

Minutes of the Lottery Advisory Commission
September 17, 2024, Meeting

A meeting of the Lottery Advisory Commission (Commission) was held from 4:32 p.m. to 5:26 p.m. on September 17, 2024, in the Sakakawea Room of the State Capitol.

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

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

In-person guests included Dan Moran, the Scientific Games Inc. General Manager of North Dakota and Kayla Effertz-Kleven with Integrity Public Affairs.

Election of Commission Chair

Commissioner Karla Rose Hanson made a motion, which was seconded by Commissioner Barta, to nominate Commissioner Rud to serve as chairperson for a one-year term. Commissioner Rud was elected chairman as the motion passed 5-0.

Approval of Minutes

Commissioner O'Brien made a motion to approve the minutes of the June 19, 2024, meeting, Commissioner Jeff Barta seconded the motion, which passed unanimously.

Overview of Financial information

Mr. Gaebe presented an overview of unaudited revenues and expenses for quarter ended June 30, 2024, and updated the Commission on the July and August 2024 sales information.

Total ticket sales for quarter ended June 30, 2024, increased \$797,238 or 2.03% compared to same period in 2023. Total operating expenses for quarter ended June 30, 2024, increased \$983,724 or 2.49% compared to same period in 2023. Prize expense increased \$606,163 or 3.01%, retailer commissions and bonuses increased \$29,244 or 1.61%, contractual services expense increased \$974,463 or 25.91%.

Total ticket sales for July and August 2024, compared the same period in 2023, decreased \$5,224,367 or 54%.

Marketing Activity and Short-Term Marketing Plans

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

Players Club

The North Dakota Lottery Players Club currently has 59,411 registered members. In August, there were 2,800 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 September 4, five winners received Taco Tuesday Party Kits, and one winner received an Apple Bundle. On August 7, five winners received Tech for Pets Packages, two winners received Ninja Kitchen Packages. On July 10, five winners received Home Theater Systems, and ten winners received \$1,000 Cash and NASCAR Powerball Playoff Entries.

Three Points for Drawings (PFD) promotions were in progress: two Karaoke Party Packages, five “Start the Morning Right” Coffee Bundles and one Biking Adventure Package.

Lottery Promotions

Instant Luck promotion ran June 2 through June 29, 2024. A qualifying purchase was 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. Players collectively won over \$49,000 in instant prizes including 14,237 free tickets, 544 \$20 cash prizes, and 49 \$200 cash prizes. Lucky for Life sales increased 88.38% or \$286,410 in total sales. Total advertising cost billed: \$54,067.43.

Via OptiMove CRM platform and Players Club database, the Lottery can 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 play (\$7 value) free. The promo codes are sent to individual 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 October to December 2024.

The 2by2 Instant Win Promotion is in progress and will run through September 28, 2024. Qualifying purchase are 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 included a 2nd Chance Drawing: a 2by2, single play in which seven (7) draw (\$7) tickets can be entered to win one of ten \$500 second chance prizes. Entries are made via the REWARDS page on the North Dakota Lottery Players Club website and mobile app between September 1 – September 28, 2024. The Second Chance Drawing for the ten individual \$500 second chance winners. Advertising budget for the promotion is \$60,000 and prize expense budgeted at \$47,000. This promotion includes a 2nd Chance Drawing promotion.

The Pick & Click online play promotion, *Buy \$10, Get A \$2 Discount*, will run as one-day FLASH promotions on: October 11, 17, 23, and 31, 2024. 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. For each increment of \$10 spent, a \$2 discount will be applied at checkout. Advertising and prize expense are tentatively budgeted at \$18,000 and \$25,000 respectively.

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, 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.

The Pick & Click online play promotion, *Never Miss A Draw*, is scheduled to run December 1 through December 31, 2024. All purchases of 13 weeks, 26 weeks, 39 weeks, or 52 weeks receive up to a 10% discount. Advertising and Discount expenses are budgeted at \$10,000 and \$8,000 respectively.

