



Lottery Commission Meeting Minutes  
Thursday, February 17, 2022  
Virtual Meeting – Microsoft Teams

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**Commission Member Attendees:**

Fred Finn, Commissioner  
Judy Giniger, Chair  
Rudy Mendoza, Commissioner  
Eileen Sullivan, Commissioner

**Lottery Staff Attendees:**

Nikki Bardwell, Policy Coordinator  
Jim Bevan, SharePoint and Office Administrator  
Bill Castillo, IT Systems Administrator  
Cheryl Earsley, Scratch/Promotions Coordinator  
Crystal Fischer, Chief Information Officer  
Marcus Glasper, Director  
Gaylene Gray, Instant Product Manager  
Shar Hawley, Org. Perf. & Planning Administrator  
Josh Johnston, Deputy Director  
Ken Knutson, Graphic Designer  
Maria Lourenco-Douka, Director of Finance  
Shanelle Montano, Administrative Assistant

Denise Mitchell, Project Manager  
Kathi Patnode, Marketing Operations Manager  
Derek Poppe, Acting Director of Security & Licensing  
Stephanie Porter, Executive Assistant  
Debbie Robinson, Director of Human Resources  
Dave Seeley, Warehouse Operator 2  
Ron Smerer, Director of Sales & Marketing  
Linda Su'a, Graphic Designer  
Stacy Sund, Merchandising Specialist  
Patti Swihart, Events Coordinator  
Randy Warick, Assistant Director of Marketing  
Kristi Weeks, Director of Legal Services

**Other Attendees:**

Eric Allen, Assistant Attorney General  
Scott Battishill, Curator  
Kristie Christensen, Wunderman Thompson  
Rosina DePoe, WA Indian Gaming Assoc.  
Linda Edwards, WA Indian Gaming Assoc.  
Xiamara Garza, Curator  
Rebecca George-Kaldor, WA Indian Gaming Assoc.

Thomas Kitts, Consultant  
Ellis Madison, Wunderman Thompson  
Dan Miller, Curator  
Andrew Scolaro, Scientific Games  
Aubrey Seffernick, Kalispel Tribe of Indians  
Shannon Struempf, IGT

**Call to Order:**

8:35 a.m. – Chair Judy Giniger called the meeting to order.

Chair Giniger began by welcoming the new Commissioner, Rudy Mendoza. She then asked for a commissioner roll call. Commissioners Fred Finn and Rudy Mendoza confirmed their virtual attendance. Commissioner Eileen Sullivan joined the virtual meeting a few minutes later and her attendance was confirmed.

**Approval of Meeting Minutes:**

Chair Giniger entertained a motion to adopt the minutes of the December 16, 2021, Commission Meeting as presented.

Commissioner Finn **so moved**, and Commissioner Mendoza **seconded**. Chair Giniger called for a vote for approval of the minutes of the December 16, 2021, Commission Meeting. Ayes were unanimous. **Motion carried.**

**Approval of CR 102:**

Kristi Weeks, Director of Legal Services, spoke briefly about what the Commissioners would be voting on. She said at the October meeting, Commissioners voted to approve the filing of the CR 101 to initiate the rule making process for the Brief Adjudicative Proceeding (BAP). The BAP process allows agencies to resolve simple administrative cases in house, rather than using the formal procedure through the Office of Administrative Hearings. Kristi said the BAP process benefits both parties because it is much quicker and costs less than the formal process. The Administrative Procedure Act (APA) allows agencies to use the BAP process only if the matter falls within a class of cases that the agency has set forth in rules. The Commissioners were provided with the proposed rule language for review prior to the meeting. Kristi said most of the language was taken straight from the APA and she walked through the six sections, which explain the entire process from start to finish. She said the Commissioners are being asked to vote to approve the filing of the CR 102. If approved, the Lottery will post the draft language to the website and ask for public comment. At the April meeting, any comments received will be shared and discussed and a hearing will be held to approve adopting the rules language.

