

## **New Hampshire Lottery Commission**

14 Integra Drive, Concord NH  
Minutes of Commission Meeting  
January 21, 2022 · 10:00 a.m.

### **Commissioners:**

Debra Douglas, Chairman  
H. Andy Crews, Commissioner  
Erle Pierce, Commissioner

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

Charles McIntyre	Kelley-Jaye Cleland	Maura McCann	Lynda Plante	Sydney Albee
Katie Brown	Jim Duris	Danny Maloney	Aime-Jo Bacon	Andy Foss
John Conforti	Valerie King	Carmela Nolin	LJ Berube	Richa Yadav

### **Others in attendance:**

Brian Smith, Boston Billiards	Travis York, GYK Antler	Rick Newman, NHCGOA
Gia Bonilla, Boston Billiards	Taylor Bengtson, GYK Antler	Travis Flake, Castle Hill Gaming
Kevin McMahan, Boston Billiards	Jeff Newman, GYK Antler	Paula Maltman, Scientific Games

Chairman Douglas called the meeting to order at 10:05 a.m., which was held at Lottery Headquarters and via Teams.

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

Chairman Douglas requested motions to accept the minutes from the November 23, and December 9, 2021, meetings. Commissioner Crews so moved, Commissioner Pierce seconded, all in favor, both sets of minutes were accepted.

## **2. FINANCIAL REPORTS**

- Jim Duris, Chief Financial Officer, reported that sales for December increased \$9.6 million compared to the same period last fiscal year. Instant tickets increased \$3.2 million and Powerball was up \$2.9 million over the prior year. Keno, iLottery, and Fast Play were all up over \$1 million each. Sales have increased \$41.3 million year to date over last year, with instant ticket sales leading with \$14.7 million growth. Keno and Powerball sales have increased by \$6.5 million and \$10.7 million respectively, and Fast Play continues to grow \$1.9 million over last year.
- Mobile sports betting revenues for December came in at \$1.7 million which is a decrease of \$662 thousand from December last year. Handle was up \$21.9 million (reaching \$65.6 million for the month), however the profits went down. We tried up the promotional expense with DraftKings this month; the total came in at just over \$1 million, which was more significant than expected. Mr. Duris explained that the promotion expense is capped at 15% of gross gaming revenue; at the end of the year we make up for the difference between what has been paid through the year and that 15% cap. Chief Compliance Officer John Conforti noted that we're fortunate that we have a maximum set; some other states do not and pay out a lot more in those expenses. Retail sports betting handle was \$20.8 million for the month, with a net income of \$82.4 thousand. Year to date, our revenue is \$8.6 million for mobile, and \$1.6 million for retail. Mr. Duris pointed

to the financial statement sales breakdown; he has made an adjustment to break the retail and mobile sports betting sales into two line items.

- Racing and charitable gaming revenues increased by \$206 thousand over the same period last year. Fiscal year to date, the games of chance revenue has gone up \$553 thousand, and Bingo/Lucky 7 is up \$144 thousand.
- Our December transfer to Education was \$14.5 million, which beat projections by \$1 million. We transferred an additional \$2 million, which was the carryover from last fiscal year. Our year to date transfers are \$70.8 million, which is above our projection of \$63.0 million.
- Accounts receivable are in line with projections. Operating receivables were a bit higher in December, but that was due to a sweep of our retailers who have heavier sales in that month. Instant ticket costs have increased \$1.8 million, due to the change in the contract with Scientific Games which now includes printing and distribution. Operating costs are in line with expectations, though we've had high purchase order costs and we received a backlog of invoices for advertising expenses. Fleet expenses are high for the month due to repairs to a car that was damaged in an accident (we are responsible for those costs as the State is self-insured).
- Chairman Douglas asked about the increase in pension costs; Mr. Duris explained that general costs have increased and the OPEB went up as well.
- Consultant costs are high due to trademark negotiations with The Brook, and the filing of My603Rewards which were both billed in December.
- Mr. Duris will circulate a true-up version of FY 2021 financials as soon as they're final.
- Following the Operations report, Commissioner Crews made a motion to accept the Financial report; seconded by Commissioner Pierce. All in favor, report was accepted.

