



Lottery Commission Meeting Minutes
Thursday, August 22, 2019
Courtyard by Marriott, Spokane, WA

Commission Member Attendees:

Peter Bogdanoff, Acting Chair
Fred Finn, Commissioner
Judy Giniger, Commissioner
Eileen Sullivan, Commissioner

Lottery Staff Attendees:

Thomas Cram, District Sales Representative
Les Denison, Regional Sales Manager
Crystal Fischer, Director of Information Services
Marcus Glasper, Director
Gaylene Gray, Instant Product Manager
Shar Hawley, Lean Program Manager
Josh Johnston, Deputy Director
Maria Lourenco-Douka, Director of Finance

Lori Lucky, District Sales Representative
Adrienne Perry, Customer Service Specialist
Stephanie Porter, Executive Assistant
Debbie Robinson, Director of Human Resources
David Schoonmaker, Admin Service Manager
Judy Triplet, District Sales Representative
Randy Warick, Assistant Director of Marketing
Kristi Weeks, Director of Legal Services

Other Attendees:

Scott Battishill, Curator
Delaney Berreth, Curator
Becky Bogard, IGT
Kristie Christensen, Cole & Weber
Lisa Levine, IGT

Ryan Lyonnais, Cole & Weber
Dan Miller, Curator
Drew Scolaro, Scientific Games
Shannon Struempf, IGT
Mary Tennyson, Assistant Attorney General

Work Session:

Director Marcus Glasper began the work session by talking about the steps that have been taken to research the current landscape and trends to better prepare for the future of Washington's Lottery. He said they have taken an in-depth look all the current games and their performance over the years, and tried to decipher what is working and where they can improve. The hope is to provide comprehensive information to the Commissioners so from a policy perspective they have a full understanding of the operations of the Lottery, and are prepared to make decisions going forward. Director Glasper turned the meeting over to Deputy Director Josh Johnston, who worked with the Lottery's vendor partners to collect data and prepare a presentation for the Commissioners to set the stage for what's to come in the near future.

Josh began the presentation by talking about the record sales the Lottery has been enjoying for the last couple of years. For the first time in its history, Lottery has eclipsed \$800 million during

the fiscal year, however this was largely driven by the \$1.5 million Mega Millions jackpot and \$11 million Lotto jackpot. The draw game sales for the Lottery are tied to patterns of jackpot sizes, and we are unable to predict or control them. As the multi-state game jackpots have grown, they have changed the public's expectations of newsworthy prizes. One extraordinary jackpot can make or break sales goals, and the high jackpots are commonly followed by dry spells which disrupt both predictive models and consumer behavior. The unpredictability of national draw game sales also directly impacts the Lottery's beneficiary contributions. Josh explained that the Lottery is currently heavily reliant on Scratch ticket sales, which is a little concerning because reliance on a single product opens a company up to the risks of a changing market. Scratch games are also becoming less profitable resulting in lower contributions to beneficiaries.

Josh presented detailed data that was gathered to better understand Lottery players. By comparing the demographics of age, income levels, and preferred methods of payment in our state, it was discovered that the player base is aging and Lottery games are struggling to appeal to new and younger players. The data also showed that younger generations use less cash, preferring the use of a debit card for making purchases. Josh said during a focus group, one participant articulated how the stars have to align for them to purchase a lottery ticket; the jackpot has to be big enough, they have to be in a store that sells tickets, they have to have cash, and they have to remember to make a purchase.

Josh explained that the Lottery plans to bring forward white papers and new game options with a view to maintaining a responsible and well-regulated portfolio of games. The Lottery will propose changes to Hit 5 and the Daily Game, and present white papers on digital transactions, cashless payment options, and daily multi-draws. Through well thought-out modifications, they hope to stay relevant and attract new players, while improving the ability to create a steady and more profitable stream of net contributions to the state and beneficiaries long term.

The Commissioners asked Josh about some of the barriers for making the future game and procedural changes that he described. He explained some of the limitations of Washington State law, and challenges the Gambling Commission faces with setting standards that affect both the Lottery and tribal gambling. Commissioner Giniger said she would be interested in learning more about the Gambling Commission and asked about inviting a representative to provide an overview of their agency at a future Commission meeting. Commissioner Bogdanoff agreed and also was interested in learning more about tribal gambling as well.

