

New Hampshire Lottery Commission

14 Integra Drive, Concord NH

Minutes of Commission Meeting

March 24, 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	Amanda Laskey-Eddy	
John Conforti	Valerie King	Carmela Nolin	Candi Tibbetts	

Others in attendance:

Travis York, GYK Antler	Paula Maltman, Scientific Games	EJ Powers, MontagnePowers
Jeff Newman, GYK Antler	Peter Bragdon, PretiStrategies	Jeff Mucciarone, MontagnePowers
Adam Schmidt, JGStrategies	Mike McLaughlin	Kurt Mathias, Boston Billiards
	Jackson Bouley, Dennehy & Bouley	Brian Smith, Boston Billiards

Chairman Douglas called the meeting to order at 10:01 a.m., which was held at Lottery Headquarters. Commissioner Pierce attended via Teams.

1. ACCEPTANCE AND SIGNING OF PREVIOUS MINUTES

Chairman Douglas requested motions to accept the minutes from the February 25, 2022, meeting. Commissioner Crews so moved, Commissioner Pierce seconded, all in favor, minutes were accepted.

2. FINANCIAL REPORTS

- Jim Duris, Chief Financial Officer, reported that sales for February decreased \$85 thousand compared to the same period last year. Instant tickets decreased \$1.4 million, and Powerball and Keno have had modest increases, but Fast Play and iLottery are performing strongly with increases of \$401 thousand and \$596 thousand respectively. Year to date sales are strong and have increased \$24.4 million for the fiscal year. Instant sales have grown over \$8.3 million for the same period. While we see a leveling out of sales from prior year highs, we're still strong at \$354 million year to date compared to FY 2020, which was at \$249 million year to date. Director McIntyre added that our sales are in line with national trends, and considering the age of the product, are doing remarkably well.
- As expected, mobile sports betting revenues for February were poor; we had a handle of \$60 million resulting in \$6 thousand in revenue. However, it shows a loss after the promotional expenses were accrued with the previous month and we ended at negative \$0.4 million. Retail handle was \$11.8 million for February, with revenues of \$452 thousand. Year to date revenue is \$11.8 million for mobile and \$2.4 million for retail. Combined revenues are \$3.6 million over the prior year to date.

- Racing and charitable gaming revenues grew in February by \$235 thousand compared to the same period last year, with Racing showing the biggest lift of \$176 thousand. Games of chance has had an increase of \$762 thousand over last year to date.
- February's transfer to Education was \$9.2 million, which was below projections by \$1.3 million due in part to the hit in sports betting. However, year to date, we have transferred \$96.5 million, which is above projections of \$85.0 million; and a year-to-date increase of \$5.3 million.
- Accounts receivable is in line, including for sports betting of \$400 thousand.
- Under accounts payable, instant ticket fees have increased \$2.2 million over the prior year due to changes to the contract which now includes printing and shipping tickets. Vendor fees and commissions are up, but due to the increase in sales, were down compared to last year. SWCAP expenses from the State are coming in about half of last year as they're billing on actual costs, rather than using an estimate. Though we haven't been billed in several months, Mr. Duris is estimating costs in anticipation of the bill. Our interest payment hasn't been received for last year; and discussion followed over their methodology.
- There was a large miscellaneous income of \$200 thousand from Tri-State last month; that was the sell-off of bonds with the change of banks and moving from bonds to ETFs.
- Expense pools fluctuate, but Mr. Duris has gone through and reconciled them to clean up previous years. Advertising has been pulled out to be separate and identifiable.
- Chairman Douglas asked for a motion to accept the Financial report; so moved by Commissioner Crews and seconded by Commissioner Pierce. All in favor, report was accepted.