### **3. OPERATIONS**

- Chief Operations Officer Lynda Plante greeted the Commission and formally introduced new employees Aime-Jo Bacon, data analyst; LJ Berube, sales support supervisor; and Andy Foss, warehouse and facilities. She noted the retirement of Susan Smart, who had been with Lottery for over 30 years. Her position, Lottery sales supervisor has been posted and interviews are taking place. There are currently five openings: Accountant III, Business Systems Analyst, Digital Marketing Manager, and Human Resources Technician. Commissioner Crews inquired if we're seeing more applicants now. Ms. Plante responded that we are, but we're still competing with private sector and applicants are not as interested in part time work.
- Building improvements are being planned out, which include renovating our server room, replacing the generator, upgrading the HVAC system, and repairing the roof. The contractor is to submit proposals for each area of work.
- Ms. Plante praised the staff for volunteering for the State's Booster Blitz events. Twelve employees (17% of the staff) signed up to help with data entry to site registration. She concluded by thanking CFO Jim Duris for his effort in producing the Annual Comprehensive Financial Report.
- Chairman Douglas thanked Ms. Plante for the update and asked to be kept informed of staff changes. Commissioner Crews inquired if we participate in job fairs; we may reached out to Employment Security about upcoming opportunities.

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

- Director of Sports Betting Danny Maloney noted that the handles for November and December were very similar; NFL and NBA plus NCAA were our major action. November was a record month with the State's share of revenue at \$2.9 million, which is our highest for a single month. In December, while the handle was also high, a lot of long shot parlays and favorites won, which reduced our hold by half for the month; our average for the two months was 5.7%. We are a little low in comparison to other states, but we have some VIP players that are skewing the numbers both in Retail in Mobile. We are expecting to end the year in 6-7% hold. Commissioner Crews asked if other states are capping wagers; Mr. Maloney responded that New Hampshire is an outlier for DraftKings as they are the sole vendor; but generally speaking, they let players wager what they want.
- Mr. Maloney is working with Marketing on a press release announcing our \$1 billion handle since launch. He added that we are about where we expect to be for the month, and year to date, we're doing well at \$10.7 million in revenue.
- Chairman Douglas inquired if we are taking action on the Olympics which starts in a few weeks. Mr. Conforti remarked that we are taking some; there is not a very large market for it. She asked about PGA's adoption of sports betting. Mr. Maloney added that the PGA is working on a system that allows bettors to follow a particular player throughout a day, play by play. Mr. Conforti added that DraftKings is moving to smaller and smaller markets (next drive result, next field goal) for betting options; the challenge is crunching the data fast enough using computer algorithms in tandem with human experts to keep ahead of the action.

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

- a. Chief Product and Program Officer Kelley-Jaye Cleland reported that December sales were great and January so far appears to be really strong as well.
  - iLottery activity in December was great, and we are ahead on all our KPIs for the month, 33% above previous month's net gaming revenue, and 1% above goal. In analyzing the engagement for the month, December saw 2,000 new auto-renewal players. Among auto-renew customers, 47% had more than one subscription, and 8% had all three draw games. We're seeing that Gimme 5 is a companion game to the other draw games offered online. As a result, there is a slight dip at retail of 6% which we will address. First time depositors as increased in December thanks to the jackpot run; and many purchased auto-renews which shows more long-term interest than just the jackpot.
  - Fast Play has shown unbelievable performance in December, averaging \$900 thousand per week. Through December, fiscal year sales are over \$9 million, which is within 45% of sales for all of last fiscal year. The product development team has been working with Intralot to get new games to market, but there is frustration over the amount of time it takes to get games launched. In order to beat last year's sales, we need to maintain a 2% increase month over month.
  - Keno sales are analyzed regularly, and we've seen them go up, then go down week over week. Last year was an anomaly, so we really need to look back to the year before. Commissioner Crews inquired if we re-visit establishments that passed on having it to try to sign them up. Ms. Cleland responded that there had been no effort up until now, but our new Sales Manager Laurie Ridenour-Patterson will be exploring the liquor license list to

identify potential retailers. Our stock of Keno MPs is limited to 250 units under our current contract; we periodically evaluate that retailers' sales justify the machines allocated to them.

- Ms. Cleland discussed challenges that the sales representatives are experiencing and witnessing out in the field. Retailers are having staffing shortages, and are also dealing with COVID-19 and callouts. Stores are closing early, and chains are sharing staff, so there is an unfamiliarity with the inventory needs as they go from store to store. An additional concern is the impact of the state's drug epidemic and how stores are hiring drug addicts just to stay staffed. The sales reps are having to spend more time per location doing the tasks that the managers generally do, but have been unable to do to these issues.

**b.** Ms. Cleland provided an overview of upcoming projects:

- Chairman Douglas reviewed the projects chart and inquired about the CGS, the Central Gaming System. Planned enhancements include Sports603, iCash, and others. These updates will require multiple vendors, so timing and roll-out are complicated.
- The RFP for a Gaming Consultant has been drafted, and will be released shortly. It may encompass two phases: central gaming system and iLottery provider, as those two vendors' contracts are up at around the same time.
- The Scientific Games initiatives that have been launched are getting positive feedback, but there is still work to do to ensure that the processes are in place and data is accurate as there have been some irregularities.
- Keno is on the warrants in Deerfield, Hopkinton, and Conway; senior staff have been busy attending select board meetings in these communities to answer questions.