Call to Order:

8:50 a.m. – Acting Chair Bogdanoff called the meeting to order.

Acting Chair Peter Bogdanoff asked everyone in the room to introduce themselves.

Approval of Meeting Minutes:

Acting Chair Bogdanoff entertained a motion to adopt the minutes of the June 27, 2019 Commission Meeting.

Commissioner Finn **so moved** and Commissioner Sullivan **seconded**.

A vote was called for approval of the minutes of June 27, 2019 Commission Meeting. Ayes were unanimous. **Motion carried.**

Director's Update:

Director Marcus Glasper began by updating the Commissioners on state and national topics. New York pulling out of the Mega Millions Consortium left an opening for a backup state for the Mega Millions drawings. Ohio has agreed to serve as the new backup state should there ever be an issue with the drawings conducted in Georgia.

Several members of the Lottery staff attended the North American Association of State and Provincial Lotteries (NASPL) Professional Development Seminar in Phoenix at the end of July. Director Glasper said the conference was well attended and consisted of some great speakers and sessions.

Director Glasper also followed-up on the Lottery Week campaign that he mentioned at the last commission meeting. The campaign ran July 15-19th, and included media attention that highlighted the contributions the Lottery makes to Washington State. He said Randy Warick would be covering more about the campaign during his presentation.

Fiscal year 2019 ended on a high note for Washington's Lottery. For the first time in its history, the Lottery surpassed the \$800 million mark in total revenue. Although the final numbers are not yet audited, the Lottery is estimating approximately 26.5% in contributions to beneficiaries in comparison to an average of 24.5% that has been experienced over the last five years. Director Glasper said that in addition to the large jackpots this year, these numbers are a result of hard work on the part of Lottery staff who helped drive record sales in scratch tickets and established new retail partnerships, most notably with Walmart. He also mentioned that Lotto reached its largest jackpot in 14 years at slightly over \$12 million, and said he was extremely proud of the team's efforts.

The implementation of the Lottery's responsible gambling program is underway, and Director Glasper said the internal team has been diligently working on the plan. The team estimates the first phase of the plan will take about a year, as we apply best practices and the feedback received from NASPL and the National Council on Problem Gambling (NCPG).

Director Glasper said since the last Commission meeting, the Lottery has completed the development of the diversity recruitment plan in support of the "Building People and Culture"

pillar of the Lottery's Strategic Plan. The agency has been challenged statistically with recruitment of diverse candidates for many years. The Lottery is making a more concerted effort toward increasing the diversity in their applicant pools and has built a comprehensive strategy which will launch this month.

Commissioner Sullivan asked if she could get a copy of the Lottery's responsible gambling plan. Director Glasper said they will provide a copy of the plan to all the commissioners for review.

Deputy Director's Update:

Deputy Director Josh Johnston began by sharing that the first phase of Lottery machine installations in Walmart stores is wrapping up. By October 1st there will be 46 Walmart stores selling Washington's Lottery games. They will take a short pause and install another 11 machines in January. The Walmart sales are doing well and are already at \$817,270 for fiscal year 2020 after only approximately two months. Commissioner Giniger asked if the sales totals so far were more than they expected. Josh said, the sales numbers are slightly more than the Lottery anticipated at this point, which is surprising because they have not been able to advertise and the machines are smaller and different than normal Lottery machines. Acting Chair Bogdanoff asked if the size of the machine was a requirement of Walmart, and Josh answered that it was.

The first phase of the Lottery's new mobile app is set to launch on November 7th, and Josh said it will allow players to check both scratch and draw tickets. The second phase is scheduled to launch on January 8, 2020, and will introduce players to the new loyalty program with a chance to earn points for prizes. Also in January, the Lottery will begin working on the third phase which will incorporate self-exclusion and responsible gambling elements. The launch date for this phase is yet to be determined. Acting Chair Bogdanoff asked for more information around the intended outcome and purpose of implementing the loyalty program. Josh explained that loyalty programs are popping up all over, and players are beginning to expect more from the Lottery. The agency is hoping to entice new players with the program, and data shows nationally that loyalty programs increased the number of players by approximately 11 percent.

