

New Hampshire Lottery Commission
14 Integra Drive, Concord NH
Minutes of Commission Meeting
August 27, 2020 · 10:00 a.m.

Commissioners:

Paul Holloway, Commissioner
H. Andy Crews, Commissioner

Lottery staff in attendance:

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

Others in attendance:

Ryan Sahr, Intralot	Travis York, GYK Antler
Lyndlee Hayes, GYK Antler	*Many attended by teleconference, and by the nature of
Taylor Yianokopolos, GYK Antler	that platform, not all participants are identifiable.

In Chairman Douglas' absence, Commissioner Paul Holloway called the meeting to order at 10:03 a.m., which was held in person and by teleconference with some staff and guests.

1. ACCEPTANCE AND SIGNING OF PREVIOUS MINUTES

Minutes from the July meeting will be reviewed at the next meeting with the full Commission present.

2. FINANCIAL REPORTS

- a. Chief Financial Officer Jim Duris referred the Commissioners to the July financial report and noted that it was a great start to the fiscal year. Instant ticket and e-Instant ticket sales drove an increase in sales for the same period last year by \$3.6 million. Other games remained consistent with last year, with increases in Fast Play and a rebound in Keno sales. Powerball and Mega Millions were both down over last year, but not at the lower level we experienced last year. Commissioner Holloway noted that the bond factor must be having an impact on the game. Commissioner Crews inquired about the effect of the pandemic to national sales. Director McIntyre noted that there wasn't a significant drop comparatively; however there hasn't been a significant jackpot run to attract players overall, which coupled with the low bond factor [funding increments] has kept sales down. In addition, he believes the slump in draw games is due to consumer behavior: the younger demographic doesn't want to wait three days for a drawing, and that might be a contributing factor to our success with Fast Play.
- b. In reviewing the Accounts Receivable list, Commissioner Holloway inquired why Tri-State Lotto hasn't paid us yet. Mr. Duris responded that the year-end transfer happens in September, after all the audits are complete. Other AR includes sports betting revenue, which is reconciled at the end of the month. Treasury owes us a year-end sum as well, and we are estimating the amount pending their transfer.

- c. Sports betting is back with the return of major sports. Mr. Duris explained how the revenue is reconciled with the vendor, which includes an allowance for promotional offers. Actual revenue for the month of July was \$600 thousand, but taking into account the roll-forward of promotional dollars, we recognize it as \$500 thousand in Net Revenue. Commissioner Holloway asked how the first sports betting retail location, The Brook, is performing and Mr. Duris noted that it's not included in these numbers but it's doing well in its first weeks. Director McIntyre pointed out that about 80% of our sports betting revenue will come from the mobile app.
- d. Our transfer to Education for the month totaled \$8.5 million, exceeding our projection by \$1 million.
- e. Expenses for the year are in line with expectations, with a bump in payroll expenses due to new hires. Our supplies expense increased over the prior year due to the purchase of shipping materials. Everything else is as expected. With nothing further to report and no questions, Mr. Duris concluded his report.