Chair Giniger asked if the Commissioners had any questions or comments about the proposed rule language. Commissioner Finn asked a grammatical question about the language, which Kristi confirmed was correct. Chair Giniger asked if Kristi could explain more what a topic might be that would fall under Section 1, B. Kristi said she has not encountered anything that would fall under that section and was unable to provide a specific example. She said that the language came from the APA and most likely is intended for agencies that have a broader list of cases than the Lottery. However, because it could happen, Kristi said it is important to include.

Chair Giniger entertained a motion to approve filing the CR 102, proposed language for the Brief Adjudicative Proceeding rules.

Commissioner Finn **so moved**, and Commissioner Mendoza **seconded**. Chair Giniger called for a vote for approval of filing the CR 102. Ayes were unanimous. **Motion carried.**

**Recognition:**

Director Marcus Glasper paid tribute to former Commissioner Valoria Loveland and spoke about her many accomplishments while serving on the Lottery Commission. He expressed his gratitude for her leadership serving as the Commission Chair for several years, and for the perspective she



brought as a former state senator and ensuring the Lottery always operated within the public's best interest. Director Glasper also thanked Valoria for her counsel, trust, and support when he took over the role as Lottery Director. He presented her with tokens of appreciation from the Lottery, which included a thank you letter, a certificate, a Lottery Challenge coin, and a framed "Valoria Loveland" specially designed scratch ticket to commemorate her time on the Commission. Chair Giniger and Commissioners Finn and Sullivan each personally thanked Valoria for her service and mentorship over the years. Valoria spoke fondly of her time on the Commission and expressed her passion for working in public service. She thanked her fellow Commissioners and the Lottery staff for their assistance and kind words.

**Director's Update:**

Director Marcus Glasper began by introducing and welcoming Rudy Mendoza, the newest Lottery Commissioner, and shared a little about his background and professional achievements. Director Glasper was also pleased to announce that Derek Poppe was selected as the new Director of Security and Licensing for the Lottery, effective January 1, 2022. Derek previously served as the Support Services Manager, and before that worked as the agency's Drawing Program Manager and an Investigator. In addition to Derek, Director Glasper said there have been a number of retirements, new hires, promotions, and internal transfers for the Lottery in the last several months. Since July 2021, there have been 22 appointments or internal movements in the agency. He said everyone has done an amazing job of adapting and adjusting to so much change, and he thanked the Human Resources staff for the tremendous job they have done throughout the recruitment process and in supporting the hiring managers.

On the state and national front, Director Glasper said the Mega Millions consortium voted last week to put out a Request for Quote (RFQ) to find a research firm to collect player input on three concepts the group is considering. The research will compare each concept against the current game, and the results will be used by the consortium to decide how to move forward. Director Glasper briefly described each of the three concepts being considered. The first concept shifts the game to a \$5 price point with a built-in multiplier for all non-jackpot prizes. Currently, players can do this with Megaplier, but it is an additional \$1 and it's up to 5 times the prize. The new concept would have an automatic multiplier and would be up to 10 times the prize. The second concept proposes when the jackpot is hit, a certain number of \$1 million prizes are awarded based on the jackpot amount. As an example, if the jackpot is \$25 million when hit, then an additional 25 winners would be selected for \$1 million prizes. In the third concept, when the jackpot is hit, a jackpot winner in each state would also be selected, and each state's jackpot would be a rolling jackpot based on a percentage of their portion of total national sales. Director Glasper said it could be another six months before the consortium decides to move forward with any game changes. And at a minimum it would be another 12-18 months after that decision before anything is implemented.

Director Glasper said the agency continues to navigate the changing requirements and recommendations on working in the office based on state requirements and Centers for Disease Control and Prevention (CDC) recommendations. Employees continue to be allowed to work in



the office as part of the “soft return” that was established for 90 days beginning November 1, 2021. However, he said because masking, quarantine, and reporting requirements continue to change, the agency decided to extend the soft return until March 15, 2022. Director Glasper said, at that time they will reassess the plan based on the current safety guidance. He said the agency is still following safety protocols, including not allowing visitors in the work areas. For this reason, he said after consulting with Chair Giniger, the April Commission meeting will be held virtually. The hope is to resume in-person meetings for the June meeting.