Josh followed-up on the banking transition that he previously reported to the Commission, and shared that the switch from Bank of America to US Bank was completed on July 1st. All payments and retailer sweeps were made without issue, and in early August the securities used to pay annuities were successfully moved. He thanked Maria and the rest of the staff that assisted with the banking transition for all their hard work.

Due to growth and construction at the SeaTac airport, the Lottery has been in conversations with the Port of Seattle about the possibility of needing to remove the Lottery kiosk and machines currently stationed there. Josh was happy to report they have reached an agreement to keep the kiosk and machines at the airport, however it may require moving the kiosk to a new location and altering the appearance. Once a location is decided a new lease will be signed. Josh said keeping the kiosk at SeaTac is very important because it is the Lottery's most profitable retailer,

with sales around \$2 million. Commissioner Sullivan asked if the Lottery has every considered placing anything at Paine Field Airport. Josh said we have not looked into Paine Field. He mentioned that the kiosks are still in a pilot phase, and we are evaluating the success of their three current kiosks to determine if the program should be retained and/or expanded. Josh also shared that the Lottery has been approached by a few locations that would like to add a Lottery kiosk should we want to open more.

Every August an outside audit firm performs a comprehensive annual financial audit for the Lottery. Josh said this audit is not required by law, but the Lottery believes it provides the public with assurance of fair representation of the agency's financial statements in accordance with accounting principles. Representatives from Eide Bailly are currently at Lottery Headquarters performing the audit and reviewing the Comprehensive Annual Financial Report that is published on the Lottery website annually. In addition, the Lottery is currently undergoing a Prize Payment audit. This audit is intended to review compliance with policies and procedures dealing with prize payments. It should be completed soon, and so far no issues have been noted.

Legislative & Legal Services Update:

Kristi Weeks, Legal Services Director, said the Lottery does not have any proposed agency request legislation for 2020, but staff are in the white paper stage and planning ahead for the 2021 session. She said the Washington Gambling Commission does have some proposed agency request legislation that is waiting for the Governor's approval, and she is tracking what happens with it because of the relationship between the two agencies.

Kristi provided an update on the administrative hearing on the Game of Life that occurred in June. The administrative law judge issued an initial order in the Lottery's favor, however the claimant has the right to request an administrative review by the Director and he has chosen to do that. His brother has also filed a similar claim asking for \$600,000 for three non-winning Game of Life tickets he believes he should have won \$200,000 for each. That hearing is scheduled for October.

For the new Commissioner's benefit, Kristi went through what has been occurring with the Wire Act this year. On June 3rd an order from the District Court rejected the Department of Justice's (DOJ) new interpretation of the Wire Act, and confirmed it only applies to sports betting. That was a win for lotteries, however the DOJ has filed an appeal. It will be heard by the United States Court of Appeals for the First Circuit, and in the meantime lotteries are conducting business as usual. Kristi will continue to monitor the issue and report on any possible impacts it may have to Washington's Lottery.

A few months ago, Brian Considine from the Gambling Commission came to a Commission meeting and presented on the evolution of sports betting. In some states there is not a Gambling Commission and the lotteries run sports betting, so it has been a frequent topic over the years. Kristi shared that Iowa just became the 11th state to legalize sports betting, and Oregon is moving forward with mobile and retail options. Oregon is in a unique position, as they are one of four

states that were grandfathered in when the Professional Amateur Sports Protection Act was passed in 1992. Later this year they are launching the “Oregon Lottery Scoreboard,” which will allow players to place wagers on professional sports. To play you must be 21 years of age, with a valid social security number. In addition, the mobile app will have geofencing, a protection that allows only individuals within Oregon and not on tribal lands to place bets. The app will also include responsible gambling platforms. The second phase of the launch will occur in mid-2020, which will give players the option to visit a retail location to place bets. Kristi said, because the issue of sports betting continues to be brought to the Washington State Legislature, they are likely watching what is happening in Oregon very closely.

Acting Chair Bogdanoff asked if there has been a substantial amount of public records requests lately. Kristi said she stopped tracking the precise number, because some are actual public disclosure requests and some are requests for information, which have different legal requirements. She said they have seen a slight decrease in requests, on average receiving about 10-15 a month. Some are very complex and some are simple, often requesting winner information. They always handle them all with equal importance, but also try to also educate those asking for information they can easily find on the Lottery website.

