

## **New Hampshire Lottery Commission**

14 Integra Drive, Concord NH

Minutes of Commission Meeting

May 31, 2022 · 10:00 a.m.

### **Commissioners:**

Debra Douglas, Chairman

Erle Pierce, Commissioner

Andy Crews, Commissioner

### **Lottery staff in attendance:**

Charles McIntyre

Kelley-Jaye Cleland

Maura McCann

Lynda Plante

Heather Child

Katie Brown

Jim Duris

Danny Maloney

Amanda Laskey-Eddy

Molly Ostek

John Conforti

Valerie King

Carmela Nolin

Sal Puleo

### **Others in attendance:**

Travis York, GYK Antler

Jodi Grimbilas, Scientific Games

Mike McLaughlin, Arrow Inc

Jeff Newman, GYK Antler

Jim Bouley, Dennehy & Bouley

Chairman Douglas called the meeting to order at 10:00 a.m., which was held at Lottery Headquarters.

### **1. PUBLIC HEARING**

Chairman Douglas opened the public hearing for Lot 700, Employee Recognition Program. Seeing no one submitted written testimony nor signed up for oral testimony, Chairman Douglas closed the public hearing.

### **2. ACCEPTANCE AND SIGNING OF PREVIOUS MINUTES**

Chairman Douglas requested motions to accept the minutes from the April 21, 2022, meeting. Commissioner Pierce so moved, seconded by Commissioner Crews; all in favor, minutes were accepted.

### **3. FINANCIAL REPORTS**

- Jim Duris, Chief Financial Officer, reported on Lottery sales in April, which show a decrease of \$1.3 million compared to last fiscal year. Instant ticket sales decreased \$2.5 million, but Powerball had an increase in sales by \$2.1 million over the prior year. Fast Play decreased \$358 thousand and Mega Millions is down \$668 thousand over the prior year; instant ticket sales are steady at \$3.4 million over the same period last year. Keno, Powerball, and iLottery have all increased over this period last fiscal year.
- Mobile sports betting revenues for April reached \$1.3 million, compared to \$1.0 million the previous year. Handle was a total of \$60.5 million, an increase of \$23.1 million over this period last year. Retail sports betting handle was \$13.0 million, with net income of \$262 thousand. Year to

date, revenues are \$15.3 million for mobile and \$2.9 million for retail; this is \$4.4 million over the prior year to date.

- Racing and charitable gaming revenues decreased in April by \$58 thousand in comparison to April last year. Year to date, revenues have increased \$976 thousand; Games of Chance increased \$848 thousand over last year to date.
- The net profit transfer to Education for April was \$12.7 million, which exceeded projections by \$2.3 million. Our year-to-date transfers total \$122 million, which is above our projected \$107.5 million; and year-to-date increase of \$3.9 million over prior year.
- For accounts receivable, no surprises; Other AR is comprised of iLottery and sports betting, and true-up of retail promotional expenses yielded \$50 thousand. Instant ticket costs (printing and delivery) continue to increase and are \$2.9 million over prior year; vendor fees are up \$2.9 million due to the increase in sales of iLottery. We received our interest payment from Treasury, which came in at \$2,995. Mr. Duris is awaiting clarification on the oddly minute amount, given he had projected \$40 thousand. Retirement benefits are high for the month due to delays in billing; and miscellaneous expense includes engineering fees for proposed building upgrades; a reclassification for Training expense is causing a credit for the month, but the year-to-date total is correct. Commissioner Crews inquired about the Vendor fees increase; Mr. Duris explained that when iLottery sales go up, the fees do as well, and instant tickets fees are up 26%. Tri-State corrected a prior-year entry for interest from the sale of investments, which resulted in an adjustment.
- Chairman Douglas asked how much of the unclaimed prize amount is close to expiring. Mr. Duris explained that there are two types of prizes – draw games that have a firm expiration one year after draw date; and estimates for instant tickets. Last year at the recommendation of LBA, we changed the separation of \$25 tickets from the lower denominations by booking an entry with a different formula and combining with the lower tier ticket liability. This year, he will add in the real liability, but on two line items that will decrease the monthly variable volatility. Commissioner Crews inquired how the LBA auditors knows what the liability should be; they do not, responded Mr. Duris and Director McIntyre noted that we provide the methodology, and Director McIntyre added that many lotteries don't accrue for instants as the elasticity is not that long.
- Historic horse racing will be added to the income and expenses statement next month and the layout will be adjusted to two pages for readability.
- Commissioner Crews made a motion to accept the Financials as submitted, seconded by Commissioner Pierce. All in favor, report was accepted.

