

Minutes of the Lottery Advisory Commission

March 25, 2021

Attendance

A meeting of the Lottery Advisory Commission (Commission) was held from 7:35 a.m. – 7:55 a.m., on Thursday, March 25, 2021. Representing the Commission were Mr. Russ Hanson, Representative Karla Rose Hanson, Senator Nicole Poolman, and Representative Emily O'Brien. Mr. Mike Rud (Chairman) was absent. Representing the North Dakota Lottery (Lottery) were Mr. Randy Miller, director, Mr. Ryan Kopy, sales and marketing manager, Mr. Matt Anderson, account budget specialist, and Ms. Jessica Seibel, administrative assistant. Representing Scientific Games was Candra O'Brien, field service supervisor.

In the absence of Chairman Rud, the consensus from the Commission was for Russ Hanson to serve as acting Chairman for the meeting.

Approval of Minutes

Commissioner K. Hanson made a motion to approve the minutes of the December 21, 2020 meeting. Commissioner O'Brien seconded the motion. The motion passed 4-0.

Final Approval of the Proposed North Dakota Administrative Rule Changes to the Powerball Game (adding Monday draw) and Lucky for Life Game (seven day draw)

Mr. Miller presented the proposed rule changes to the Powerball and Lucky for Life games relating to adding a Monday draw to the Powerball game and seven day draw to the Lucky for Life game. Commissioner Poolman made a motion that the Commission acknowledged there were no comments on the proposed rules and to adopt the proposed rules as presented. Commissioner K. Hanson seconded the motion. The motion passed 4-0. The recommendation will be presented to Attorney General Stenehjem for final approval.

Overview of Revenues and Expenses for Quarter Ended December 31, 2020 and Sales Activity for January and February 2021 (unaudited)

Mr. Anderson presented the overview of revenues and expenses for the quarter ended December 31, 2020. Total ticket sales increased \$462,406 or 7.45% compared to the same period last year. The increase was due to the \$365 million Powerball jackpot during the quarter end December 2020 compared to \$203 million Powerball jackpot during the quarter end December 2019. Also, the Instant Luck promotion ran during the quarter end September 2020 which had a residual effect increasing sales for quarter end December 2020 compared to the quarter end December 2019.

Total operating expenses increased \$172,604 or 3.59% compared to the same period last year. Prize expense increased \$461,410 or 14.87%, retailer commissions/bonuses increased \$28,374 or 9.39%, and contractual services expense decreased \$271,169 or 30.69%. The increases to prize expense and retailer commissions/bonuses were a direct incremental relation to the increase in ticket sales. Contractual services expense decreased because of a \$295,000 contractor incentive payment to Scientific Games. Players Club expense decreased \$27,083 or 25% due to the timing of payments, one extra quarterly payment was expensed in 2019. Marketing expense increased \$46,669 or 64.16% due to additional promotional expenses from the Cash Dash and Pick & Click promotions. Other operating expenses decreased \$71,257 or 72.79% due to the timing of the payment for MUSL dues this fiscal year.

Total ticket sales for January and February 2021 increased \$4,412,846 or 103.73%. There were a number of reasons for the increase including a \$731 Powerball jackpot, a \$1 billion Mega Millions jackpot, a 7Draw 2by2 promotion, along with the high jackpots in Powerball and Mega Millions impacting sales for the Lucky for Life game.

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 40,459 registered members. The following prizes were given away to players through the Points for Drawings program: three Bose mystery boxes on January 12, 2021; two clean room packages on February 16, 2021; and five HP laptop bundles on February 16, 2021. Two Points for Drawings were conducted on Tuesday, March 23, 2021 for five Apple iPad bundles and one outdoor patio package. The results for these drawings will be available at the next regularly scheduled Lottery Advisory Commission meeting.

There are currently three Points for Drawings promotions in progress: one year (52 weeks/104 draws) of Mega Millions with Megaplier Pick & Click online play, two yard care packages, and one 2021 Yamaha Viking EPS side-by-side. Upcoming Points for Drawings promotions are currently in the planning process.

December 1 through December 31, 2020, a Season Savings Spectacular promotion was held. Players received 15% off their entire Points for Prizes cart purchase by using promo code HOLIDAY2020. This was a multi-use code allowing players to use the code multiple times throughout the promotion. The promo code was used 46 times by 46 individuals with 93,409 points saved. This was a 33.8% increase in points saved and a 2.2% increase in code usage when compared to the 2019 promotion.

