

Minutes of the Lottery Advisory Commission

June 19, 2024 Meeting

A meeting of the Lottery Advisory Commission (Commission) was held from 3:53 p.m. to 4:36 p.m. on June 19, 2024, at the State Capitol in the 17th Floor Meeting Room and by remote access.

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

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

In-person guest included Chad Keech from the State Procurement Office, while Kayla Effertz-Kleven with Integrity Public Affairs and Dan Moran with Scientific Games Inc. General Manager of North Dakota witnessed the meeting remotely.

Approval of Minutes

Commissioner Russ Hanson made a motion to approve the minutes of the March 20, 2024 meeting and Commissioner Karla Rose Hanson seconded the motion, which passed unanimously.

Overview of Financial information

Mr. Gaebe presented an unaudited overview of revenues and expenses for quarter ended March 31, 2024, and April and May 2024 sales information.

Total operating expenses for quarter ended March 31, 2024, decreased \$95,460 or 1.39% compared to same period in 2023. Prize expense increased \$10,640 or 0.22%, retailer commissions and bonuses decreased \$13,854 or 3.13%, contractual services expense decreased \$46,680 or 4.83%. The increase for other operating revenue increased \$13,741 due to a \$14,000 refund of prior biennium expense in 2024 and none in 2023. The Players Club operating expense decreased due to the March invoice was received and paid on March 31, 2023, and resulted in four months of Players Club payment in 2023 compared to three in 2024. Marketing expense decreased because of four months of KKBold expenses were paid in 2023 compared to only three to Odney in 2024 due to the timing of the invoice payments. The 6% legislature approved salary increases plus equity adjustments and 15% health insurance premium adjustment increased the salary expense. Two months of Scientific Games, Inc bank fees were paid in 2024 compared to only one in 2023 due to the timing of the invoice payments.

Total ticket sales for quarter ended March 31, 2024, decreased \$288,538 or 2.98% compared to same period in 2023. The decrease was primarily due to the jackpot interest as Mega Millions jackpot reached \$1.35 million in 2023 compared to \$1.13 million in 2024 and the Lotto America jackpot reached \$39.9 million in 2023 compared to \$3.7 million in 2024.

Total ticket sales for the month ended May 2024, compared the same period in 2023, increased \$1,465,229 or 34.50%. The Powerball jackpot reaching \$1.3 billion in 2024 compared to \$252 million in 2023. The Mega Millions jackpot reached \$522 million in 2024 compared to \$476 million in 2023. Two Instant Luck promotions ran in 2023 and didn't run in the same period in 2024 and the Cash Dash Promo ended in March 2024 and in March 2023.

Pick & Click Sales Update

Mr. Gaebe presented the update for the Pick & Click sales. With one month remaining, Pick & Click online play sales in fiscal year 2024 at \$4.3 M have already beat prior annual records.

Fiscal Year 2022 had \$2,946,568 of sales and Fiscal Year 2023 had \$4,060,600. As of May 31, 2024, Pick & Click sales so far in the fiscal year are \$4,319,931.

Share of ticket sales which are historically around 10.5 % Pick & Click purchases, are trending up in 2024: February 11.1%; March 11.7%; April 11.4 %; and May 11.4%.

Marketing Activity and Short-Term Marketing Plans

Mr. Kopyy presented an overview of marketing activity and short-term marketing plans.

Players Club

The North Dakota Lottery Players Club currently has 58,820 registered members. In February, there were 2,884 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. On June 5th, five winners received Bissell Cleaning Packages. On April 10th, ten winners received Free One Year 2by2 Pick & Click online plays, another ten winners received Free 273 Draw Lucky for Life Pick & Click online plays and another ten winners received Free One Year Powerball Pick & Click online plays.

Points for Drawings promotions in progress include Ten winners of \$1,000 Cash and chance for additional prizes in NASCAR Powerball Playoff, an Apple Bundle, two Ninja Kitchen Packages, and five Home Theater Systems.

