

Minutes of the Lottery Advisory Commission

April 18, 2022

Attendance

A meeting of the Lottery Advisory Commission (Commission) was held from 3:31 p.m. – 4:07 p.m., on Monday, April 18, 2022. Representing the Commission were Chairman Mike Rud, Representative Karla Rose Hanson, Senator Nicole Poolman, Representative Emily O'Brien, and Mr. Russ Hanson. 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. Missy Steele, administrative staff officer. Representing Scientific Games was Dan Moran, general manager for North Dakota.

Approval of Minutes

Commissioner Russ Hanson made a motion to approve the minutes of the January 20, 2022, meeting. Commissioner Poolman seconded the motion. The motion passed 5-0.

Final Approval of the Proposed North Dakota Administrative Rule Changes to the Lotto America Game (adding Monday draw)

Mr. Miller presented the proposed rule changes relating to adding a Monday draw to the Lotto America game. Commissioner O'Brien made a motion that the Commission acknowledged there were no comments on the proposed rules and to adopt the proposed rules as presented. Commissioner Rose Hanson seconded the motion. The motion passed 5-0. The recommendation will be presented to Attorney General Wrigley for final approval.

Overview of Revenues and Expenses for Quarter Ended December 31, 2021, and Sales Activity for January - March 2022 (unaudited)

Mr. Anderson presented the overview of revenues and expenses for the quarter ended December 31, 2021. Total ticket sales increased \$724,055 or 10.86% compared to the same period last year. The increase was due in part to the \$699 million Powerball jackpot during the quarter ending December 2021 compared to \$365 million Powerball jackpot during the quarter ending December 2020. Powerball also went to a three day draw per week game in August 2021 and Lucky for Life went to a seven day draw game in July 2021.

Total operating expenses increased \$688,378 or 13.64% compared to the same period last year. Prize expense increased \$338,503 or 9.50%, retailer commissions/bonuses increased \$25,424 or 7.69%, and contractual services expense increased \$175,617 or

26.12%. The increases to prize expense and retailer commissions/bonuses were a direct incremental relation to the increase in ticket sales. Contractual services expense increased because of 14 weekly payments to Scientific Games during Quarter Ended December 31, 2021, compared to 12 during Quarter Ended December 31, 2020, due to the timing of when transactions post to the general ledger. Marketing expense increased \$68,859 or 57.67% during the Quarter Ended December 31, 2021, due to four monthly payments to KK Bold compared to three during Quarter Ended December 31, 2020, due to the timing of when transactions post to the general ledger. Quarter Ended December 31, 2021, included additional costs for jackpot alerts and Lucky for Life game change promotion costs compared to zero in Quarter End December 31, 2020. Other operating expenses increased \$73,094 or 274.37% due to National Association of State and Provincial Lotteries (NASPL) dues of \$20,000 that were paid during Quarter Ended December 31, 2021, for calendar year 2022 compared to these being paid during Quarter Ended March 31, 2021, for calendar year 2021. Also, Quarter Ended December 31, 2021 included five monthly rent payments compared to none during prior Quarter Ended December 31, 2020, due to the timing and frequency of rent payments. Quarter End December 31, 2021, rent was \$5,863 per month compared to \$4,374 per month during prior quarter end December 31, 2020. Quarter Ended December 31, 2021, included a payment to InterOffice Workspace Furniture to teardown old location furniture and install new location workstations compared to none in prior Quarter Ended, December 31, 2020.

Total ticket sales for January through March 2022 decreased \$3,883,143 or 35.18%. There were a number of reasons for the decrease. Powerball jackpot reached \$632 million Quarter Ended March 2022 compared to \$731 million for 2021. The \$632 million jackpot was won on day five of the quarter and only reached \$207.1 million during the remainder of the quarter. The \$731 million jackpot went out on day 20 of the quarter and reached \$235.4 million during the remainder of the quarter. Mega Millions jackpot reached \$421 million Quarter End March 2022 compared to \$865 million for 2021. There were record setting sales during the 2by2 7-draw promo for 2021 compared to 2022 and higher jackpots in Powerball and Mega Millions during 2021 compared to 2022. The ND Lottery also ran two weeklong promotions during Quarter Ended March 2022 compared to none in 2021. The Lucky for Life game changed to a daily draw in July 2021.

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 currently has 44,260 registered members. The following prizes were given away to players through the Points for Drawings program: five Apple AirPods Pro and two HP Notebook Bundles on February 15, 2022; five LG 50" UHD webOS TVs and one Pair of Happy eBikes on March 15, 2022.

There were three Points for Drawings promotions in progress during the time of the meeting: one 2022 Yamaha Drive2 PTV golf cart; two beach day bundles; and five bison cooler bundles. Upcoming Points for Drawings promotions are Amazon echo show; Arcade bundle; and electric smart scooter.

On January 25, 2022, downloadable music was added back into the Players Club digital marketplace. On April 4, 2022, the Digital Marketplace was added to the Players Club mobile app. Music can now be downloaded straight to a device. Currently, all new members receive a 250-point signup bonus with their signup.

A “flash” version of the Instant Luck promotion ran January 9 through January 15 and again January 23 through January 29. This version had no POS in store and a limited advertising budget of \$5,000 which included radio and social media only. Lottery utilized LIM screens and promotional images on tickets with zero cost. The qualifying purchase was a single draw, 3 play Lucky for Life ticket (\$6 value). With the qualifying purchase, players received a chance to instantly win a free Lucky for Life ticket, \$10, or \$100. Instant Luck winners were chosen at random. Players won \$11,994 in instant prizes including ten \$100 instant cash prizes. Lucky for Life sales for the two weekly flash promotions saw a 49.9% increase in sales when compared to the 20-week weekly average prior to the promotion. Total promotional sales reached \$255,002. The sales increase generated an additional \$4,244 in retailer commissions. Advertising costs totaled \$4,688.37.