Acting Chair Bogdanoff asked if winner information is available on the website. Kristi said those who win over \$600 are listed on the website, and the list includes their name, the retail store where the ticket was purchased, and the amount they won. Winners cannot be completely anonymous, but can choose not to participate in media coverage. When this happens the media sometimes reports that the winner is “anonymous” but that is not accurate.

Biennium Budget Approval:

Maria Lourenco-Douka, Lottery’s Finance Director, stated per WAC 315-08-010, the Lottery is required to present the 2019-2021 biennium budget to the commission for approval. The numbers that were presented at the June Commission meeting were preliminary numbers, and the final numbers have since been obtained from the Economic & Revenue Forecast Council. Maria went through the Pro-Forma and requested approval for the budget.

Acting Chair Bogdanoff asked Maria what the timeframe is on unclaimed prizes. Maria explained that winners have 180 days to claim their prize before it goes into the unclaimed prize account. The funds remain there until the end of the year, at which time everything in excess of \$10 million goes to the Washington Opportunity Pathways Account (WOPA). The residual money stays in the unclaimed account and supports the Lottery’s cash volume for prizes.

Acting Chair Bogdanoff entertained a motion to approve the budget.

Commissioner Giniger **so moved**, and Commissioner Sullivan **seconded**.

A vote was called to approve the biennium budget. Ayes were unanimous. **Motion carried.**

Sales & Marketing Update:

Randy Warick, Assistant Director of Marketing, presented the fiscal year 2020 sales goals. Although sales are off to a slower start than projected, Randy said the team is confident that with some of the planned campaigns for the year the Lottery will be able to exceed these goals. The scratch games are doing well as usual, and the in-state draw games are also doing surprisingly well.

As mentioned earlier, the Lottery participated in the inaugural celebration of National Lottery Week in July. Director Glasper was interviewed on Q13 News and King 5 Evening Magazine. It was a great way to get the message out about where the money goes and how it benefits Washington. Randy said, in July the Lotto Jackpot had its highest jackpot in over a decade, reaching \$12.2 million. The retailer who sold the winning Lotto ticket, also sold the winning Hit 5 ticket only a couple weeks later resulting in a lot of media attention.

As part of the ongoing "Let's Imagine Together" campaign, a player shared that if he won he would watch the Seafair races on Lake Washington from his very own private submarine. A floating submarine top was built and equipped with a 360-degree camera that livestreamed the event on Facebook. The public responded very positively, with over 36,000 views of the event and that number continues to grow as people discover the video on social media.

Randy presented images of the planned store front for the new Spokane retail store and Regional office, which will be located in the Northtown Mall. Commissioners had a chance the day before to visit the space and get a sense of what is planned. Randy explained some of the features that will be in the new space, including a large interactive Tech Wall that will be used for player education, advertising promotions, and displaying the different Scratch games available.

Commission Report – Instant Ticket Artwork Review:

Gaylene Gray, Instant Product Manager, presented new scratch ticket artwork. She went through each of the ticket designs and there were no concerns or questions.

Commission Business:

Acting Chair Bogdanoff asked if there was any commission business. There was none.

Public Comment:

Acting Chair Bogdanoff asked if there was any public comments. There were none.

Agenda Items for Next Commission Meeting:

Acting Chair Bogdanoff asked if there were any agenda items to note for the next Commission meeting. He said he would like to look into the possibility of having the Gambling Commission

and maybe the Indian Gaming Association present at a future meeting and provide Commissioners a chance to ask some questions.

Director Glasper said at a past meeting it was also suggested to have the Evergreen Council present to the Commission on problem gambling, and he asked if this was still something the Commission wanted. The Commissioners said yes. Director Glasper said we would reach out to them along with the Gambling Commission, as well as provide information relative to the Indian Gaming Association.

Adjournment:

Acting Chair Bogdanoff asked for a motion to adjourn. Commissioner Finn **so moved**, and Commissioner Giniger **seconded**. Ayes were unanimous. **Motion carried.**

10:43 a.m. – Acting Chair Bogdanoff adjourned the meeting.

The August 22, 2019 Lottery Commission Meeting Minutes were approved this 24 day of October, 2019.

Respectfully submitted,



Valoria Loveland, Commission Chair



Stephanie Porter, Executive Secretary