#### **4. SPORTS BETTING**

- Director of Sports Betting Danny Maloney reported that April activity was solid considering it's a slower month, and we're waiting to see what happens with the playoffs. There are no surprises, and hockey was a little higher than usual with the Bruins. The state's take was \$1.5 million; the percentage was down a bit as the VIPs did well for the month. Fiscal year to date, we are ahead of last year by \$1.0 million. However, the futures liability for the Celtics entering the NBA playoffs is \$4.0 million; Director McIntyre noted that rather than VIP bettors, this total is from smaller players.

- Mobile and retail handle had identical splits in April, which is unusual. Discussion followed over New Hampshire performance compared to other states; but our wager offerings are in perfect proportion for our players and the size of our state.

## **5. SALES AND PRODUCT DEVELOPMENT**

Chief Product and Program Officer Kelley-Jaye Cleland presented the April report.

- While there are still exceptional numbers, iLottery is performing under goal. The Marketing teams here and at NPi are working on acquisitions and retention.
- There are no surprises with draw-based games; Powerball has seen an increase due to the jackpot run, and Gimme 5 continues to hold a nearly 30% share of sales online.
- Fast Play, though going strong, has not had a new game launch this year and we likely won't until next fiscal year. Chairman Douglas asked why the process is so slow to release games. Ms. Cleland described the process of specifications and testing, and noted that other games' development take precedence. Commissioner Pierce asked what decides the retirement of any game. Ms. Cleland explained that Fast Play has a small catalog of games, and those that are developed across the Microlot, ITVM, and Keno MP are kept; but the rest are based on performance and seasonality.
- Instant tickets continue a painful downward trend compared to last year, and that is happening across the country, especially with \$1, \$2, and \$3 price points. With our 60<sup>th</sup> anniversary coming, we can explore something fun in a \$20 game. Strong licensed brands are coming up, with a Price Is Right© and new Patriots, and a new loaded family for the holiday season. These games will have omnichannel tie-ins with iLottery and second chance options on the app. These games are intended to get players into retail and using mobile. Life of instants was discussed, as well as the appeal of these traditional games with our players.
- Keno sales are steady, and we're watching the progress of HB 355, allowing Keno at retail. The compromised bill does not allow retailers to have a dedicated draw show monitor. There are 91 cities and towns that allow the game, and a potential pool of 700 retailers.
- The mobile app is performing well, and welcome surveys which will run indefinitely are providing good feedback; they also offer players a chance to win prizes just by participating. Players who sign up on the app and go on to iLottery tend to skew younger and have high deposit value in their first week. The app and iLottery are a good foil to Jackpocket, our in-state competitor.
- Upcoming developments include the discontinuance of online purchases of Megabucks subscriptions paid for by debit/credit, as the volume of subs do not justify the transaction fees. Changes to subscriptions will be rolled down in stages as we prepare to move the game to iLottery next year.
- We have hired a retailer manager, but are still searching for a business systems analyst. We have also posted positions for the brand manager and digital marketing coordinator.

## **6. MARKETING**

- Maura McCann, Marketing Director, noted that iLottery has acquired 1,800 new players and 1,100 first time depositors in April. In May, there have been about 1,000 new players so far, but they don't go the extra step to make a deposit. NPi will be conducting a survey to dig into that question, as they are seeing it across many of their state accounts.