The ND Lottery conducted a new promotion that targeted Players Club members who had never funded and purchased a Pick & Click online play. Via use of the OptiMove CRM platform and Players Club database, players were specifically targeted with an email that contained a promo code that allowed them to try Pick & Click online play for free. Players who used the specific promo code between March 1 and March 7, 2022, received a single play, seven (7) draw 2by2 Pick & Click online play (\$7 value) for free.

On March 1, 2022, the promo code was sent to 821 eligible email addresses (individual players) that met the following criteria: total deposit amount=\$0 & number of online bets=0-Active players. Active Players is defined as players who were active within the last 30 days and New Players who had at least one additional activity date (ticket entry or online bet) in the last 14 days of their new period. On March 6, 2022, a “reminder” email was sent to 677 eligible email addresses (individual players) that did not open the first email sent. This new promotion was a success! Approximately 476 of the players we emailed opened the (62% open rate). The promo code was used 55 times by 55 individual players -11.55% success rate and this totaled \$385 in free purchases made using the promo code. Forty-six players received online winnings from their tickets (83.6%), 29 players made additional purchases after using the promo code totaling \$239 and 4 players made deposits after using the code totaling \$245. We then sent a third email to 15 of the 17 players who had yet to use their winnings. This email was a reminder to these players that

they had winnings in their account that they could use. Of the 15 emails sent, four players (27%) used their winnings to purchase additional plays totaling \$10. Lottery currently plans to do this again in April 2022.

The 2by2 7 Draw Promotion ran March 6 through April 2, 2022. 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. Winners were chosen randomly. The advertising budget (included radio, social media, YouTube Pre-rolls, Google Display ads, Midco OTT/CTV and digital billboards) was set at \$40,000. So far, \$6,435.65 has been billed. Prize expense for the promotion was budgeted at \$45,500. The 2by2 7 Draw Promotion players won \$40,689 in instant prizes including eleven \$500 instant winners. This promotion was part of a multi-state 2by2 promotion. Most of the prize expense was covered by the excess reserve in the 2by2 Grand Prize Pool. Each participating state was allotted \$35,000 with a 10% buffer (\$38,500 total). At the conclusion of the promotion, the North Dakota Lottery submitted its total prize expense to MUSL. The ND Lottery reimbursed the maximum of \$38,500. The remaining \$2,189 will be expensed to the ND Lottery marketing budget. Weekly sales steadily increased over the entirety of the four-week promotion: Week 1: \$148,702, Week 2: \$153,968, Week 3: \$158,030 and Week 4: \$162,578. Total promotion sales were \$623,278, good enough to rank third in total promotional sales, just behind the 2021 and 2019 promotions. The promotion saw an overall increase in weekly sales (compared to the 26-week, weekly average) of 82.6%. The current 6-week post promotion analysis is in progress and will be available at the next Lottery Advisory Commission meeting.

The current contract for Marketing and Advertising Services, with current vendor KK Bold, will end June 30, 2022. Both contract renewals have been executed. It was learned this year that “Marketing Communications Services Pool” is already in place with State Procurement. This vendor pool consists of eight Marketing and Advertising businesses that can be contracted with to provide the services. The Lottery is currently working on completing the Task Order Request Form.

The Lotto America game will undergo a game change. Lotto America will add an additional draw day, Monday. Beginning July 18, 2022, Lotto America will draw three times a week – MONDAY, Wednesday, and Saturday. This is the only change. The matrix, cost per day (including All Star Bonus), prize tiers and odds will all remain the same. A Money Medal Madness retailer promotion will run during the first month of this game change.

The Money Medal Madness promotion will run July 17 through August 13, 2022. The qualifying purchase is a single draw, 3 play Lotto America with All Star Bonus ticket (\$6 value). With the qualifying purchase, players have a chance to instantly win a free \$2 Lotto America with All Star Bonus ticket, \$10, or \$100. Money Medal Madness instant winners will be chosen at random. The advertising and prize expense budgets are set at \$40,000 and \$30,000 respectively. Advertising will consist

of using Connected TV, radio, Social Media posts, online ads (Facebook, YouTube Pre-Rolls), point-of-sale, and digital billboards.

Acceptance of the Audit Report for the Fiscal Years Ended June 30, 2021, and 2020

Mr. Miller presented the audit report for the fiscal years ended June 30, 2021, and 2020. Since there were no recommendations in the audit report. 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 Russ Hanson made a motion to accept the audit report and Commissioner Poolman seconded the motion, which passed 5-0.

Omnibus Items

Mr. Miller provided the following report:

For the first 9 months of the fiscal year (through March 2022) unaudited ticket sales totaled \$22.36 million. This represents a \$1.20 million decrease in sales or 5.08% compared to last fiscal year. The primary reason for the decrease in sales was due to the Mega Millions and Powerball jackpots that peaked in January 2021 at \$1 billion and \$731 million, respectively.

The next Interim Judiciary Committee meeting is scheduled for May 4th. Matt Anderson will prepare and present the biennial report on the operation of the North Dakota Lottery to the Committee.

This is my last Lottery Advisory Commission meeting. After more than 13 years as the director of the North Dakota Lottery, I will be retiring on May 1. I have been very fortunate to work in such an enjoyable industry for so many years. A sincere thank you to each of you for your service on the Lottery Advisory Commission. I have truly enjoyed working with you over the years.

Adjournment

Commissioner Russ Hanson called for adjournment and the consensus from the Commission was to adjourn. The meeting adjourned at 4:07 p.m.