**6. MARKETING**

- Maura McCann, Marketing Director, reiterated that we had a great December; we were able to get our messaging out despite the "clutter" on social media. Scratch ticket sales were strong, and we awarded over \$70 thousand in the Megabucks Jingle All the Way promotion. The Powerball jackpot run increased foot traffic at retail, and made it very convenient for new and repeat iLottery players to buy online.
- Social engagement, impressions, and first time depositors are up, and cost per acquisition decreased in December.
- The corporate campaign is fully executed and running; and the new Are You Game creative and \$25 scratch ticket POS are being finalized as well. Ms. McCann noted that sponsorship requests are starting to come in; notably New Hampshire International Motor Speedway, and the Fisher Cats. Commissioner Crews believes that if we participate again this year, performance (attendance) has to be negotiated into these deals.
- We had 8,400 new users sign up with DraftKings in December. The two year anniversary party had to be scaled back due to the resurgence of COVID-19, but we're looking forward to the Super Bowl and March Madness. Ms. McCann noted that DraftKings has been fantastic to work with, providing creative that can just be dropped into our campaigns.
- Ms. McCann directed the Commissioners to the comparison of New Hampshire to our Tri-State neighbors' jackpot run performance; we are consistently much higher due to our efforts to promote the jackpots. At the February Tri-State Lotto Commission meeting, changes to

Megabucks will be recommended. The spring meeting is being planned and vendors are being scheduled.

- The Are You Game creative was introduced by Jeff Newman of GYK Antler and the new ads were shown. He noted that the theme in the brand awareness was to create a high-energy, fun environment. These will be launching around February 10.

## **7. COMPLIANCE**

- Director of Licensing and Enforcement Valerie King announced to the Commission that all of Lottery's rules have been renumbered to Lot from the previous SWC and Pari prefixes. It was a five-year endeavor, with a lag in approval due to staffing challenges at OLS.
- Ms. King requested a motion to adopt Lot 8000, Historic Horse Racing Rules, which will go into effect midnight tomorrow. Commissioner Crews made the motion, and Commissioner Pierce seconded; all in favor, motion passed. Ms. King reported that Lottery will host a call with the operators to answer questions about the application process. Commissioner Crews praised the team for their perseverance and patience working with the stakeholders through this extremely long and emotional process. Chief Compliance Officer John Conforti commended Ms. King, whom he acknowledged carried out the majority of the work. Chairman Douglas asked if the HHR applications were ready to post, and Ms. King replied that the personal finance sections were released, but there are location and equipment testing requirements that will follow now that the rules have been approved.
- Mr. Conforti turned to the Licensing and Enforcement progress report, noting that several personnel were out sick at the end of the December which is Licensing's busiest period. He praised the staff for working through it and getting the licenses issued: there are over 4,400 licenses processed at the end of the calendar year by a staff of only four people.
- The Auditing unit, which has evolved over the last few years, changed their process to checking in with the rooms much more frequently in smaller audits, rather than only visiting every few years in a big event. This cadence is effective and they have built good relationships with the game room operators. He continued that there are over 500 audit touchpoints that are reviewed throughout a full cycle. Bingo and Lucky 7 operators have been visited at a slower rate, due largely to COVID-19 impact on the rooms' scaled back schedules. Ms. King added that a complete review of internal controls is now emphasized prior to issuing a license.
- Commissioner Crews asked how we decide which locations to review. Mr. Conforti responded that it is dependent on the scale; games of chance has the most risk, and we can work more closely with a smaller pool of operators. Ms. King also noted that the charities have large turnover, and there is no professional structure around Bingo because those games are run by volunteers. She added that sports betting and lottery/retail cashing is included in the auditors' purview.
- The Enforcement investigators also are very busy; they have made over 1,100 inspections and issued a 51 written warnings and eighteen administrative actions. All but two have been resolved, which may be go to appeal. We have hired a hearings officer, whose services we share with Department of Safety. He commended Josh Santos and the Enforcement unit on a meticulous investigation of an operator last fall: the facility surrendered their license as a staff member was participating in gaming activities, which is a violation.

- Ms. King concluded that staffing is down in the Enforcement division by one full time and one part-time investigator, and we will be focusing heavily on the HHR facilities inspections in the coming months.

**8. NEXT MEETING**

The next meeting will be on February 25, at 10:00 a.m. at Lottery Headquarters.

Chairman Douglas entertained a motion to adjourn at 11:36 a.m., which was made by Commissioner Crews and seconded by Commissioner Pierce, motion passed.



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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