3. SALES AND PRODUCT DEVELOPMENT

- a. Chief Product and Program Officer Kelley-Jaye Cleland presented the Product and Program updates report beginning with the current product performance.
 - The Tri-State Gimme 5 draw game recently moved to five days a week from three, and we offered a cash prize promotion to support it. We saw an increase in sales of 60% as of this meeting, and it was a great way to promote and advertise the change in the game. Commissioner Crews asked how we communicate this to our retailers. Maura McCann, Director of Marketing, explained that we share information through terminal messages, newsletters, and our Lottery Sales Reps (LSRs). Ms. Cleland added that our Tel Sell team, who contact retailers to help them place instant ticket orders, also communicate news.
 - The progressive \$20 Fast Play game, Twenty 20's Rolling Jackpot, currently has reached a prize of over \$100 thousand. Our LSRs have observed that the Twenty 20's sales may be cannibalizing the \$20 instant tickets, so they will evaluate that going forward. This past week, the Twenty 20 game exceeded \$247 thousand in total Fast Play sales of about \$350 thousand.
 - Instant ticket sales have increased 18% year to date over last year. Though we've seen a slight dip over the past few weeks, it is typical for this time of year and we're not worried about a long-term drop.
 - Keno sales are firmly back to pre-COVID levels. Last week was our fourth best week ever with sales over \$809 thousand. The return to 100% capacity in restaurants and cooler weather are expected to help sales even further.
 - Two new e-Instant games launched this month: VIP Platinum and Halloween Extreme. The VIP Platinum and previously-released NH Cash Expander account for 36% of gross sales in iLottery.
 - Ms. Cleland displayed a comparison chart of Tri-State Fast Play, showing Maine, New Hampshire, and Vermont's performance. She noted that our per capita sales have doubled from \$0.13 to \$0.26, and overall sales have exceeded those of the other states since the beginning of the fiscal year.

- b.** Upcoming enhancements for our program and products for the late summer and fall were summarized:
 - Fast Play games are on track for refreshing and launching this fall.
 - The omni-channel \$2 Halloween Extreme will be released next week. It is a tie-in to the e-Instant game and includes a sign-up offer to new iLottery registrants of \$5, which we hope will attract new customers. The Big Spin instant ticket is coming along; the big challenge for this game was ensuring the functionality was in place so when a SPIN win is scanned at retail, it triggers a SPIN on the PAD. That functionality was tested successfully this week, and we aim to launch in four to five weeks.
 - In addition to Halloween Extreme, another new e-Instant is releasing shortly to coincide with the NFL season; called Football Frenzy, it's expected to engage a specific segment of our players.
 - New Director of Sports Betting has joined the software, marketing, and sales team in developing Sports 603, the retail sports betting channel.
 - Another new omni-channel game will be launched for the holidays, IWG's Frosty Fun. The instant ticket will feature HD printing and a new style of play that mimics IWG's signature e-Instant format.
- c.** Ms. Cleland detailed this month's program developments.
 - The expanded retailer incentive program will be carried out through the collaboration between the Sales Support and the Retailer Licensing teams, the latter already oversees retailer selling bonuses.
 - Business Systems Analyst Richa Yadav is back from maternity leave, and she and Ms. Cleland will be busy reviewing and approving specifications and conducting testing for several new iLottery features. These enhancements include e-Instant game offerings after deposit, suggesting play right away; an auto-renewal feature for draw games purchases; and a change to withdrawals to allow players to request their full prize amount down to cents. There are also fraud rules and compliance features we want to implement to prevent unauthorized access and use of iLottery accounts.
 - Commissioner Holloway asked if we have a \$25 game coming in October. Ms. Cleland clarified it's a \$20 game, so there will be three at that price point through the holidays, which made the most sense when timing it with the new winter holiday products that will be released the next month. Discussion over the sluggish sales of \$1 games concluded this report, and Ms. Cleland remarked that more and more people are buying higher-priced tickets.

4. MARKETING

- a.** Marketing Director Maura McCann noted that the August marketing report is comprehensive and includes games currently on sale. The new Halloween Extreme ticket will be launching next week and includes full marketing support; Frosty Fun will also have full support and will expand the iLottery offer to all players, not just new registrants.
- b.** To show our support and respect to our retailers as they stayed open through the pandemic, we will sponsor the Retail Grocers' Association newsletter at the platinum level which will include an advertisement and editorial. We're happy to provide that sponsorship as it gives us an opportunity to recognize the success we shared with our retailers in service of our customers.