3. SPORTS BETTING

- Chief Compliance Officer John Conforti delivered the sports betting report for February, which as expected, was dismal in between major events. Fifty percent of the handle was NCAA and NCA basketball combined, which is a good sign ahead of March Madness and playoffs. Baseball is coming back, which is a benefit to the retail locations. Chairman Douglas asked if we are still offering Russian table tennis; Mr. Conforti confirmed that all Russian and Belarussian sports have been discontinued from DraftKings.
- Handle for the month was \$70.8 million, and though strong, our take was lean. Other states experienced the same impact, we are not alone in the dip in revenue. Local teams are doing well, the Celtics and Bruins are up, which ironically impacts us negatively.
- Mobile betting contributed the majority of the handle, but retail balanced out gross gaming revenue. March Madness should have a positive effect on revenues for the month.

4. SALES AND PRODUCT DEVELOPMENT

Before starting her report, Chief Product and Program Officer Kelley-Jaye Cleland answered Chairman Douglas' question about the safety of the NPi employees in Ukraine: some personnel have been conscripted, but most have been moved to safety by the company.

- We're measuring the activity of draw game players on iLottery through and after a jackpot run, with the goal of keeping jackpot chasers engaged and coming back to the site.
- Fast Play's average weekly sales have increased 3% since last month; we must maintain a 2% month-over-month increase to stay on track to finish ahead of last fiscal year. We're planning a promo in April called Fast Play Fridays; for \$10 Fast Play purchases, players will receive a \$5 scratch ticket. This is intended to drive players to retail; and the app will feature a second chance

contest called Fast Play Frenzy, for players to enter non-winning tickets. Working to get in sync across all channels.

- Instant sales are down in comparison to last year to date, but we are still far ahead of the previous years. Considering the economy, we're doing pretty well, and the \$25 ticket helps to maintain our overall revenues.
- Keno passed the local vote at town meeting in Deerfield and Plymouth a few weeks ago. Chairman Douglas asked how long it will be for interested locations to get up and running, Ms. Cleland explained it takes a couple of months between licensing, site inspections, and lining up equipment. The team is looking at options to communicate with retailers about their progress, sales, statistics; and analyze what locations may need guidance. House Bill 355, in Legislature now, would expand Keno to retailers in towns and cities that have approved it already. If it passes, it will shift the way the LSRs manage their retailers. Commissioner Crews asked *how* we communicate with the retailers, Ms. Cleland explained that it can be spotty given that some are corporate-owned and not all contact information is up to date. Commissioner Crews suggested posting articles in the grocers/convenience associations' newsletters.
- The player app launched in February and had great growth in March. The site is now accepting entries for the Tri-State Big Country Cash second chance drawing.
- Upcoming product and program enhancements include instant ticket launches of the new \$25 and "ten" themed games; and e-Instants launching every other week, including more progressive games; and continue development of new Fast Play games that can be played on Microlot and Keno MPs.
- Positions still open include a Business Systems Analyst, Digital Marketing Manager, and Sales Team manager, as the new manager took a position at another agency. The Lottery Sales Rep (LSR) bonus metrics will be finalized this week and recommendations will be brought to the subcommittee. We expect to formalize the incentive program through rulemaking in May or June.

5. MARKETING

- Maura McCann, Marketing Director, noted that as a short month, and one without a jackpot run, February is lean. Our cost per acquisition (CPA) and registration results reflects this with fewer new players. March is expected to be better, and we're implementing optimizations to improve that CPA performance.
- The new "Are You Game" spots are in full swing, and the instant ticket, \$25 Granite State Premier, will get support across media channels timed with the launch next week. We'll be advertising on new platforms to promote the app on Google Play, The Apple Store, and Facebook. We are running a series of promotions within the app, and feedback so far is that players are enjoying it and especially like the ticket checker. It has become a new channel for us as we can use it to send jackpot and new product announcement notifications.
- Sales reps will be sharing the April promo with their retailers that rewards players with a \$5 Big Country Cash ticket for a \$10 Fast Play purchase.
- February and March have been big PR months. Between Super Bowl and upcoming March Madness, we've had a lot of exposure in the New Hampshire and Massachusetts sports markets. Maine is deliberating another sports betting bill, but as Director McIntyre noted, there are too many competing ideas that are preventing any bill from advancing. In terms of what would be

beneficial to New Hampshire, tribal betting would be best as the action takes place far from the borders of our states, preserving our respective player bases.