Points for Prizes Storefront

On April 10, 2024, the North Dakota Lottery Players Club Points for Prizes Storefront upgrade was implemented. The new platform, Gift&Go, is powered by Amazon Prime, giving players more and better prize options as well as faster delivery times. Players are pleased with the new storefront with some growing pains due to it being different. Reports of quick delivery, with most receiving prizes with a week. Previously, it took two to four weeks to receive their orders.

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.

Lottery Promotions

Instant Luck promotion ran June 2 through June 29, 2024. A qualifying purchase is a single draw, 3 play Lucky for Life ticket. In recognition of the North Dakota Lottery's 20-year Anniversary, eligible qualifying purchases had a chance to instantly win a \$2 Lucky for Life ticket, \$20 or \$200. Instant luck winners are chosen at random. Over the first eleven days of the promotion, Lucky for Life sale increased 82.6% when compared to the 26-week prior weekly sales average. Advertising and prize expense budgets are set at \$50,000 and \$35,000 respectively.

The “Marketing Communications Services Pool” (State Contract #268) Task Order Request Number 125.2024-2025 (for Fiscal Year 2025) was submitted to the State Procurement Office on June 13, 2024. Odney submitted a proposal, and it has been accepted by the Lottery. The new task order will run from 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 updated since 2020. Along with the website enhancements, overall North Dakota Lottery brand appearance will be updated, but not as a full-scale rebranding effort. With the Gaming System Vendor renewal, the website refresh needs to be ready so the new vendor can begin work on the Players Club website with the new, refreshed design. All branding and website refresh collateral will not launch until June 2025.

Via the OptiMove CRM platform and Players Club database, the Lottery can specifically target players with a Promo Code that allows them to try Pick & Click online play for free. Players who use the specific promo code between specified dates, receive a single play, 7-draw 2by2 Pick & Click online play (\$7 value) free. The promo codes will be sent to eligible email addresses of individual players that meet criteria. Including players who were active within the last 30 days and new players who had at least one additional activity. Reminder emails are sent to players who did not use the promo code prior to its expiration date. An email is sent to players that they have winnings in their account that they could use. The plan is to run this monthly from September to December 2024.

The 2by2 Instant Win Promotion is scheduled to September 1 through September 28, 2024. Qualifying purchase will be a single play, 7-draw 2by2 ticket for \$7. With the qualifying purchase, players will be eligible to instantly win a free 7-draw 2by2 ticket or \$500; winners will be chosen at random. The promotion will include a 2nd Chance Drawing: a 2by2, single play, seven (7) draw (\$7) tickets can be entered to win one of ten \$500 second chance prizes. Entries will be made via the REWARDS page on the North Dakota Lottery Players Club website and mobile app. Entry Timeline: September 1 – September 28, 2024. The 2nd Chance Drawing for the ten individual winners will be conducted by SGI Draw Services on Wednesday, October 2, 2024. A player may only win one \$500 second chance cash prize. Advertising budget for the promotion is \$60,000 and prize expense budgeted at \$47,000. Media buy will tentatively include point of sale, radio, social media, Programmatic Video, and digital billboards.

Cash Dash is scheduled to run November 3 through November 30, 2024. Qualifying purchase: one of each of the 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. Eligible qualifying purchases will have a chance to instantly win \$5, \$20, \$100 or \$500. Cash Dash instant winners are chosen at random. Budgeted Costs are \$40,000 in instant prizes and \$95,000 in advertising costs (production, point of sale items, TV, radio, Programmatic video, Midco CTV/OTT, digital billboards, and Facebook).

Due to the Online Gaming Vendor conversion in June 2025, all retailer and Pick & Click online play promotions will be on hold. Points for Drawings promotions will continue until late May or early June 2025. Tentative plan is to run a Branding Campaign in Spring of 2025 as well as an informational promotional campaign for the coming Mega Millions Game Change in April 2025. Tentative plan is for a market research/survey in late 2024 or early 2025.

Lottery Online Gaming System Vendor Procurement

Ms. Thompson, Mr. Gaebe, and Mr. Keech summarized the Lottery Online Gaming System Vendor Procurement process and requested the Commission’s approval of the chosen vendor to provide Central Gaming System and Services.