The Pick & Click online play promotion, "Never Miss A Draw", ran December 1 through December 31, 2020. All purchases (new and/or extension) of 13 weeks, 26 weeks, 39 weeks, or 52 weeks received up to a 10% discount. Advertising and Prize

Expense were budgeted at \$18,000 and \$ 5,000 respectively; advertising costs came in at \$16,216 and Players received \$4,720 in discounts. Total Pick & Click sales for the month of December hit \$256,958. This is a 143% increase compared to December 2019 sales and a 62% increase over November 2020 sales. The total Pick & Click sales for the first six months of Fiscal Year 2021 were \$1,047,356.

Player research was conducted in early February via an online survey (SurveySparrow). Overview of research results will be presented by KK BOLD at the next regularly scheduled Lottery Advisory Commission meeting. Research expense budgeted at approximately \$15,000.

The 2by2 Draw promotion ran Sunday, February 7 through Saturday, March 6, 2021. 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. The winners were chosen at random. The advertising budget (included radio, social media, YouTube Prerolls, Google Display ads, Midco OTT/CTV and digital billboards) was set at \$40,000. So far, \$3,298 has been billed. The prize expense for the promotion was budgeted at \$33,000. 2by2 7 Draw promotion players won \$45,459 in instant prizes including twelve (12) \$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 lottery was allotted \$35,000 with a 10% buffer (\$38,500 total). The North Dakota Lottery was reimbursed the maximum of \$38,500. The remaining \$6,959 will be expensed to marketing. Weekly sales steadily increased over the entirety of the four week promotion: Week 1: \$155,563; Week 2: \$173,631; Week 3: \$178,838 and Week 4: \$191,067. Three of the four weeks (weeks 2, 3 and 4) were record setting weekly sales in North Dakota 2by2 history. Week 4 now holds the record for highest weekly sales at \$191,067. March 2, 2021 holds the top spot for highest single day sales at \$34,379. Total promotion sales were \$699,099, a 2by2 promotion record (5.9% higher than the 2019 promotion). The promotion saw an overall increase in weekly sales (compared to the 26-week, weekly average) of 86.1%! By far the North Dakota Lottery's best 2by2 promotion to date. The current (6-week) post promotion analysis shows 2by2 sales holding around a 26.2% increase in sales.

A "Buy \$10, Get A \$2 Discount" Pick & Click promotion is currently running now through March 31, 2021. This promotion is available every Monday, Wednesday and Friday in March 2021. All new Pick & Click purchases and/or extensions of \$10 or more are eligible for the discount. Players who spend \$10 on any game or combination of games on Mondays, Wednesdays and Fridays receive a \$2 discount upon checkout. For each increment of \$10 spent (e.g. \$20, \$50, etc.), a \$2 discount is applied to the Pick & Click player's cart at checkout. For example, \$20 spent will receive a \$4 discount and \$50 spent will receive a \$10 discount. Prize/discount expense is budgeted at \$25,000 and the advertising expense is budgeted at \$40,000.

Omnibus Items

Mr. Miller provided the following report.

For the first 8 months of the fiscal year (through February 2021), unaudited ticket sales totaled \$21.22 million. This represents a \$4.98 million increase in sales or 30.66% compared to the same period last year. The primary reason for the increase in sales was due to the Mega Millions and Powerball jackpots that peaked at \$1 billion and \$731 million, respectively.

January 2021 was a record month for Pick & Click sales, \$462,905 (unaudited). Primarily due to the Mega Millions and Powerball jackpot runs. The previous Pick & Click monthly sales record was \$256,958 in December 2020. Unaudited Pick & Click sales through March 21, 2021 totaled \$1,822,140. The Lottery already hit record annual sales for Pick & Click with three months remaining in the fiscal year. The previous Pick & Click annual sales record was \$1.6 million in fiscal year 2020.

The First Circuit of the U.S. Court of Appeals reconfirmed that the federal Wire Act applies only to interstate wire communications related to sporting events or contests, and does not pertain to state-run lotteries. The U.S. Department of Justice has until June 15, 2021 to file an appeal.

The Lottery office will be relocating. The Office of Attorney General has leased office space in south Bismarck at 1720 Burlington Drive. Part of the existing building, along with an addition being built on the south end will allow the Office of Attorney General to consolidate a number of divisions including BCI, IT/CJIS, Fire Marshall, Medical Fraud, Consumer Protection and Lottery. It is anticipated the Lottery will move near the end of June 2021.

Adjournment

Commissioner R. Hanson call for adjournment and the consensus from the Commission was to adjourn. The meeting adjourned at 7:55 a.m.