

Minutes of the Lottery Advisory Commission
November 29, 2023 Meeting

Attendance

A meeting of the Lottery Advisory Commission (Commission) was held from 3:02 p.m. to 4:25 p.m., on Thursday, November 29, 2023, at the State Capitol 17th Floor Meeting Room and by remote access.

Commission members participating remotely included Representative Karla Rose Hanson, Mr. Russ Hanson, and Representative Emily O'Brien. Senator Jeff Barta 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.

Guests included Delan Hellman from the State Auditor's Office, who was present in-person; and Dan Moran, Scientific Games Incorporated general manager for North Dakota and Thomas Kitts representing ITG, both by telephone.

Approval of Minutes

Commissioner Russ Hanson made a motion to approve the minutes of the September 14, 2023, meeting and Commissioner Karla Rose Hanson seconded the motion, which passed 5-0.

Review & Acceptance of the Office of the State Auditor audit report for fiscal years ended June 30, 2023 and 2022

Mr. Hellman presented the review of the audit report of the Lottery for the fiscal years ended June 30, 2023, and 2022 conducted by the Office of the State Auditor. North Dakota Century Code § 53-12.1-03 and § 54-10-01 stipulate that the auditor annually conducts an audit of the Lottery.

The Lottery received a clean audit, with no formal or informal findings. The review is primarily financial but also considers procedures, contracts, and functions. The audit and financial statements report is available at the Office of the State Auditor link: <https://www.nd.gov/auditor/lottery-north-dakota>

Commissioner Barta made a motion to accept the audit report from the Office of the State Auditor and Commissioner O'Brien seconded the motion. The motion passed 5-0.

Mr. Hellman left the meeting at 3:08 p.m.

Overview of Financial information (unaudited)

Mr. Anderson presented the overview of revenues and expenses for quarter ended September 30, 2023, (unaudited) and October 2023 sales update.

Total operating expenses for quarter ended September 30, 2023, increased \$3,027,174 or 30.23% compared to same period last year. Prize expense increased \$1,501,776 or 29.30%, retailer commissions and bonuses increased \$130,577 or 29.30%, contractual services expense increased \$1,183,283 or 138.35%. These increases were due to higher Powerball jackpots in 2023 compared to 2022. There is a direct incremental relationship to sales. As sales increase, prize expense, retailer commissions and contractual services expenses also increase. Based on sales increase trends, the

gaming system vendor received a Contractor Incentive Payment (CPI) of approximately \$900,000 in 2023, which was not paid in 2022. Marketing expenses was down due to 2023 only having two months of promotions and marketing invoices compared to three months of invoices in 2022. Cost of benefits increased 13% and salary raises were an average 6% in 2023 compared to 2% in 2022.

Total ticket sales for quarter ended September 30, 2023, increased \$3,286,492 or 150.08% compared to the prior fiscal year. The increase was primarily due to a large Powerball jackpot that reached \$1.08 billion during quarter ended September 30, 2023, compared to \$300 million for quarter ended September 30, 2022. The Lotto America jackpot reached \$9.7 million during quarter ended September 30, 2023, compared to \$24 million for quarter ended September 30, 2022, so its sales were higher in 2022. The high Powerball jackpot increased sales for other games including 2by2 in 2023 compared to 2022.

Total ticket sales for the month ended October 31, 2023, compared to October 31, 2022, increased \$512,927 or 20.53%. This increase was primarily due to the Powerball jackpot reaching \$1.76 billion compared to \$999 million during same period a year earlier. The Lotto America jackpot reached. Except for Lotto America, which had only a \$3.3 million jackpot compared to \$29.4 million last year, the high Powerball jackpot increased sales for other games in 2023 compared to 2022. The North Dakota Lottery also had a subscription promotion during 2023 with none in 2022.

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 56,251 registered members. In October, there were 4,071 unique monthly active users with activity or funded an account, purchased, or entered tickets in the Club.

Several Points for Drawings prizes given to players in promotions. On October 11th, five Photo Printer Packages were given to winners. On November 8th ten winners received Free 26-weeks of "The Big 3" Pick & Click Online Plays and two players received HP Laptop Bundles.