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 selection process started in 2023. The RFP draft preparation included reviews by Risk Management, State IT, and legal counsel. This helped greatly in the complicated process of sourcing the next gaming vendor contract.

The Lottery RFP for a Central Gaming System vendor was issued on December 23, 2023. Lottery security director Julie Thompson has led the procurement effort on Lottery’s behalf. Chad Keech with the State Procurement Office managed procurement and associated documents and timelines and chaired the vendor selection committee.

The evaluation committee was comprised of individuals with expertise in the major areas of the proposal. Each member of the committee dedicated much time, talent, commitment, and knowledge evaluating the proposals. The evaluation committee was comprised of:

- John “Jiggs” Dyste—North Dakota Grocers Executive Vice President
- Ryan Kramer—NDIT Network Architect
- Doug Hay—NDIT Technical Consultant Team Lead
- Joe Schell—Assistant Director, ND Attorney General Information Technology
- Lottery Staff
 - Missy Steele—Administrative Staff Officer
 - Julie Thompson—Security Officer
 - Lance Gaebe—Director

Responses were received from all three lottery system providers in the United States: Intralot, Scientific Games, and IGT. The evaluation committee members reviewed each response individually, to determine if it met the requirements of the RFP and to evaluate the quality of proposed system and services.

The evaluation committee ensured thorough consideration and evaluation of all proposals and was actively engaged in the proposal evaluations throughout the process. The committee met as a group several times to determine a score for each proposal separately. Every evaluator had the opportunity to express opinions regarding their evaluation of the proposals. Collectively, the committee reached a consensus regarding the score for each separate provider based on the points per section of the evaluation worksheet.

Vendor interviews and demonstrations were conducted May 14, 15, and 16 at the State Capitol. The evaluation committee was able to ask any follow-up questions and get a hands-on feel for the retailer hardware such as terminals, self-service terminals, signage, and ticket checkers.

Following the interviews, the evaluation committee met again to finalize its combined scores for each vendor and determine if any members felt scores should be adjusted from the initial review.

Scientific Games LLC, the incumbent firm, was recommended by the committee to be the entity chosen to receive the bid. On June 7, 2024, a Notice of Intent to award was sent to the vendors seeking to serve as the next Lottery Gaming System Vendor.

The new contract will start after finalization of the terms, with the conversion occurring over the next year with a “go live” target of June 29, 2025. The contract will be for 6-years, extendable to a total of 10 years, the timeline commencing in June 2025.

Responding vendors had until June 14, to protest, request documents, or receive a ‘debrief’. No protests were received.

Commissioner O’Brien offered a motion, seconded by Commissioner Rose Hanson, for the Commission to approve the lottery system procurement process and committee’s selection. The Commission recommends the Attorney General and the Lottery Director initiate contract negotiations with Scientific Games LLC to serve as the Lottery’s Central Gaming System and Services vendor for the term to commence June 29, 2025. The motion carried unanimously

The year-long conversion process will be an active undertaking as the contract requires installation of all new terminals, hardware, software, and connections. The effort will take full engagement of the Lottery staff and impact all retailers over the next year.

Commissioner Terms of Office

Mr. Gaebe explained that North Dakota Century Ch. 53-12.1-04 established the Lottery Advisory Commission with five members, three of whom are legislators selected by the Chairman of the Legislative Management Committee and two of whom are selected by the Attorney General. The Lottery Advisory Commission serves as a policy advisor to the Attorney General and Director of the Lottery and serves as the Audit Committee of the Lottery. The Commission provides an independent perspective on issues and operation of the Lottery and presents ideas and recommends solutions while representing the best interests of the state, public, and lottery industry.

Lottery employees and members of the Lottery Advisory Commission, or family members in their households, cannot buy North Dakota Lottery tickets nor win lottery prizes.

The members were informed that Commissioners Karla Rose Hanson and Russ Hanson were both reappointed for three-years terms, no action is requested.

Adjournment

Commissioner Russ Hanson made a motion to adjourn the meeting, which Commissioner O’Brien seconded, which passed 5-0. The meeting adjourned at 4:36 p.m.