

Minutes of the Lottery Advisory Commission  
December 15, 2011

Attendance

A meeting of the Lottery Advisory Commission was held from 2:05 p.m. – 3:35 p.m., on Thursday, December 15, 2011. Representing the Commission was Mr. Laurel Thoreson. Mr. Mike Rud (Chairman), Representative Dwight Wrangham, Representative Lois Delmore, and Senator Lonnie Laffen participated by telephone. Representing Scientific Games International was Ms. Leslie Darfler, general manager for North Dakota. Representing the North Dakota Lottery (Lottery) were Mr. Randy Miller, director, Ms. Tasha Gerding accountant/budget specialist, Ms. Kassondra Keller, sales and marketing manager, Ms. Julie Thompson, security officer, Mr. Scott Tarno, customer service specialist, Mr. Ryan Koppy, customer service specialist, and Ms. Sonja Walder, administrative assistant.

Approval of Minutes

Commissioner Thoreson made a motion to approve the minutes of the September 20, 2011 meeting. Commissioner Wrangham seconded the motion. The motion passed 4-0.

Overview of the 2009-2011 Biennial Report

Commissioner Delmore joined by telephone at 2:09 p.m. Mr. Miller provided an overview of the 2009-2011 Biennial Report. During the biennium, the Lottery generated total operating revenue of \$47.58 million, paid out \$24.58 million in prizes, and generated net proceeds of \$12.35 million. The Lottery transferred \$10.4 million to the state general fund, \$845,000 to the multi-jurisdictional drug task force grant fund, and \$400,000 to the compulsive gambling prevention and treatment fund.

The Lottery conducted several marketing promotions during the biennium, including Powerball Cash Dash, Powerball 10X, Holiday Subscription Discount, The Big 3, Wild Card 2 Wild Winnings, Mega Millions game launch, Mega Millions Match 5, Cash Dash One of Each, and Father's Day Subscription Discount.

300 of the Lottery's 400 retailers are convenience stores which account for 71.7 % of our ticket sales.

The Lottery implemented text messaging capabilities to allow players to subscribe to receive notice of winning numbers, jackpot alerts, and promotional announcements. The Lottery added the Mega Millions game to its product mix.

Overview of Revenues and Expenses for the Quarter Ended September 30, 2011 (unaudited)

Ms. Gerding provided an overview of the quarter ended September 30, 2011. Unaudited ticket sales increased \$167,659 or 3.14% and total expenses increased \$342,034 compared to the same period last year. The prize expense, retailer commissions/bonuses, and contractual services expense increased proportionately to the increase in sales. Operating expenses increased slightly because Multi-State Lottery Association dues were paid during this quarter and last year we paid them during the second quarter. Marketing expenses increased because of the purchase of point-of-sale items for the Retailer Sales Enhancement Pilot Program.

Ms. Gerding reported ticket sales for October and November were up \$247,492 or 6.46% compared to the same period last year.

#### Overview of Marketing Activity

Ms. Keller provided an overview of marketing activity. The Cash Dash One of Each promotion ran from October 23-November 19. The qualifying purchase was one of each transaction with all the multipliers (\$8 purchase = \$2 Powerball with Power Play, \$2 Mega Millions with Megaplier, \$2 Hot Lotto with Triple Sizzler, \$1 Wild Card 2, and \$1 2by2). Players had a chance to instantly win a cash prize in the amounts of \$5, \$20, \$100, or \$500. Players won a total of \$31,330 in instant prizes. Sales increased \$371,199 or 20.48 %. The cost of marketing for this promotion was \$59,000.

The Holiday Subscription Discount promotion is currently running through December 31. The promotion offers a discount of up to 10% on a subscription purchase. The Lottery promoted the subscription discount at the Pride of Dakota Holiday Showcases in Fargo and Bismarck. In Fargo, the Lottery sold 40 subscriptions for a total of \$2,159 and sold 47 subscriptions in Bismarck for a total of \$4,236.

The new \$2 Powerball game launch is set for January 15, 2012. During this time we will be running a clerk incentive program for retailers. For every Powerball with Power Play purchase, a clerk coupon will print. The clerk will keep the coupon and every Tuesday they can check the Lottery website or check a report sent to the terminal to see if their ticket is a winner. The budget for the Powerball launch is \$58,000.