There are three Points for Drawings promotions in progress including one Ultimate Gamer Package, two Echelon Fitness Mirrors, and five Bartsian Cocktail Machines. Upcoming Points for Drawings promotions include Gucci GG Aviator sunglasses and Avanti Nugget Ice Makers.

November 19 – November 27, 2023, a Black Friday/Cyber Monday 20% discount was offered on Points for Prizes cart purchases using a multi-use promo code. During December 2023, a Season Savings Spectacular 15% discount will be offered on Points for Prizes cart purchases using multi-use promo code.

Currently all new membership signups receive a 250-point signup bonus. During the month of December 2023, a 1,000-point signup bonus promotion will run. All players who sign up and complete registration during the prescribed promotional period will receive 1,000 bonus points.

Promotions

The Money Medal Madness promotion ran from September 3 through September 30, 2023. A qualifying purchase was a single draw, 3 play Lotto America with All Star Bonus ticket (\$6 value). Eligible qualifying purchases had a chance to instantly win a free \$2 Lotto America with All Star Bonus ticket, \$10, or \$100. Money Medal Madness instant winners were chosen at random. Advertising and

prize expense budgets were set at \$50,000 and \$30,000 respectively. Advertising consisted of Connected TV via Simpli.fi, radio, social media (Facebook) posts, online ads, point-of-sale, and digital billboards. To date \$43,590.77 has been billed as advertising expenses. Lotto America sales for the four-week promotion saw a 99.1% increase in sales when compared to the 26-week, weekly average prior to the promotion. Total sales reached \$357,720 and players won \$32,242 in instant prizes.

The Pick & Click online play promotion, *Buy \$10, Get a \$2 Discount*, ran as a set of FLASH promotions in October. The sale is promoted only on the day of the promotion. Players who spend \$10 on any game or combination of games or spend \$10 to extend a current Pick & Click online play, receive a \$2 discount on that day (October 5, 11, 17, and 23). For each increment of \$10 spent, a \$2 discount is applied to the purchase. Total promotion sales were \$72,528. Total Pick & Click online play sales for the month of October reached \$537,832. Advertising and prize expense are budgeted at \$12,000 and \$18,000 respectively. On November 14, 2023, fiscal year 2024 Pick & Click sales hit \$2 million, which was the quickest in Pick & Click/Subscriptions history.

The 2by2 Instant Win Promotion is running through December 2, 2023. A qualifying purchase will be a single play, 7-draw 2by2 ticket for \$7. With the qualifying purchase, players are eligible to instantly win a free 7-draw 2by2 ticket or \$500; winners are randomly chosen. Advertising budget is set at \$55,000 and prize expense budgeted at \$12,000. Media buy include point-of-sale, radio, social media, programmatic video, and digital billboards. There is also a 2nd Chance Drawing associated with this 2by2 promotion. Players may enter 2by2, single play, seven (7) draw (\$7) tickets for on the North Dakota Lottery Players Club website or mobile app. The entry Timeline is November 5 through December 2, 2023. Ten individual \$500 winners will be selected by SGI Draw Services on December 6, 2023. 2by2 sales are slightly ahead of the 2by2 Instant Win promotion that ran in Feb/Mar 2021. The 2021 promotion holds the 2by2 Instant Win promotion sales record of \$699,091. As of November 23, 2023, there are 1,254 unique entrants with 5,999 total entries for the 2nd Chance drawing.

With the OptiMove CRM platform and Players Club database, the Lottery can specifically target inactive players with an email that contains a promo code for a free Pick & Click 7-draw 2by2 Pick & Click online play (\$7 value). The promo codes are sent to eligible players that meet the certain criteria. Three days prior to the code's expiration, a "reminder" email will be sent to eligible players who had not used the promo code. An email will also be sent to players who have winnings in their account that they could use. Current plan is to send this promotional code in early December 2023.

