize expense are budgeted at \$10,000 and \$15,000 respectively.

The Cash Dash promotion is scheduled to run from November 7 through December 4, 2021. The qualifying purchase will be one of each of the Lottery's games with multipliers (Powerball with Power Play, Mega Millions with Megaplier, Lotto America with All Star Bonus, Lucky for Life, and 2by2) for \$11. With the qualifying purchase, players will have the chance to instantly win \$5, \$20, \$100, or \$500. Cash Dash instant winners will be chosen at random. The budgeted costs are \$30,000 in instant prizes, \$40,000 in advertising costs (production, point of sale items, radio, YouTube Pre-rolls, Midco CTV/OTT, digital billboards, and Facebook).

The Pick & Click online play promotion, *Never Miss a Draw*, is scheduled to run December 1 through December 31, 2021. All purchases (new and/or extension) of 13 weeks, 26 weeks, 39 weeks, or 52 weeks will receive up to 10% discount. Advertising and prize expenses are budgeted at \$18,000 and \$5,000 respectively.

b. Revenues and Expenses and Sales Activity (Unaudited)

Mr. Anderson presented the overview of revenues and expenses for the quarter ended March 31, 2021 (unaudited) and for the fiscal year ended June 30, 2021 (unaudited) and July-September 2021 sales (unaudited).

Total ticket sales for quarter ending March 31, 2021, increased \$4,791,074 or 76.71% compared to the same period last year. The increase was due to the \$731 million Powerball jackpot and the \$865 million Mega Millions jackpot. Jackpots for Powerball and Mega Millions were \$396 million and \$202 million respectively during the same period last year. In addition, the Lottery had record setting sales

during the 2by2 7-draw promo for 2021 compared to 2020 and high jackpot in Powerball and Mega Millions during 2021 increased Lucky 4 Life sales.

Total operating expenses for quarter ending March 31, 2021, increased \$3,282,237 or 66.37% compared to same period last year. Prize expense increased \$2,568,437 or 77.16%, retailer commissions/bonuses increased \$237,547 or 79.23%, contractual services expense increased \$474,248 or 67.42%. These increases were a direct incremental relation to the increase of sales. Players Club expense increased \$27,083 or 50% due to timing of payments, three quarterly payments were expensed during quarter end March 31, 2021, compared to two payments during quarter end March 31, 2020. Marketing expense decreased \$36,991 or 14.95% due to Pick & Click promotion expenses including approximately \$31,000 for six How-To videos and two live commercials.

Total ticket sales for fiscal year ended June 30, 2021, increased \$5,993,070 or 24.57% compared to last fiscal year. The increase was primarily due to bigger jackpots in fiscal year 2021. Powerball jackpot reached \$731 million in 2021 compared to \$396 million in 2020 and the Mega Millions jackpot reached \$865 million in 2021 compared to \$410 million in 2020. The Lottery also ran a Lucky 4 Life Instant Luck promotion during 2021 which boosted sales compared to 2020.

Total ticket sales for the quarter ending September 30, 2021, compared to September 30, 2020, increased \$1,889,338 or 32.20%. This increase was primarily due to the Powerball jackpot reaching \$580 million and Mega Millions jackpot reaching \$432 million during quarter end September 30, 2021, compared to \$168 million and \$124 million respectively for quarter end September 30, 2020. In addition, Lucky for Life changed to a daily draw on July 19, 2021, along with the Lottery running a promotion that boosted sales in 2021 compared to 2020.

c. **Online System Update (Year 7)**

General Overview

Ms. Thompson presented a general overview of the online system for year seven. SciGuard Plus was tested and implemented in February and March of 2021. This application was created to meet the Multi State Lottery Association (MUSL) ticket validation standards using a higher level of encryption. The application works as expected, but the Lottery did request a couple of changes to make it more user friendly. North Dakota was the first SGI lottery to test and implement SciGuard Plus so the testing took a bit longer than it might have otherwise.

The only computer on the Lottery system that has not been updated is the computer used by the Lottery to print checks. When this computer was updated to Windows 10 from Windows 7, the check printing process did not work or the checks printed without the Attorney General's signature. The Windows 10 computer sent to replace

the Windows 7 was sent back to Scientific Games to determine what is causing the issue. A Windows 10 computer has not been returned to the Lottery.

