

Minutes of the Lottery Advisory Commission

March 20, 2024 Meeting

Attendance

A meeting of the Lottery Advisory Commission (Commission) was held from 8:16 a.m. to 9:21 a.m. on Wednesday, March 20, 2024, at the State Capitol in the 17th Floor Meeting Room and by remote access.

Commission members participating remotely included Mr. Russ Hanson and Senator Jeff Barta. Representative Emily O'Brien, Representative Karla Rose Hanson, and Mr. Mike Rud participated in the meeting in-person.

Representing the North Dakota Lottery (Lottery) were Mr. Lance Gaebe, director; Mr. Ryan Koppy, sales and marketing manager; Mr. Matt Anderson, account budget specialist; and Ms. Jessica Seibel, administrative assistant. Julie Thompson, security officer; and customer service specialists Mr. Mark Rauhauser and Mr. Scott Tarno participated remotely.

Guests included Chad Keech from the State Procurement Office and Kayla Effertz-Kleven with Integrity Public Affairs.

Approval of Minutes

Commissioner Russ Hanson made a motion to approve the minutes of the November 29, 2023, meeting and Commissioner Jeff Barta seconded the motion, which passed 5-0.

Lottery Online Gaming System Vendor Procurement

Mr. Keech and Mr. Gaebe presented a procurement update to the Commission.

The current games system vendor contract with Scientific Games Inc. expires June 28, 2025. The conversion to a new contract with new game management software, terminals, networks, and peripherals will take up to one year, so a new vendor contract should be selected in early Summer of 2024.

The Request for Proposal (RFP) process measures the quality and cost of proposals when purchasing goods and services, and it ensures fair treatment of vendors desiring to do business with the State. The Lottery issued an RFP for a Central Gaming System vendor December 23, 2023, as part of the approved state procurement process. Proposals are due on April 4, 2024, and interviews and demonstrations are planned for May 14, 15, 16 at the State Capitol.

North Dakota Lottery security chief, Julie Thompson has led the procurement effort. The RFP preparation included reviews by Risk Management, State IT, and legal counsel. Chad Keech with the State Procurement Office has provided much assistance in managing and finalizing the RFP and associated documents and is providing continued support on the required steps of sourcing the next gaming vendor contract.

Procurement Officer Keech has been responsible for managing procurement procedures and timelines, and ensuring that applicable state laws, rules, and policies are followed. The evaluation committee will ensure thorough consideration and evaluation of proposals received. The evaluation

committee is actively engaged in the RFP process until an award is made or the procurement is canceled.

Several members of the Lottery Staff, along with State and Office of the Attorney General IT staff, are on the proposal evaluation committee. Committee members have a duty to apply judgment in evaluating the proposals based on criteria published in the RFP. Members must spend much time to evaluate proposals, attend committee meetings, and participate in vendor presentations and demonstrations.

The Commission had previously asked its Chairman Mike Rud to serve on the proposal evaluation committee, but he has work obligations and is unable to participate in the scheduled in-person interviews. John “Jiggs” Dyste was suggested to serve as a retailer representative on the committee. Mr. Dyste is a former grocery store owner and presently is the executive of the North Dakota Grocers Association.

Motion:

Commissioner Karla Rose Hanson **made the motion the Commission approve John “Jiggs” Dyste as a retailer representative on the proposal evaluation committee, and Commissioner Jeff Barta seconded, and the motion passed 5-0.**

The procurement timeline:

EVENT	DATE and TIME
RFP issued	December 22, 2023
Deadline for submission of Questions and Objections	January 23, 2024, by 1:00 PM, C.T.
Solicitation Amendment with responses to Questions issued approximately	February 9, 2024
<u>Deadline for second round of Questions and Objections</u>	<u>February 23, 2024, by 1:00 PM, C.T.</u>
Solicitation Amendment with responses to second round questions issued approximately	March 4, 2024
Deadline for receipt of proposals (Solicitation Closing)	April 4, 2024 @ 2:00 PM CT
<u>Demonstrations or presentations and interviews</u>	May 13-17, 2024
Proposal evaluation completed by approximately	May 24, 2024

Overview of Financial information

Mr. Anderson presented an unaudited overview of revenues and expenses for quarter ended December 31, 2023, and January and February 2024 sales information.

