

Minutes of the Lottery Advisory Commission
March 30, 2016

Attendance

A meeting of the Lottery Advisory Commission (Commission) was held from 1:30 p.m. – 2:07 p.m., on Wednesday, March 30, 2016. Representing the Commission were Mr. Mike Rud (Chairman), Senator Nicole Poolman, and Mr. Russ Hanson; Representative Lois Delmore participated by telephone. Representative Thomas Beadle was absent. Representing the North Dakota Lottery (Lottery) were Mr. Randy Miller, director, Mr. Ryan Koppy, sales and marketing manager, Mr. Matt Anderson, account budget specialist, and Ms. Sonja Walder, administrative assistant. Also present were Mr. Steve May, assistant operations manager, Scientific Games International and Mr. Kevin Scherbenske, financial auditor, Office of the State Auditor.

Approval of Minutes

Commissioner Poolman made a motion to approve the minutes of the January 19, 2016 meeting. Commissioner Delmore seconded the motion. The motion passed 4-0.

Presentation of the Audit Report for the Fiscal Years Ended June 30, 2015 and 2014

Mr. Scherbenske provided an overview of the audit report for the fiscal years ended June 30, 2015 and 2014. There were three informal recommendations. The Office of the State Auditor recommended the Lottery perform the reconciliation of subscription revenue to the Games Management System in accordance with the online lottery system and services contract, implement controls to ensure reimbursements from the Multi-State Lottery Association are received on a timely basis, and complete their financial statements by the Comprehensive Annual Financial Report deadline given by the Office of Management and Budget. Management of the Lottery agreed with these recommendations.

Commissioner Poolman made a motion to accept the audit report. Commissioner Delmore seconded the motion. The motion passed 4-0. Mr. Scherbenske left the meeting at 1:38 p.m.

Final Approval of the Proposed Administrative Rules for the Repeal of the Wild Card 2 Game and Miscellaneous Rule Changes

Mr. Miller provided an overview of the proposed administrative rules for the repeal of the Wild Card 2 game and miscellaneous rule changes. The comment period ended on March 28, 2016. The only comment was per an amendment from the Lottery in subsection 9 of 10-16-03-08.1 (Subscription) to correct that the effective date of a new Lucky for Life subscription play will be valid for the present draw in the game, if it is purchased by 8:30 p.m. central time. The revised rule would read as follows:

Except as provided by subsection 10, a subscription play is valid for only the date range of draws specified in the confirmation email. The effective date of a new subscription play will be valid for the present draw in the game, if it is purchased by 8:30 p.m. central time for LUCKY FOR LIFE™ or by 8:58 p.m. central time for POWERBALL®, HOT LOTTO®, MEGA MILLIONS®, or 2BY2®.

Commissioner Poolman made a motion that the Commission considered all comments on the proposed

rules and to adopt the final proposed rules as revised. Commissioner Hanson seconded the motion. The motion passed 4-0. The recommendation will be presented to Attorney General Stenehjem for final approval prior to moving forward with the rule adoption process.

Overview of Revenues and Expenses and Sales Activity (Unaudited)

Mr. Anderson presented the overview of revenues and expenses for the quarter ended December 31, 2015. There was little change in ticket sales and operating expenses compared to the same period last year. Total ticket sales decreased \$50,934 or .79% and total operating expenses decreased \$138,437 or 2.80%.

Ticket sales for January and February 2016 increased \$6.2 million or 99.69% compared to the same period last year. The increase was primarily due to the \$1.5 billion Powerball jackpot run.

Mr. Anderson left the meeting at 1:50 p.m.

Marketing Activity and Short-Term Marketing Plans

Mr. Kopy presented the overview on marketing activity and short-term marketing plans. The North Dakota Lottery Players Club has 14,787 registered members. The following prizes were given away to players through the Points for Drawings program: three Fitbit Flex bundles; two Apple TV bundles; and three DeWalt drill sets. There are three other Points for Drawings promotions in progress including three Callaway men's golf sets, two camping packages, and one bedroom package. The Lottery is currently running a point sign-up bonus promotion. New Players Club members receive 250 bonus points upon registration. Upcoming Points for Drawings promotions include a spa package, men's and women's bike set and a Samsung washer and dryer set.

The Lottery held three Flash Sale promotions for subscriptions offered through the Players Club. The promotions were on three different dates in February for a four hour time period. The Flash Sales were promoted through Facebook posts, emails to Players Club members, Lottery-In-Motion monitors, and text alerts. Subscribers that spent \$10 on any game or combination of games or \$10 to extend a current subscription received a \$2 credit for each \$10 in subscriptions they purchased or extended. The total dollar amount of credit earned by subscribers was \$3,300. The advertising cost was \$198.

The Lottery launched its newest game, Lucky for Life on January 31, 2016. The initial average weekly sales projections through June 30, 2016 for this game were between \$73,948 and \$88,738 with a weekly sales per capita average of 10 to 12 cents. Through March 19, actual weekly sales averaged \$117,251 with a weekly sales per capita average of 15.9 cents.

The Lottery is planning to run an "Instant Luck" Lucky for Life promotion from May 1 through May 28, 2016. The qualifying purchase will be a single draw, 3-play Lucky for Life ticket. With the qualifying purchase, players will have the chance to instantly win a free Lucky for Life ticket, \$10, \$20, or \$100. Instant Luck winners will be chosen at random. Advertising and prize expense budgets are set at \$80,000 and \$30,000 respectively.

The Lottery is planning to run an online subscription promotion through SciPlay in June 2016. There are three different promotions being designed. Upon testing in April, one of the promotions will be chosen to run in June.

The Lottery is planning to run an emerging markets campaign from June 13 through July 23. The campaign will consist of point-of-sale, digital billboards, and social media in six of North Dakota's major markets: Bismarck, Minot, Fargo, Grand Forks, Williston, and Dickinson. The advertising budget is \$30,000.

Omnibus Items

Mr. Miller reported that unaudited ticket sales from July 2015 through February 2016 are \$25.3 million. This represents a \$6.47 million increase in sales or 34.38% compared to the same period last year. The increase was primarily due to the \$1.5 billion Powerball jackpot run.

On March 22, 2016, Mr. Miller met before the Judiciary Committee to provide an update on the operation of the Lottery. The Committee had no concerns.

On April 21, 2016, Mr. Miller and Mr. Anderson will be attending the Legislative Audit and Fiscal Review Committee meeting in the Roughrider Room at the Capitol to answer any questions the Committee may have related to the audit report for the fiscal years ended June 30, 2015 and 2014.

Adjournment

Commissioner Hanson made a motion to adjourn. Commissioner Poolman seconded the motion. The motion passed 4-0. The meeting adjourned at 2:07 p.m.