An automated process for subscribers to request a check for winnings in their online wallet was implemented. Prior to this change, players could request a check for the amount in their winnings account, but the request was only sent to a report in the Business Intelligence (BI) application. If the report was not regularly viewed some of the payments could take longer than desired to complete. Also, once a request was fulfilled the BI report did not remove the request from the report list. This could result in more than one check being printed for a single request. The new process automatically sends subscriber's requests to the Games Management System (GMS)/Print Checks page. Once a check is processed for a request, the request is removed from the page.

There were changes to the camera and card scanner systems in the User Acceptance Testing (UAT) environment. A power surge or outage had damaged the system and it was replaced with new equipment. There was also cameras and card scanner capabilities added to the SGI Warehouse location. The Lottery is not yet able to view these areas remotely, as required by MUSL rule. SGI continues to try to finalize this project. The UAT environment has two test Lottery terminals that use satellite instead of digital communications. SGI has switched their satellite provider to Verizon. Once the satellite for these terminals was switched to Verizon, the terminals lost their connectivity. When Verizon satellites were placed at live Lottery retailers using satellite communications, they worked well. There is something within the UAT environment that is not working properly for the satellite communications.

Testing and implementation for the Lucky for Life and Powerball game changes was conducted in May, June, and July. The addition of more draw days for each game created some unusual issues on the subscription side. It was difficult task to update a new end date for existing subscriptions that had eligible plays for dates after the game change was scheduled. This was the first time this type of change had been tested and there was definitely a learning curve. The UAT subscription environment does not allow testing to go back in time so once an issue is encountered, the system must keep rolling until a fix can be released. This results in testing days that are known to be faulty, and it creates the need to have multiple releases, that include the fixes, when the changes are put into the production environment. This can create problems if anything is missed. The start of a promotion at the very beginning of the Lucky for Life game change also made the testing more complex. It would probably be advisable to wait a week or so, after a game change, before introducing a promotion.

The Lottery was scheduled to have a MUSL Rule 2 Review conducted prior to June 30, 2021. MUSL agreed to move the review date further out to accommodate for the Lottery's office relocation that was initially scheduled to be completed by the end of

June. MUSL now advises that they have lost all but one of their review staff and anticipate that the Lottery's review will be scheduled for some time after January 2, 2022.

Completed and Outstanding Requests Summary

Mr. Moran presented the completed and outstanding requests summary for year seven. The completed items included numerous SciCore and AEGIS related items.

Other outstanding items related to software and network changes included retailer licenses printing issues, ticket stock requirements, secure search terminal offsets, checking printing from Web2 and Windows 10 PC, Windows 10 PCs reconfiguration, complete UAT network upgrade, stop 2 draw entries, SciGuard game setup, SciGuard App window framing, responsible gaming/controller, Optimove integration, HMAC cashing, cart error, December Never Miss a Draw Promo 2021, and future SciCore promotions. If any are still outstanding, they will be completed in early 2022.

Requests currently discussing and scheduling for resolution included additional chain reports evaluation, activity sales detail, SciCore withdraw winnings, claims detail module issues, automated email flows (draw and day end), complete UAT network upgrade, schedule CGS firewall changes, SciCore promotions, and Mega Millions game change.

System Incident Report Summary

Mr. Moran presented the system incidents for year seven. In August 2020, Powerball Pick & Click tickets were not cashing on time. In October 2020, sales for of Pick & Click were not allowed for approximately 30 minutes. In January 2021, cashes and sales were not allowed for approximately one hour. Also in January 2021, again cashes and sales were not allowed for approximately one hour. In February 2021, GMS users were not able to login. Also in February 2021, Pick & Click purchases were disabled, tickets stuck in pending status. In March 2021, no tickets of \$10 or more were allowed to be purchased since cart promotion kicked off. Also in March 2021, TOT had incorrect messaging. In June 2021, North Dakota was taken off the allowed sites list in the Google Play store, players had to update their apps. Also in June 2021, some Android users were not able to purchase or fund their wallets. In August 2021, tickets couldn't be cashed.

SGI Employee Changes

Mr. Moran and Mr. Parker presented the Scientific Games staffing report. Mr. Moran stated that some of the system incidents in the report summary were due to operator errors. Scientific Games has put in safeguards for when these operator errors occur. Most of the employee turnover is related to changes in the management

team. Some management changes were due to opportunity for promotions within the company while other vacancies were due to leaving the position or retired.