On Mondays in March and April, the Lottery is running a Mega Monday promotion. The qualifying purchase will be three plays of Mega Millions with Megaplier for \$5, which is a \$1 discount. This will be the first promotion to focus solely on Mega Millions since it launched in January 2010.

Ms. Keller and Ms. Gerding left the meeting at 2:50 p.m.

#### Approval for the Renewal of Third Party Security Company Contract

Mr. Miller provided an overview of the security company contract with Safety & Security Services, Inc. The term of the contract is from April 1, 2012 to March 24, 2014. Commissioner Thoreson made a motion to approve the security company contract. Commissioner Laffen seconded the motion. The motion passed 5-0.

#### Final Approval of the Proposed Administrative Rules for the \$2 Powerball Game Changes and Other Amended Administrative Rules

Mr. Miller indicated there were no written or oral comments submitted and no changes to the proposed administrative rules.

Commissioner Delmore made a motion to approve the proposed administrative rules. Commissioner Thoreson seconded the motion. A roll call vote was taken. Commissioner Thoreson-yes, Commissioner Laffen-yes, Commissioner Rud-yes, Commissioner Wrangham-no, and Commissioner Delmore-yes. The motion passed 4-1. The recommendation will be presented to Attorney General Stenehjem for approval prior to moving forward with the rule adoption process.

## Omnibus Items

Mr. Tarno and Mr. Kopyy joined the meeting to present an update on the retailer sales enhancement pilot program. The program introduces new point-of-sale items to 14 retailers in Bismarck, Mandan, Dickinson, Jamestown, Valley City, Fargo and West Fargo. New point-of-sale items include play centers, counter wrap, window striping, pump pole signs, mini-jackpot signs, lane dividers, lane closed signs, and shopping baskets. 11 of the 14 stores participating in the pilot program have sales that are performing well or extremely well. On average the pilot stores have seen an 8% increase in sales. The Lottery will continue to monitor the effectiveness of the pilot program based on sales increases at these locations and the customer service specialists will provide another report at the Commission meeting in March.

Mr. Kopyy provided an overview of the quicker pix pilot program. Retailers in Bismarck, Mandan, and Lincoln are participating in the quicker pix program. Quicker pix is an easier way for players to play the lottery with nothing to fill out. Quicker pix slips are placed strategically around the pilot stores. Players simply choose a game and price point, then take the quicker pix slip to the terminal to purchase their lottery ticket. Reports from retailers indicate that the quicker pix are being used by new players as well as current players.

Mr. Darfler provided a briefing on items that Scientific Games International is working on. Everything is in place and ready to launch for the \$2 Powerball game on January 15, 2012. Scientific Games continues to work actively and aggressively to resolve the sporadic issue of tickets not printing. Ms. Darfler left the meeting at 3:25 p.m.

Mr. Miller informed the commission that the Wild Card 2 Game Group (North Dakota, South Dakota, Montana and Idaho) met at the North American Association of State and Provincial Lotteries conference on October 26 to discuss possible matrix changes and an add-on feature to refresh the game. No decisions on game changes were made. One other state lottery is interested in joining the game. The Game Group requested a revised matrix based on the potential population increase should another state join. The Game Group did not set a date for the next meeting, but did have consensus for a game relaunch in early July 2012.

Mr. Miller reported the Lottery's financial audit for the period ending June 30, 2011 went very well. The Office of the State Auditor plans to issue their final audit report later in December or early January. Mr. Miller will arrange for a representative from the Office of the State Auditor to present an overview of the financial audit at the Commission meeting in March.

Mr. Miller reported the Lottery is in the process of preparing to issue the next request for proposals for the Lottery's marketing vendor. The current contract ends June 30, 2012. The Lottery plans to issue the request for proposals in early March 2012. Commissioner Rud and Commissioner Laffen had interest in serving on the selection committee. Mr. Miller will contact Commissioner Rud and Commissioner Laffen to further discuss the possibility of serving on the committee.

## Adjournment

Commissioner Delmore made a motion to adjourn. Commissioner Thoreson seconded the motion. The motion passed 5-0. The meeting adjourned at 3:35 p.m.