Total operating expenses for quarter ended December 31, 2023, decreased \$1,969,083 or 21.26% compared to same period in 2022. Prize expense decreased \$1,677,719 or 24.29%, retailer commissions and bonuses decreased \$150,943 or 24.73%, contractual services expense decreased \$376,390 or 29.71%. The decrease in sales in 2023 had a direct incremental impact on prizes, commissions and contractual expenses compared to the prior year. The 6% legislature approved salary increases plus equity adjustments and 15% health insurance premium adjustment increased the salary expense. The bank fees in 2023 were higher than 2022 due to increase credit card sales through Pick & Click.

Total ticket sales for quarter ended December 31, 2023, decreased \$3,314,584 or 25.20% compared to same period in 2022. The decrease was primarily due to the Powerball jackpot only reached \$1.76 billion in 2023 compared to \$2.04 billion in 2022. The Mega Millions jackpot only reached \$395 million in 2023 compared to \$685 million in 2022. The Lotto America jackpot only reached \$3.5 million in 2023 compared to \$33.3 million in 2022. The 2by2 7-draw promotion improved the 2by2 sales in 2023 by 15.3% compared to the same promo in 2022.

Total ticket sales for the months ended January and February 2024, compared the same period in 2023, decreased \$737,139 or 30.55%. The Powerball jackpot reaching \$872 million in 2024 compared to \$754 million in 2023. The Mega Millions jackpot only reached \$563 million in 2024 compared to \$1.35 billion in 2023. The Lotto America jackpot only reached \$3.49 million in 2024 compared to \$38.3 million in 2023.

Operating Revenue & Expense Projections

The Lottery is projecting \$15.4 million to be transferred to the General Fund for the 2023-2025 Biennium. This is based on five-year average. The calculations is simply revenue minus expenses and required special fund deposits, and the balance is transferred to the General Fund.

Commissioner Emily O'Brien **made a motion to approve the overview of the financial information and Commissioner Russ Hanson seconded the motion, passed unanimously.**

Marketing Activity and Short-Term Marketing Plans

Players Club

Mr. Kopyy presented an overview of marketing activity and short-term marketing plans. The North Dakota Lottery Players Club currently has 57,493 registered members. In February, there were 3,324 unique monthly active users with activity or funded an account, purchased, or entered tickets in the Club.

Several Points for Drawings prizes were given to players in recent promotions. In December 2023, five winners received Bartsian Cocktail Machines and one winner won the Ultimate Gamer Package. In January five winners received the Avanti Nugget Ice Makers and two won the Echelon Fitness Mirrors. Five winners received Gucci GG Aviator Sunglasses in February. In March one person won the Party at My Place Package, two won Pair of Swagtron All-Terrain Electric Bikes and five winners received Apple Watches.

Points for Drawings promotions in progress include Ten Free One Year Powerball with Power Play Pick & Click Online Plays, Ten Free One Year 2by2 Pick & Click Online Plays and Ten Free 39-weeks Lucky for Life Pick & Click Online Plays. An upcoming Points for Drawings promotion will be the \$1,000 Cash and NASCAR Powerball Playoff competition with ten winners of cash with entries in the national competition.

In November 2023, a Black Friday/Cyber Monday 20% discount was offered on Points for Prizes cart purchases using a multi-use promo code. In December, a Season Savings Spectacular 15% discount multi-use promo code was available for Points for Prizes purchases.

During December 2023, a 1,000-point signup bonus promotion ran for players who completed registration during the prescribed promotion. Compared to the previous year, the signup bonus increased new registrations by 152 or 56.9%.

Points for Prizes Storefront

On April 10, 2024, the North Dakota Lottery Players Club Points for Prizes Storefront will undergo an upgrade current prize fulfillment platform. The new platform, Gift&Go, will be powered by Amazon Prime, giving players more and better prize options as well as faster shipping/delivery times.

The Digital Marketplace (Reward The World) will shut down on March 21, 2024. Players were notified to download and save their purchased digital items prior to shut down.

Promo Code promotions (Black Friday/Cyber Monday, Season Savings Spectacular, etc.) that use specific codes to earn discounts will no longer be available. Players will be able to participate in Amazon Prime discount promotions when available.