Director Glasper said the Lottery’s Diversity, Equity, and Inclusion (DEI) strategy was completed last month, and a copy was mailed to each of the Commissioners. He asked that if the Commissioners had any questions or feedback to please let him know. Director Glasper also shared the agency just received its Employee Engagement Survey report. After a couple years of consistent improvements, the report showed approximately half of the questions with no change or very small increases, while the other half of the questions showed declining scores. He said they remain encouraged that Lottery staff are engaged and satisfied, and the agency recognizes there were a variety of circumstances that could have been at play affecting the results. The response rate was also slightly down this year compared to the last three years, and Director Glasper said they are working to understand the data and continue to discuss next steps. He said they will provide more specifics related to the survey at the next meeting.

Director Glasper next talked about the Lottery Security Division experiencing an increase in theft cases as compared to previous years. In the last four months they have added 216 cases to their caseload, 88 of them in January alone. As a comparison, Director Glasper said last January the team only had 19 cases. There has been a significant rise in scratch product thefts across the state, and as law enforcement face significant backlogs and staffing shortages the smaller theft cases are deprioritized. In response, the Lottery Security team has increased efforts to supply law enforcement with sufficient evidence in order to prosecute. As more lottery products are targeted, it puts the agency at significant risk with retailers and their desire to carry lottery games. The team is continuing to strategize how to better support, educate, and equip retailers to minimize losses and protect Lottery products.

Director Glasper also mentioned that the Lottery Headquarters building was recently broken into. The suspect was quickly caught, and law enforcement indicated the individual appeared to be under the influence. After a thorough inventory check, he said the Lottery does not appear to have suffered a great loss. The individual only took minor items, such as unopened thumb drives, whistles, and food. The agency immediately underwent a security assessment of the exterior and has since upgraded the locks and security mechanisms.

Chair Giniger asked if the individual who broke in the building was able to roam free throughout, and if they know how he got in. Director Glasper said the lock specialist was able to replicate how the individual broke into the building. He also mentioned that the building alarms went off when the individual entered, and law enforcement was dispatched. They inspected the exterior of the building, but assumingly found no evidence of forced entry so they left. Additional alarms were triggered shortly after, and then they returned. Chair Giniger asked if the



incident had made it in the papers. Director Glasper said, surprisingly no, and mentioned the Lottery was not the only state agency recently burglarized. He said The Department of Early Learning was broken into twice over the last couple weeks, which did make it into the local news because more significant assets were stolen. Commissioner Mendoza asked what the Lottery is doing to try and prevent future building break-ins. Director Glasper said they did a security assessment of all building entries and have upgraded and added protective plates that cover the locks. They have also done a review of the alarm system and plan to make some changes, as well as working with the landlord to identify other areas for increased security measures.

Chair Giniger asked if there is any information available related to the affects sports betting may be having on lottery sales. Director Glasper said they are working with Research America to gain quarterly information from players related to gambling and sports betting. He said it will probably take some time before they are able to gather enough information to make a correlation between sports betting and impacts on other gambling activities. They are very interested in learning more and will continue to look at future assessments. Chair Giniger agreed that it will be difficult to measure and would like to be updated regularly on what they learn.

#### **Deputy Director's Update:**

Josh Johnston, Deputy Director, began by providing an update about the debit card project. At the last commission meeting, the development and quality assurance testing had just started, and Josh said it is now 80 percent complete. The team is currently working on the marketing and advertising, and necessary support systems, such as the automated phone system and customer tracking tool. They continue to monitor the delayed delivery of the card swipe devices, and are working closely with the manufacturer, Verifone, to ensure the 700 devices needed are received on time to continue with the planned rollout. This risk has not impacted the project schedule at this point; however, they are developing contingency plans should that change.