Website Update/Refresh

The Lottery is working with Odney to update the North Dakota Lottery website which has gone untouched since January 2020. Along with the website update, an overall North Dakota Lottery branding update is underway. With the coming Gaming Vendor conversion, the website refresh needs to be ready by late June 2024, so it can be incorporated into the new system launch.

Due to the Online Gaming Vendor conversion, 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 and survey in late 2024 or early 2025.

System Overview Fiscal Year 2024

Mr. Moran from Scientific Games, Inc. gave an overview of the system incidents, completed and outstanding requests and any employee changes that occurred with Scientific Games, Inc.

Multi-State Lottery (MUSL) Review

Ms. Thompson presented the MUSL review.

The Multi-State Lottery conducted a biennial security review of the lottery in August 2024. The review includes a review of the logical security of the central gaming system (CGS) and the internal control system (ICS). The MUSL inspects the physical security requirements of the lottery's data center in Alpharetta, GA, the Lottery's ICS Bismarck office, and the user acceptance testing (UAT) and warehouse facilities in Bismarck, ND.

There were five low risk findings noted in the MUSL report none of which compromised the security of the gaming systems. Three of the findings have been resolved and the remaining two are being addressed and are anticipated to be completed within the next 30 days.

Director and Operations Updates

Mr. Gaebe presented an update on operations and multi-jurisdiction lottery news.

Lottery Online Gaming System Vendor Procurement

On June 7, 2024, a Notice of Intent to award was issued stating Scientific Games LLC, the incumbent firm, to be the entity chosen as the next Lottery Gaming System Vendor. At its June meeting the Lottery Advisory Commission approved the procurement process and the evaluation committee's selection and recommended the Attorney General and the Lottery enter contract negotiations with Scientific Games.

Contract terms are still being finalized, but plans remain for the conversion to occur 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 2025 after final acceptance of the project implementation.

The State Information Technology Department requires and has provided a Project Manager to oversee the Lottery’s implementation efforts. This professional has been engaged since the issuance of the RFP in December and participates in all contract and conversion interactions with the vendor.

While the contract has not yet been ratified, the vendor has identified a project manager and has been preparing procedure and definition documents for the Lottery’s review and approval. The timelines are being squeezed but the Lottery and Scientific Games remain confident in being able to accomplish the conversion by the June 2025 target date.

Retail License Renewals

Retailers are required to annually renew their lottery licenses for each location before each October. The renewal fee is \$150.

This year’s retailer renewal effort was conducted entirely electronically – initial notification, reminders, submissions, and filings were all done by e-mail and online. Renewal fees are electronically collected from retailers’ bank accounts.

With limited exceptions, who needed additional reminders, 444 renewals were received.

Inactive Accounts

Inactive Pick & Click players with funds in their accounts were all contacted to remind them of the dormant funds if they have been dormant since 2019. Several responded with requests for the funds and others logged in and activated purchases.

After attempting to contact inactive account holders, the Lottery did not hear back from 383 players and their collective \$6,662 was remitted to the Unclaimed Property Division of the Land Department, in the names of those account holders.

Multi-State Lottery Game Development

At recent Powerball, MUSL, and Lucky for Life, and Mega Millions game groups, changes are underway or contemplated, including:

- 1) A MUSL initiative with the NFL to develop a jointly promoted stand-alone lottery game.
- 2) A MUSL game group has formed to implement a multistate progressive fast-play product.
- 3) Joint approval of merging into a single MUSL managed “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 currently costs \$2/play and has a daily draw. Many jurisdictions support increasing the cost to \$5/play and improving the odds to increase the number of jackpots.

- 4) The Mega Millions consortium is implementing a change from a \$2 dollar to a \$5 dollar game. The game will include a built-in multiplier, and the matrix will be modified to slightly improve winning odds. The change is 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 Roles

In June, Director Gaebe was elected a vice-chairman of the Lotto America game group and the MUSL board appointed him as vice-chair of its Security & Integrity Committee.

Adjournment

Commissioner Rud made a motion to adjourn the meeting, which Commissioner O'Brien seconded, which passed 5-0. The meeting adjourned at 5:26 p.m.