Sales and Terminal Summary

Mr. Tarno presented the sales and terminal summary for year seven. Total Lottery sales (includes SciPlay online sales) increased \$5,947,186 to \$30,350,839, a 24.4% increase compared to last fiscal year. This is the fourth highest sales in the Lottery's 17-year history. SciPlay (Pick & Click) online sales increased from 6.7% to 8.1% of total lottery sales. Retailer terminal sales (excludes SciPlay online sales) increased \$5,102,550 to \$27,882,193, a 22.4% increase compared to last fiscal year.

Since July 2014, the number of Lottery terminals in regions 1,3 and 4 have increased. Lottery sales in regions 1,3 and 4 also had the highest sales increases. The percent of Lottery terminals by region is within 4 percentage points of each regions' sales percentage. Fluctuations in the average sale per terminal was primarily due to the varying number and size of Powerball and Mega Millions jackpots, not from the number of terminals in the region. While improving Lottery equipment and developing exciting Lottery promotions have all effectively helped increase Lottery sales, history shows that Lottery sales are still primarily driven by the number of and/or the size of large jackpot amounts.

PlayCentral (PCT) Sales Summary

Mr. Tarno presented the sales summary for the Play Central Terminals (PCTs) for year seven. There are 50 PCTs in retailer locations; 27 in grocery stores and 23 in convenience stores. PCT sales totaled \$2,009,453, a 30.9% increase compared to last fiscal year. The PCTs accounted for 6.6% of total Lottery sales. This is up from 6.3%, 5.5%, 5.5%, 5.2%, 4.4%, and 4.0% the previous six years. PCTs accounted for 32% of the Lottery sales in the retail locations they were in, which is up from 28.5%, 25.8%, 24.4%, 21.9%, 19%, and 19% the previous six years. In conclusion, PCTs continue to be used more and are part of the marketing/selling strategy for the stores they are in.

Pick & Click Sales Summary

Ms. Steele presented the Pick & Click sales summary for year seven. The total funding for Pick & Click was \$1,890,249, an increase of 55% compared to fiscal year 2020. The total purchases and extensions was \$2,432,594, an increase of 52% compared to fiscal year 2020. Retailers earned \$9,782.25 in Pick & Click commissions in fiscal year 2021.

As of June 30, 2021, there were 1,383 Pick & Click players. As of October 26, 2021, we now have 1,492 Pick & Click players. Powerball online plays totaled 1,078,

followed by 2by2 with 809, Lucky for Life with 746, Mega Millions with 679, and Lotto America with 499.

On September 16, 2020 the Pick & Click Buy \$10, Get a \$2 Discount Flash Sale ran. The total discount amount was \$1,674.

In October 2020, the Pick & Click Buy \$10, Get a \$2 Discount promotion ran every Tuesday. The total discount amount was \$12,328. This was a great promotion, as sales increased every Tuesday.

On December 1-December 31, 2020, the Pick & Click Never Miss A Draw promotion ran (Up to a 10% discount on 13, 26, 39, or 52 week purchases) promotion. The total discount amount was \$4,720.

In March 2021, the Pick & Click Buy \$10, Get a \$2 Discount promotion ran every Monday, Wednesday, and Friday. The total discount amount was \$28,416.

Pick & Click had 24 high tier winners in fiscal year 2021. One \$390,000 winner, three \$22,000 winners, one \$5,000 winner, two \$2,000 winners, six \$1,500 winners, four \$1,000 winners, one \$800 winner, and six \$600 winners.

Omnibus Items

Mr. Miller provided the following report:

Lotto America will be adding a Monday draw beginning July 18, 2022. Draws will then be held every Monday, Wednesday and Saturday. I will soon be starting the rule adoption process for the additional draw day.

Congratulations to Representative Karla Hanson and Russ Hanson on being re-appointed to serve another three-year term on the Lottery Advisory Commission ending June 30, 2024. A sincere thank you to everyone on the Lottery Advisory Commission for your dedicated work.

Mr. Miller thanked everyone for their participation in the meeting. In particular, Mr. Miller thanked the Lottery team for providing reports. He noted their updates reinforce the excellent work they do throughout the year that contributes to the continued success of the Lottery.

Scott and I attended the North Dakota Petroleum Marketers Trade Show last week in Fargo. The Lottery appreciated the opportunity to meet with retailers that sell lottery tickets.

Adjournment

Commissioner R. Hanson made a motion to adjourn. Commissioner O'Brien seconded the motion. The motion passed 4-0. The meeting adjourned at 3:29 p.m.