Josh also gave a brief update on the progress of One Washington, which is the state enterprise-wide replacement of the backend financial systems. He said for those familiar with state systems, it will be replacing the Agency Financial Reporting System (AFRS), which is nearly 30 years old. In mid-January, the statewide project team announced they are pushing back the October 2022 go-live date, and they are still working to determine a new date. Josh said the delay is due to challenges agencies are having with remediating legacy systems that feed into AFRS. He explained that agency specific systems were developed to feed information into AFRS, and if that information cannot get moved to the new software, Workday, then agencies need to develop crosswalks and a manual work-around process. For some agencies, including the Lottery, the risk can be great and additional time is needed to complete the remediation. Despite this, Josh said the project is still moving forward and they are working on foundational data mapping, security role mapping, and user training.

At the December Commission meeting, Josh shared that the Lottery had just launched a 6-12-month pilot expanding the hours of the Spokane Department of Imagination (DOI) store to match the Northtown Mall hours. Prior to the pilot launch the Spokane store was averaging about



\$4,957 a week in sales, following the launch they are now averaging \$9,331 a week. Josh said overall they are very pleased with how the pilot is going and look forward to sharing the results.

Commissioner Finn asked how many total staff are working at the Spokane office. Josh said there are a total of 11 employees assigned to the Spokane Office: A Regional Sales Manager, four Customer Service Representatives, and a Secretary Lead. There are also five Division Sales Representatives that work in the Spokane region, but they work on the road and only come to the office as needed. Director Glasper added that there was a total of eight employees that reported to the Spokane office prior to the opening of the DOI store, and the additional Customer Service staff are part-time.

### **Legislative & Legal Services Update:**

Kristi Weeks, Director of Legal Services, began by sharing there have been many formal requests for public records and information since the December meeting but unfortunately, she does not have the exact number. There was a very large request asking for all records related to the Lottery's contracts with International Game Technology (IGT). She said the email scanning alone generated tens of thousands of potentially responsive records. Kristi said, similarly, the agency was served with a subpoena from legal counsel for Google. The Washington Attorney General, along with his peers from 37 other states, filed suit against Google based on an allegation that Google has created a monopoly with its Google Play Store. In response, Google issued subpoenas for records from many state agencies who offer a mobile app through either the Google Play Store or the Apple App Store. In response, the Lottery handed over tens of thousands of potentially responsive documents. Kristi said none of the documents seemed to address their core question of what the decision-making process was regarding how the agency decided to offer the Lottery app through the Google Play Store.

Next, Kristi provided an update on voluntary self-exclusion. There are still no participants signed up, but she hopes to get more information out about the program through a training video she is working on with the Evergreen Council on Problem Gambling. She said there have been no new administrative or annuity assignment cases since the last meeting. Kristi also shared the Supreme Court denied review of the vaccine promotion lawsuit, so it will be dismissed. The associated tort claim is still open, but no further action has been taken.

Kristi talked a little about the action between the Mido Courier Service and the Gambling Commission. She explained that Mido offers lottery tickets to the public through a mobile app, which the Lottery believes is not allowed under Washington State law. The Gambling Commission issued a Notice to Cease and Desist, and Mido stopped. However, they have sued the Gambling Commission and asked the court to declare their activities to be legal. A trial was set for the end of the month but will be continued. Because the only issue is whether their actions violate the law, it is likely to be decided on a motion for summary judgement before then.

Kristi also gave a brief legislative session update, and said February 15<sup>th</sup>, was the last day to pass bills off the floor in the house of origin. Kristi said like last year, there are a lot of law



enforcement bills that they had to submit fiscal notes for because the Lottery is a limited law enforcement agency. So far, they have all been “no impact.” There have also been a slew of regulatory reform, information technology security, and privacy bills that affect numerous state agencies but are of no real concern for the Lottery. House Bill 1697, titled “Concerning Privacy Rights for Minors,” sets forth special rules for interacting with minors online and collecting personal information about them. She said there was some initial concern because lottery activities were included in a list of what might be called “vice industries.” However, the bill sponsor said the language was taken directly from a California law and was not a reflection on the Lottery. Kristi said regardless, they would be in full compliance because the Lottery does not intentionally interact with or collect information from minors. The bill incidentally did not make it out of appropriations.