- c. Lottery has increased our use of LinkedIn, which helps us to not only share our news, but connect with other lotteries and industry partners.
- d. The annual School Bus Race with the Governor and NH Teacher of the Year took place earlier this month and Chairman Debra Douglas represented Lottery. Radio personality Road Kill took the trophy again this year and Ms. Douglas has said she is eager to go back next year.
- e. Ms. McCann noted the examples of our social media and direct email efforts, largely promoting iLottery. We highlighted some recent large-tier iLottery winners to create offers for new registrants and first time depositors. In addition, we added a new landing page for Halloween Extreme which explains the promotion for first time registrants.
- f. Lottery partnered with DraftKings in a sponsorship of the New Hampshire Motor Speedway's (NHMS) August NASCAR race. This was used largely to promote the DraftKings sports betting app through NHMS direct emails and a digital fan book on their website.
- g. We had good press coverage this month, including television interviews with Director McIntyre and Andre Carrier, owner of The Brook. There is a grand opening planned with Governor Sununu on September 2. The ribbon cutting of the Manchester sports book at South Side Tavern is tentatively planned for September 13.
- h. Ms. McCann concluded her report with the presentation of the new problem gambling television spot which focusses on recovery. The member states of Tri-State Lotto shared the production expense equally, and while it is no-cost public service announcement, New Hampshire will buy advertising time to ensure that it gets more views during family hours. The ad will launch in September.

5. TRI-STATE COMMISSION

In summary of Tri-State's activities, Ms. McCann echoed the success reported for Gimme 5 and the cash promotion supporting the expanded draw schedule. The Big Spin, a project proposed in May, 2019, is within a month of going to market, and is in final testing. Media and advertising are in production and will fully support this launch.

In conclusion of her reports, Ms. McCann announced that our GYK Antler senior account manager, Lyndlee Hayes, will be moving on. Ms. McCann expressed her gratitude to Ms. Hayes for her professional and tireless efforts in support of all New Hampshire Lottery's products and platforms. Travis York, CEO of GYK Antler thanked Ms. McCann for acknowledging Ms. Hayes' efforts, and noted that the Lottery team at GYK looks forward to continuing to work with our account.

6. COMPLIANCE

- a. Chief Compliance Officer John Conforti introduced NH Lottery's new Direct of Sports Betting, Danny Maloney, who recently joined the agency. Mr. Maloney's background includes finance and money laundering, which has tremendous value and direct impact on his oversight in gaming.

- b. Valerie King, Director of Licensing and Enforcement, introduced Joshua Santos, manager of the agency's investigative unit; he will be learning rulemaking under Ms. King's guidance. Ms. King then requested a motion to enter Lot 7300, Unlawful Gambling Machines, into rulemaking. This will establish the criteria for investigation and enforcement of so-called "gray machines," pursuant to RSA 287:D-26 to 287:D-31. Commissioner Holloway so moved, seconded by Commissioner Crews; all in favor, motion carried.

7. OTHER

- a. Commissioner Holloway asked if there are any other items to discuss. Director McIntyre noted that we are in the budget process for the next biennium. Agencies were instructed to cut their budgets for this fiscal year in response to the pandemic; Lottery will fare better than most as we do not face lay-offs. Commissioner Crews asked if despite our expected growth, are we also facing cuts. Director McIntyre clarified that we are not exempt from the reductions, but we do fund ourselves and that gives us more latitude. We will have step- and staff increases, but we expect to be able to manage it, because it comes from our own revenue stream.
- b. We received approval to lease additional space and will move Audit and Investigative teams to that location. Commissioner Crews asked if we are concerned about their loss of synergy with the rest of the agency, and whether the lease was easier than a build-out at headquarters. Director McIntyre acknowledged that we will have to ensure the teams' ties to the office to mitigate that separation. He affirmed that the leased space was the most sensible way to go as a build-out would be enormously expensive and administratively difficult for the State to manage.

8. NEXT MEETING

The next meeting will be determined off-line with the inclusion of Chairman Douglas.

Commissioner Holloway sought a motion to adjourn, which was made by Commissioner Crews. All in favor, motion carried and the meeting was adjourned at 11:10 a.m.



Paul J. Holloway, Commissioner



H. Andy Crews, Commissioner

Respectfully submitted, Carmela Nolin