- Several sponsorships are under negotiation, but we have finalized with the Silver Knights in Nashua, Monadnock Motor Speedway, Fisher Cats in Manchester, New England Dragway; and New Hampshire Motor Speedway will be in tandem with DraftKings. The NHMS sponsorship is exciting as Bubba Wallace will be back in New Hampshire and driving the DraftKings car.
- March Madness acquisition efforts will continue through April. Our partnership with DraftKings has been phenomenally successful, and they report that New Hampshire has outperformed other states.
- A St Patrick's Day iLottery offer was enormously successful and drove the highest results across all data points. GYK Antler is reviewing the Are you Game brand and running the metrics on impressions across channels and will plot that against sales to identify trends.
- After the Tri-State report, Ms. McCann presented our current advertising campaign ads featuring the new \$25 ticket and "Are You Game" series.

6. TRI-STATE

Ms. McCann summarized last week's brief Tri-State meeting: the Commission awarded the auditing contract to Wipfli, reviewed Big Country Cash and Fast Play, and discussed proposed changes to Tri-State Megabucks. NH Lottery met to talk about those changes and the compromises we are willing to make, and Ms. McCann will bring those back to Tri-State for discussion. For draw room activities, we were to go to RFP for an auditing contractor, but our current auditors are the only firm that ever respond; as such, we are proposing going to an hourly rate with them on a year-to-year basis. The spring Tri-State Commission meeting in May will feature five vendors who will pitch ideas for the next Tri-State instant ticket.

7. OPERATIONS

- Chief Operations Officer Lynda Plante introduced Candi Tibbetts, who has moved from the Claims team to Accounts Payable; and Amanda Laskey-Eddy, who is going to the Lottery Licensing department from Admin, where she will be terribly missed. We have posted both their vacated positions.
- Other positions that are open include six full time and a collection of part-time openings in Product Development and Enforcement, including field auditors and investigators. Part-time positions are particularly challenging to fill as most applicants are seeking full-time work with benefits. Chairman Douglas asked again about job fairs, and Ms. Plante responded that we are keeping in touch with Employment Security on those opportunities. We'd like to participate in one that focuses on state positions, and other agencies are in the same situation.
- Plans for building upgrades are moving along, and the fire marshal has been on site to advise in moving any services inside the building. We're working with Office Interiors to upgrade the dividers for the cubicles to make them more social-distanced.
- The Fiscal Committee accepted our final state audit report, and Director McIntyre added that we had only three findings, only one of which was none having to do with errors on our DraftKings financial report

8. COMPLIANCE

- Chief Compliance Officer John Conforti updated the Commission on Historic Horse Racing licensing; there are currently four applications being processed and the Department of Justice is doing final suitability reviews. We believe we're thirty days out for the first group of licensees. There are over 30 criteria in the application and operational steps; and review of the records and physical requirements are proceeding in parallel to streamline the process.
- Commissioner Pierce inquired about Churchill Downs' (CDI) purchase of Chasers, and whether they need to apply for a charitable gaming license. Mr. Conforti confirmed that Chasers license must be amended to reflect the new owners. We've had some preliminary conversations with CDI, and they must apply, be vetted, and found suitable to operate in New Hampshire like any other facility before the license can be transferred. They also are expected to apply for an HHR license after they get the games of chance established.

9. NEXT MEETING

The next meeting date was changed from April 21 to April 22, at 10:00 a.m. at Lottery Headquarters. *Editor's note: the meeting date was later changed back to April 21 at 10:00 a.m.*

At 11:17 a.m., Chairman Douglas entertained a motion to go into non-public session under RSA 91-A to discussions and personnel issues. The Commission will not take action, so they will not reconvene the meeting. Commissioner Crews so moved and was seconded by Commissioner Pierce. Upon a roll call, the following members reported: Commissioner Pierce, Commissioner Crews, and Chairman Douglas.



Debra Douglas, Chairman

Andy Crews, Commissioner



Erle Pierce, Commissioner

Respectfully submitted, Carmela Nolin