

NEW HAMPSHIRE LOTTERY® COMMISSION
14 INTEGRA DRIVE, CONCORD NH
MINUTES OF COMMISSION MEETING
July 18, 2018, 9:30 a.m.

Commissioners:

Debra Douglas, Chairman
Paul J. Holloway, Commissioner
J. Christopher Williams, Commissioner

Lottery staff in attendance:

Charles McIntyre	Kelley-Jaye Cleland	Jim Duris	Maura McCann	Carmela Nolin
Katie Brown	John Conforti	Valerie King	Lynda Plante	

Others in attendance:

Travis York, GYK Antler	Ryan Sahr, Intralot	Shira Gershoni, NPi	Jim Bouley, Dennehy & Bouley
Rose Longo-White, GYK Antler	Kristen Paré, Intralot	Daniel Silverman, NPi	Rick Newman, NH Government Solutions

1. PUBLIC HEARING ON CHANGES TO KENO RULES:

Chairman Douglas opened the meeting at 9:30 a.m. with a public hearing regarding proposed changes to Keno rules. Seeing no one signed up to submit oral testimony, Chairman Douglas closed the hearing.

2. ACCEPTANCE AND SIGNING OF PREVIOUS MINUTES:

Chairman Douglas sought a motion to accept the June 21 meeting minutes. Commissioner Holloway so moved, and was seconded by Commissioner Williams. All in favor, meeting minutes were approved as submitted.

3. FINANCIAL REPORTS:

- a. Mr. Duris referred to the preliminary financials for June, and reminded the Commission that it is also year-end so there will be some further adjustments. We do not have the pension and interest income figures, which will be provided by the State. He does not foresee any major adjustments, and we are well ahead of schedule getting the books done.
- b. Lottery had a good June, with net profits of \$8.6 million, and year-to-date profits of \$86.9 million. This is an increase of \$1.4 million over June of 2017. We conducted two transfers to the Education Trust Fund in June: one was an estimated transfer for June, and one was for May. The total transfers for the year are \$85.9 million. The Department of Health and Human Services' transfer has not been made yet for June. GYK advertising expenses for the month have come in. Mr. Duris has found that delinquencies and bad debt expenses have not been recorded properly; so if an account gets written off as bad debt and the retailer does pay, the income has been going into the wrong account and overstating bad debt expense. He will research the history of the accounting practices, but plans to update our methods going into fiscal year 2019. Commissioner Holloway inquired what the Operating AR figure represents, and that is the sweep from retailers. Chairman Douglas asked about Tri-State Lotto, which is New Hampshire's portion of operating profits for the year; this will get settled up after audits are completed for the fiscal year.
- c. Commissioner Holloway examined the various instant ticket price points and compared their performance to other states. Director McIntyre confirmed that higher price point tickets trend better overall, and retailers tend to promote them more. He explained that the players for a \$20 game are the same players of the \$25 game; the \$5 and \$10 players overlap; the \$3 players are their own group; and the \$1 and \$2 tend to be introductory players. Director of Sales and Product Development Kelley-Jaye Cleland described the new \$25 instant game coming in October, and \$20 game scheduled for the spring. The new Patriots \$5 ticket launches in late August, as well as two scratch-your-back games in FY 2019, which perform better than other \$5 tickets. Commissioner Holloway asked if discontinuing Replay has hurt us. Director McIntyre responded that it was a great product when it launched, but the return on investment faded, and further explained the new internet lottery platform will include customer relationship management and allow us to respond better to players' habits.

- d. Commissioner Holloway asked where we are spending our advertising dollars. Travis York of GYK Antler described that it is across all channels and platforms, but the major saturation is still in traditional advertising. He confirmed that though Maine's television advertising is heavier than ours, it is less expensive in that market.
- e. Commissioner Williams asked if the pension figure is the only one we are waiting on. Mr. Duris confirmed; and Commissioner Williams noted that if it stays the same as last year, our overall operating expenses would be less than last year.
- f. Before moving on to the Intralot report, Commissioner Holloway asked for an update of Keno performance. Director McIntyre reported that we currently have 140 active retailers, 32 applications pending, and we are looking ahead to next year's town meetings. An economic impact study is planned, which will give us hard data points to present to town select boards. Marketing Director Maura McCann added that a corporate campaign will support where the money goes in funding education.