Promotions

The 2by2 Instant Win Promotion ran November 5, 2023, through December 2, 2023. A qualifying purchase of a single play, 7-draw 2by2 ticket for \$7 makes players eligible to instantly win a free 7-draw 2by2 ticket or \$500. Advertising budget was \$55,000. Media buy include point-of-sale, radio, social media, programmatic video, and digital billboards. This promotion also included a 2nd Chance Drawing, wherein 2by2 single play, seven draw tickets could be entered into the 2nd Chance Drawing. Entries were made through the North Dakota Lottery Players Club website and mobile app. The 2nd Chance Drawing for the ten individual winners of \$500 each was conducted by Scientific Games Draw Services. There were 1,597 unique individual entrants with 10,976 total entries. The ten winners were from Bismarck (3), Mandan (2), Fargo, Burlington, Wilton, West Fargo, and Mayville, ND. The 2023 promotion hit promo record sales total of \$705,226 which is an increase of 15.3% compared to the 2022 promotion. Each week of the 2023 campaign all made the Top 10 2by2 weekly sales in 2by2 history and four days made the Top 10 2by2 daily sales list. Players won \$60,060 in instant prizes including twelve \$500 instant wins. There were nine \$22,000 2by2 jackpot prizes and one \$44,000 Tuesday Doubler Jackpot prize. Total advertising expense was \$51,355.78.

The Pick & Click online play promotion, *Never Miss a Draw*, also ran in December 2023. All purchases of 13 weeks, 26 weeks, 39 weeks, or 52 weeks received up to a 10% discount. Advertising and discount expenses were budgeted at \$20,000 and \$8,000 respectively. Total advertising billed was \$17,175.84. Total eligible sales reached \$59,293 and players saved \$5,996 in discounts.

The Cash Dash promotion ran from February 4 through March 2, 2024. The qualifying purchase was one of each of 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 could instantly win \$5, \$20, \$100, or \$500. The budgeted costs are \$30,000 in instant prizes, \$90,000 in advertising costs (production, point of sale items, radio, YouTube Pre-rolls, Midco CTV/OTT, digital billboards, and Facebook). Total all game sales reached \$2,691,358 and approximately \$662,000 in Cash Dash promotional sales. Players won \$46,130 in instant prizes including thirty-eight \$100 prizes and twelve \$500 prizes. Total advertising expenses billed so far are \$87,790.

Instant Luck promotion will be a 28-day promotion running June 2 through June 29, 2024. A qualifying purchase is a single draw, 3 play Lucky for Life ticket, a \$6 value. In recognition of the North Dakota Lottery's 20-year Anniversary, eligible qualifying purchases will receive a chance to instantly win a free \$2 Lucky for Life ticket, \$20 or \$200. Instant luck winners will be chosen at random. Advertising and prize expense budgets are set at \$50,000 and \$35,000 respectively.

The “Marketing Communications Services Pool” Task Order Request Number 125.2023-2024 ends June 30, 2024. The North Dakota Lottery intends to submit another Task Order Request to Odney for Fiscal Year 2025 (July 1, 2024, through June 30, 2025).

The Lottery is currently working with Odney to give the North Dakota Lottery website a refreshed look, as it has not been changed since January 2020. Along with the website update, a minor North Dakota Lottery branding update will be considered. All branding and website refresh collateral will not launch until June 2025, with the new game system launch.

Director and Operations Updates

Mr. Lance Gaebe presented this section.

Report on the Operation of the Lottery during the 2021-2023 Biennium to the Interim Legislative Judiciary Committee.

On March 7, 2024, Gaebe presented background comments and a report on the operation of the Lottery to the Interim Legislative Judiciary Committee. He received some general questions on how national jackpots are funded and dues are remitted to the Multi-State Lottery Association. The testimony and report follow this memo and the Committee meeting information is available at this link: <https://ndlegis.gov/events/2024/03/07/judiciary-committee>

Multi-State Lottery Game Development

Powerball, Multi-State Lottery Association (MUSL), and Lucky for Life, and Mega Millions game groups are all evaluating possible changes, including:

- 1) A MUSL initiative with the NFL to develop a jointly promoted stand-alone lottery game.
- 2) A MUSL game group has formed to implement a multistate progressive fast-play product.
- 3) A single MUSL managed “for life” game with a million dollars per year for life prize. The game could result from the merger of two regional “for life” games including Lucky for Life®, which North Dakota offers, and the Cash For Life game. Lucky for Life is currently a \$2 pay game drawn daily, many jurisdictions support increasing the games to a \$5 chance with more jackpots.
- 4) The Mega Millions consortium is considering a change from a \$2 dollar to a \$5 dollar game. It has dropped the earlier concept of adding a second chance draw within each participating jurisdiction triggered by a jackpot win. Instead, the game will now include a built-in multiplier and the matrix will be modified to slightly improve winning odds.

The change is now targeted for April 2025. Game rules, procedures, software, and in-state draw processes will need to be considered and modified in advance of the major game modification.

Adjournment

Commissioner Barta **made a motion to adjourn. Commissioner O’Brien seconded the motion, which passed 5-0.** The meeting adjourned at 9:21 a.m.