The Pick & Click online play promotion, *Never Miss a Draw*, is scheduled to run December 1 through December 31, 2023. All purchases (new and/or extension) of 13 weeks, 26 weeks, 39 weeks, or 52 weeks will receive up to 10% discount. Advertising and prize expenses are budgeted at \$20,000 and \$8,000 respectively.

The Cash Dash promotion is scheduled to run from February 4 through March 2, 2024. The qualifying purchase will be one of each of the North Dakota Lottery's games with multipliers (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 may instantly win \$5, \$20, \$100, or \$500. Cash Dash instant winners are chosen at random. The budgeted costs are \$30,000 in instant prizes, \$95,000 in advertising costs (production, point of sale items, radio, YouTube Pre-rolls, Midco CTV/OTT, digital billboards, and Facebook).

Players Club Account Review

Mr. Kopyy highlighted Players Club milestones in 2023. The Lottery has had increased registrations; the player club app is now available in the Google Play Store; and CRM (customer relationship management) tools are working nicely new updates. Big jackpot runs prompt new registrants to purchase tickets after retail hours or near draw times. There has been a slight uptrend in younger player registrations with an increase in the 25 to 34 and 35 to 54 age groups, and a smaller increase in the 18- to 24-year-olds with a 9 percent increase compared to fiscal year 2022.

Ticket entries by game. Powerball has cyclical increases when the jackpot is big, but with 2by2 as a daily game players buy more tickets and they can win free plays, so 2by2 often dominates the daily entries for each game, followed by Powerball. The Mega Millions will overtake Powerball occasionally, when the Mega Millions jackpot is bigger.

Monthly active users. The Lottery works to increase the number of monthly players. Entering a ticket, drawings entry, or purchase an online play are counted as active uses. During big jackpot runs there can be more than 4,000 monthly users. Using promotions and CRM, the Lottery is working to increase active users' consistent interactions. Players are drawn to prizes for which they do not use many points to enter. Many players are drawn to big ticket items like the golf carts and a side-by-sides, which the Lottery ties to offer at least annually. Some players are part of a game group with points they cannot really divvy out to all players, so the group will buy game tickets.

The Players Club Mobile App for the Android version was placed in the Google Play Store in June. With this change the Lottery has had minimal complaints from Android users having trouble getting the app installed. App updates now happen automatically and do not require user action.

Director and Operations Updates

Lottery Online Gaming System Vendor Procurement

The North Dakota Lottery continues to prepare the Request for Proposals (RFP) for a Central Gaming System vendor. The current 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 vendor should be selected in early 2024.

Julie Thompson is the staff lead on the procurement effort. The draft RFP reviews by Risk Management, state IT, and legal are nearly complete. The State Procurement office has provided much assistance in managing and finalizing the RFP and associated documents.

Timelines, scoring, and evaluation documents are being finalized and the RFP should be able to be issued shortly.

Mega Millions Jackpot and Game Changes

The Mega Millions consortium is considering a change from a \$2 dollar to a \$5 dollar game. It has dropped an 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.

Initially the modification was slated for Summer of 2024, but at the urging of lotteries and game system vendors, 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.

Multi-State Lottery Association (MUSL) Meetings and Game Development

In November, the Lottery's Sales and Marketing lead, Ryan Koppy was a panelist at the North American Association of State and Provincial Lottery (NASPL) conference in Milwaukee. Along with lottery professionals from South Dakota, Colorado, the UK, and Georgia, Ryan was part of the program in which he highlighted successful promotions and other efforts, including the 7-draw 2by2 promotion.

The conference, which Gaebe also attended, included meetings of the Powerball, MUSL, and NASPL boards of directors.

The MUSL board acted on several proposals including:

- 1) An initiative with the NFL to develop a jointly promoted stand-alone lottery game.
- 2) Created a game group for a proposed multistate progressive fast-play product.
- 3) Agreed to the possible implementation of a MUSL managed \$5 "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 per ticket game drawn daily.

Adjournment

Commissioner Barta made a motion to adjourn. Commissioner O'Brien seconded the motion, which passed 5-0. The meeting adjourned at 4:25 p.m.