4. INTRALOT:

Intralot General Manager Ryan Sahr reiterated that Keno is doing well, and we are on pace for it to be the most successful online game in the state. The software release on July 8 added a progressive Fast Play game and enables the MPs to validate instant tickets. Ms. McCann noted that Fast Play performance is up since it was added to the MP, as it is a great way for players to stay engaged between Keno draws. The legislation passed to extend Keno hours to 1:00 a.m., and the goal is to get that extended functionality into the software update at the end of September. The Intralot team is working with NeoPollard Interactive (NPi) to support iLottery development and implementation.

5. ADVERTISING:

- a. Ms. McCann highlighted the new Patriots \$5 scratch ticket and its unique \$50 instant win feature.
- b. The draft graphics for August are in the collateral packet for the Commission's review. FuseIdeas is producing a new Tri-State Megabucks radio/television spot that continues the This Magic Moment theme of the last campaign. Point of sale and digital is part of this project as well.
- c. The tiny house from last year's ticket and second chance drawing was recently moved to White's Farm and will be auctioned off. Social media coverage of the auction will help to promote its sale, the reserve of which is set at \$20,000.
- d. The Tri-State five year strategic plan will be presented at the meeting in August (*editor's note: the date for the Tri-State meeting has been changed to September 7*).
- e. GYK is starting production on a new goat jackpot alert spot, and they are formalizing their plans for the coming year.
- f. The school bus drag race at Epping will take place on August 4, featuring Director McIntyre, Governor Sununu, the New Hampshire teacher of the year, and a fourth driver who is yet to be confirmed.
- g. Travis York of GYK reported a great planning meeting, and iLottery is coming along nicely; they know what the priorities are. The corporate spot will be the focus, but it will be a number of weeks before that initiative is fully planned. Per the Commission's request, GYK will provide a strategy deck and advertising plan for the coming year, particularly as media plans come together.

6. RULEMAKING:

Racing and Charitable Gaming Director Valerie King requested approval of the Department of Health and Human Services' (DHHS) final proposal titled, "Appeals of Division of Child Support Services Actions and Decisions" relative to the intercept of lottery prizes for the collection of child support arrears. This amendment will not affect our processes, but because lottery intercept is jointly managed by DHHS and the Lottery Commission, our approval of the proposal is required. So moved by Commissioner Holloway and seconded by Commissioner Williams. Motion adopted unanimously.

7. OTHER:

- a. A waiver request relative to Table Stakes Rule Pari 1207.03 has been made by the charitable gaming operators. Due to the change in bet from \$4 to \$10, the operators would like to see a waiver to this section of the rules allowing them to raise the limit on the value of chips from \$500 to \$1250. A meeting will be held next week with the operators to get further input. No action by the Commission is sought at this time.

- b. Chief Compliance Officer John Conforti drafted a sports betting outline for the Commission; following the repeal of PASPA (Professional and Amateur Sports Protection Act) by the Supreme Court, states may now pass legislation to regulate sports betting. Mr. Conforti and Director McIntyre will be actively monitoring other states' legislation in the coming months to formulate recommendations for New Hampshire. Mr. Conforti stressed that proceeding with thoughtfulness and caution is of the utmost importance.

8. iLOTTERY PRESENTATION:

Shira Gershoni of NeoPollard Interactive (NPi) and Director of Sales and Product Development Kelley-Jaye Cleland presented the roadmap of iLottery to the Commission. The presentation charted the development and ended with a description of the hand-off to the Lottery for user acceptance testing (UAT) in conjunction with GYK Antler. A demonstration of the new website and iLottery portal was shown, including several of the e-Instant games, variations on free and paid game play, and examples of draw-based game subscription purchases. Commissioner Williams inquired whether the retailers will be affected. By law, a percentage of iLottery revenues will go into a line item that will be distributed to retailers based on their instant sales rankings. Ms. Gershoni also cited statistics that show that retailers see a bump in sales even after the launch of internet lottery. In closing, NPi, New Hampshire Lottery, and GYK staff complimented each other about our working relationship and how well our teams have come together with this project.


9. NEXT MEETING:

The next meeting will be August 29 at 9:30 a.m., tentatively set for a location in Portsmouth.

Chairman Douglas entertained a motion to go into non-public session under RSA 91-A to discuss a personnel issue. So moved by Commissioner Holloway at 11:05 a.m. and seconded by Commissioner Williams. Upon roll call, the following members reported: Commissioner Holloway, Commissioner Williams, and Chairman Douglas.


Debra Douglas, Chairman


Paul J. Holloway, Commissioner


J. Christopher Williams, Commissioner

Respectfully submitted, Carmela Nolin