Kristi also mentioned there was a bill introduced to expand sports wagering beyond tribal casinos that was brought forward at the behest of Maverick Gaming, a company that owns several card rooms in Washington. The company has filed suit against the state claiming the Indian Gaming Regulatory Act is being used inappropriately to give tribes a monopoly on sports wagering. She said they are watching to see what happens and will keep the Commission updated. They are also interested in finding out from other states that have legalized sports wagering what impacts, if any, it has had on lottery sales.

Commissioner Mendoza asked if Kristi could update him on how the Mido app works. Kristi explained that a player can download the Mido app, set-up an account, and link it to a bank account. Currently they are only offering Mega Millions and Powerball tickets, and players can order and pay for the desired number of tickets through the app, which would charge their bank account for the cost of the tickets and an additional 7% handling fee. Allegedly, following a purchase through the app, a Mido representative would then go and purchase the tickets from a licensed Washington State retailer on behalf of the player. They hold the actual ticket for the player and send them an image. If the ticket wins \$600 or less, they claim the prize and deposit it into the player’s account. If it wins over \$600 then they transmit the ticket to the player for them to redeem in person. Commissioner Mendoza asked if we know how successful the app has been. Kristi said because they are unregulated, the Lottery does not have access to any revenue data for the company so there is no way to really know. She said they are operating in other states, some which allow it and others that are currently going through similar situations to Washington.

Commissioner Mendoza asked if Kristi could send him additional information on the Voluntary Self-Exclusion program. Kristi said she would. She also offered that the Lottery’s website has a dedicated page for self-exclusion that includes all the information and forms.

Referencing the IGT contract public disclosure request, Chair Giniger asked what the length of the current contract is. Kristi said the Lottery has two separate contracts with IGT, but she believes the gaming system contract is up in 2026. Deputy Director Josh Johnston interjected to let the group know that Crystal Fischer, the Lottery’s Chief Information Officer and contract manager for the IGT contracts, had typed into the meeting chat that the contract expires in June 2029.



**Financial Report:**

Maria Lourenco-Douka, Finance Director, presented the second quarter financial update and began by sharing the fiscal year 2021-2022 financial comparison for a six-month period ending December 31, 2021. The year-to-year comparison included sales per game, total sales, total operating income, non-operating revenue, and contributions. She also provided a budget to actuals year-to-year comparison for the same period, and a vendor expense comparison for fiscal year 2022. She shared the sales and estimated net profit by product, as well as the appropriated expenditure authority.

**Sales & Marketing Update:**

Ron Smerer, Director of Sales and Marketing, began by talking about the year-to-date sales for fiscal year 2022 and said they are currently ahead of their goal. Unfortunately, sales are down by 1.2% compared to this time last year. Ron said they believe it is primarily due to increased sales last January when Powerball and Mega Millions experienced extremely high jackpots. He also shared the year-to-date sales results by game and said while they expected the dip in sales for the local games, they are slightly concerned about the decrease in Scratch sales compared to last year. Ron said it may have been caused by shipping issues they experienced during the holidays related to the UPS courier contract with the state. They are currently looking into solutions. As mentioned previously, they are also keeping an eye on sports wagering and are interested in learning if it will have any affect on lottery sales. Ron said his team is looking at some promotion ideas to hopefully boost sales in the coming months and get the numbers back up for the year.

Ron said there have been many recent changes in the regions. Fil Gundmunson retired as the Everett Regional Sales Manager (RSM), and Dean Renner who was the Federal Way RSM moved to Everett to fill the position. Meredith Wooten was then hired to fill the Federal Way RSM position, and Dan Gisel was promoted from the Federal Way Assistant RSM to the Spokane RSM position. Ron also mentioned the contract for the SeaTac airport has been finalized and the kiosk design has been approved. They will be moving forward with building and hope to have it installed by the beginning of April. He shared they are also working to add Lottery Vending Machines (LVM) in several shopping centers. They have two LVM's set to be installed in Southcenter Mall soon and they are looking to add LVM's at the malls in Yakima Valley, Vancouver, and Auburn.