- Upcoming promotions include a Mother's Day, Memorial Day, and later in June, Father's Day offers. We are hoping for dueling jackpots in June as May did not have any, and we can promote the combined jackpots.
- The sponsorship with NH Motor Speedway has been settled; DraftKings will offer a bet \$50 on the race, get \$50. The app will be promoted through NHMS website, on tent cars, tram stops, banners, social, and race day programs. Plans are underway for an event with driver Bubba Wallace that may include Governor Sununu; his car will feature the DraftKings logo as well as ours. We will award ten teachers with \$1,000 checks, and DraftKings is splitting the sponsorship fee and providing the funds for those awards. (Our smaller sponsorships will be promoted on-site with banners and posters.)
- DraftKings reported that though New Hampshire does bet on national teams (outside of New England), we by and large support our local teams most.
- The goat jackpot alert ad is being retired; Ms. McCann is evaluating four concepts that would replace it. Our building signage will be updated as our existing one is faded; and a small portable sign pointing to our office has been placed at a business up the street that is frequently mistaken for headquarters. Chief Compliance Officer John Conforti noted that we did check with the city to ensure that the sign was compliant.
- Recent Megabucks brother and sister winners from the North Country were in to claim their prize this week, and Ms. McCann noted that the social media post announcing their win received more than 750 interactions, over 200 comments and 130 shares; a high volume of responses for a non-promotional post.
- We'll be launching a benchmark survey with Social Sphere this week to get an updated perspective on lottery players.
- Commissioner Crews asked if the retailer gets a commission for the sale of a winning ticket. Ms. Cleland, who had been traveling with sales rep Gary Rivard after our Megabucks jackpot win, reported that the retailers are thrilled and invigorated by these events.

## **7. TRI-STATE COMMISSION**

- Ms. McCann moved on to the Tri-State Commission report, of which there was a meeting on May 20. The Tri-State Big Country Cash instant ticket is more than half-sold in New Hampshire; at the May meeting, several vendors pitched ideas for the next experiential and/or big prize game.
- Chairman Douglas will become acting chair of the Tri-State Commission after the meeting in June.
- The NH Lottery advertising contract was approved by Governor and Executive Council last month, which extends to include Tri-State and was signed and will be effective on July 1.

## **8. OPERATIONS**

- Chief Operations Officer Lynda Plante introduced Lottery's newest employees, Heather Child, Admin II, and a State employee from Liquor; Sal Puleo, Retailer Manager; and Molly Ostek, intern from UNH Law. Ms. Plante noted that we are still aggressively recruiting for a Business Systems Analyst, Licensing Supervisor, and Brand and Communications Manager. Additionally, we have positions for a Field Auditor, Lottery Sales Assistant, and Digital Marketing Coordinator.
- Ms. Plante and HR Manager Sharda Rao attended a virtual job fair last month through Employment Security, which was a good experience, however yielded only one viable candidate; but we'll try that again.

- All staff have completed cyber security and active shooter training.
- The building project includes pest mitigation, building improvements, and branding our fleet vans.

## **9. COMPLIANCE**

- Chief Compliance Officer John Conforti confirmed that two Historic Horse Racing licenses have been issued; one for The Brook and one for Oceanfront Gaming, and they are running well so far. We have three applications pending approval, and we expect to get one more. Commissioner Crews inquired how their launches went; Mr. Conforti noted that The Brook brought in some employees from their Nevada operation and their go-live went smoothly. Oceanfront went well but required a bit of assistance and observation from our investigative staff through their initial validation cycle. This learning curve for new operators gave us insight to help and set expectations for the next openings.
- The monthly charity allocation report caused concern as the rents the charities are charged by gaming facilities vary wildly around the state. While the majority are around 12% of overall allocation; some are as high as 50%. Director McIntyre noted that the Charitable Gaming Study Committee is aware of this concern and there is expectation they will take it up in the next session.

## **10. NEXT MEETING**

The next meeting will be on June 27, at 10:00 a.m. at Lottery Headquarters.

At 11:26 a.m., Chairman Douglas entertained a motion to enter non-public session per RSA 91-A for the purpose of discussing personnel issues. So moved by Commissioner Crews and seconded by Commissioner Pierce. Upon a roll call, Commissioner Pierce, Commission Crews, and Chairman Douglas were present.

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Debra Douglas, Chairman

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Andy Crews, Commissioner

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Erle Pierce, Commissioner

Respectfully submitted, Carmela Nolin