Commissioner Finn asked if there are any other factors playing into the decreased sales other than shipping delays, and what are the possible solutions. Ron said the delivery delays really were the primary problem with the decreased scratch sales. They had some holiday scratch tickets not arriving at retailers until January. He said the delays are improving, and they are hoping to have UPS back as part of the state contract which will greatly improve the delivery situation. Mega Millions and Powerball did not experience the large jackpots like last January but were recently hit which did not help with sales. He also mentioned they are looking at the



Lotto game and will be consulting the Player Panel and asking questions about possible improvements.

Randy Warick, Assistant Director of Marketing, began with a public relations update and said Curator continues to do an excellent job gaining Lottery coverage on the major news networks. There have been a number of stories on unclaimed winnings and the new Scratch games. Randy said he hopes the great coverage they have been receiving continues and helps drive the sales numbers up.

Randy talked about the Seattle Kraken hockey team partnership and the advertising campaign Wunderman Thompson created to promote the new Kraken Scratch ticket. He shared pictures of the different 3D billboard advertisements and said they have been getting a lot of positive responses. He also shared the Kraken Scratch social media spots and talked about the second chance mail-in drawings, which so far have brought in over 67,000 entries.

Randy provided an update on the Tacoma Mall kiosk and shared some pictures of the new "Museum of Imagination" advertising campaign. The design for this year's theme features famous pieces of art with some humorous nods to the Lottery. Randy also teased what is planned next for the Department of Imagination. He shared it will be called the "Go Full You," campaign and said additional details will be presented to the Commissioners in the coming months. Randy also gave a brief follow-up on what Director Glasper mentioned regarding Research America and the tracking of sports wagering trends. He said although they are not currently tracking any dollar values, their data did show sports wagering has increased from 21% to 27% in the last fiscal year. He said they are watching it closely and will provide more of the research data, along with information they learned from a recent segmentation study, at a future meeting.

Chair Giniger thanked Randy and expressed her interest in learning more about the dynamics surrounding sports wagering as the information becomes available. She asked Randy to explain the term "out-of-home" that he used during his presentation. He said it is a term they use for a category of advertising elements, typically the giant billboards he spoke about in his presentation. He referred to "out-of-home" as a bucket for nontraditional advertising that does not fit into the other categories of social, radio, online, digital, or broadcast.

#### **Commission Report – Instant Ticket Artwork Review:**

Gaylene Gray, Instant Product Manager, presented new scratch ticket artwork for the Commissioners review and briefly talked about each one. The Commissioners did not have any concerns with the presented scratch artwork.

One of the tickets she presented was a \$10, large format, Loteria ticket. Chair Giniger asked if the Lottery has done this format for the Loteria before. Gaylene said they have not. Chair Giniger asked what the benefits are for releasing it in this new format. Gaylene said Loteria being an extended play ticket and its overall success makes it a great option for the large format. They have not made the final decision about releasing it but like it as a future release option. Chair



Giniger asked what constitutes an extended play ticket. Gaylene said scratch ticket games like Bingo, Slingo, Crossword puzzles, and Loteria are considered extended play tickets because they take a little longer to play than a typical scratch ticket.

**Commission Business/Agenda Items:**

Chair Giniger asked if the Commissioners wished to bring anything forward for discussion. There was nothing brought forward. Chair Giniger asked if there were any topics the Commissioners wanted to see on the next agenda and reminded them the April meeting will be held virtually. She reiterated she would like an update on sports wagering, and an update on the delays with shipping and the courier contract. Commissioner Mendoza asked if they could also provide an update on the ticket thefts at the next meeting. Director Glasper said they also plan to hold the rules hearing for the Brief Adjudicative Proceedings.

**Public Comment:**

Chair Giniger asked if any members of the public wished to make public comment or voice any concerns. There were no comments made.

**Adjournment:**

10:40 a.m. – Chair Giniger adjourned the meeting.

The February 17, 2022, Lottery Commission Meeting Minutes were approved this 21 day  
of April, 2022.

Respectfully submitted,

  
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Judy Giniger, Commission Chair

  
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Stephanie Porter, Executive Secretary