

Lottery Commission Meeting
May 1, 2018
Lottery Headquarters
Olympia, WA

MINUTES

COMMISSION MEMBERS PRESENT

Chair Valoria Loveland, Commissioners Peter Bogdanoff, Laura Cantrell, Judy Guenther and Fred Finn

LOTTERY STAFF PRESENT

Director Marcus Glasper; Director of Sales and Marketing Ron Smerer; Director of Legal Services Kristi Weeks; Director of Security Dan Devoe; Finance Director Maria Douka; Information Services Director Crystal Fischer; Marketing Assistant Director Randy Warick; Sales Assistant Director Lance Anderson; Instant Product Manager Gaylene Gray; Business Development Manager Kurt Geisreiter; David Schoonmaker, Human Resources Director Debbie Robinson; Finance Manager Lori Dolan; Internal Audit Manager Ilene Frisch; Corporate Accounts Managers Jenny Whiteside & Bobby Frye; Merchandising Specialist Stacy Sund; Scratch/Promotion Coordinator Cheryl Earsley; Sales & Marketing Events Coordinator Patti Swihart; Lean Consultant Shar Hawley; IT Security Specialist Zachary Essein; Graphics staff Linda Sok; Procurement and Supply Specialist Maegan Reed; and Executive Assistant Debbie Meyer

OTHERS PRESENT

Andrew Logerwell of the Attorney General's Office; Bobby Hatam and Becky Bogard of IGT; Mike Doherty, Ryan Lyonnais and James Mackenzie of Cole & Weber; Drew Scolaro, Michael McCullough & Kathy Gano of Sci Games; Rebecca Kaldor, Glenda Breiler & Ernie Stebbins of WIGA; Stephen Wade of Lottery Management Consulting

CALL TO ORDER

9:47 a.m. Chair Loveland called the meeting to order.

INTRODUCTION

Chair Loveland asked for self-introductions from all attendees.

APPROVAL OF MEETING MINUTES

Chair Loveland entertained a motion to adopt the minutes of the February 22, 2018 Commission Meeting.

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

*A vote was called for to approve the minutes of the February 22, 2018 Commission Meeting. Ayes were unanimous. **Motion carried**.*

CR 102

Chair Loveland asked Kristi to introduce herself.

Kristi shared that part of her duties is to organize the rules processes and the rules filings. She learned that a CR 101 & CR 102 had been approved at the last commission meeting, which in her experience is a little unusual to approve both at the same time. She also learned that only the CR 101 had been filed with the Code Reviser's Office. The new revised language is in your packet.

Once the commission approves the CR 102 it will be filed and that starts the official public comment process. Historically we do not get many comments, but if we do, we will make changes and then we will have a formal rule hearing at the next meeting.

Chair Loveland asked Kristi to review the suggested changes that she made. Kristi shared that what is stricken out is the old language that we are taking out and what is underlined is the new language.

Commissioner Bogdanoff asked Kristi to remind the commissioners what the substance of the changes are.

WAC 315-06-040 – clarifies the fact that when there are promotional materials prepared for multiple games, you do not have to put the odds for every game on the promotional material. If you have promotional material for a single game then you do have to list the odds.

WAC 315-02-130 – clarifies who is an employee of the Lottery as opposed to contractors, sub-contractors and consultants to make sure that everybody's roles are delineated

WAC 315-34-057 & WAC 315-38-090 – clarifies how a winner would claim their jackpot prize and specifically the timing of when a winner needs to choose whether they want an annuity or a lump sum.

Chair Loveland entertained a motion to approve the filing of the CR-102.

*Commissioner Bogdanoff **so moved** and Commissioner Guenther **seconded**.*

*A vote was called for to approve the filing of the CR-102. Ayes were unanimous. **Motion carried.***

DIRECTOR'S UPDATE

Marcus introduced our new Legal Services Director, Kristi Weeks. She comes to us from the Department of Health where she recently served as their Government Relations Director. She worked for DOH for the past 15 years. During this time, she has held positions including Policy Counsel, Director of Legal Services and Legislative Liaison, Director of Policy and Legislation, and Supervising Staff Attorney. She has a broad background in a variety of areas including policy and legislative experience, administrative law, rulemaking, and public records. She also had relevant experience working with Tribes in Washington, most recently working with them on tobacco and marijuana-related issues. Kristi received her law degree from the University of Puget Sound.

On Friday, we are beginning the recruitment for the Deputy Director position and we hope to have that position filled and on board as quickly as we can.

On the state and national front, there is much discussion around Courier Services. This is a big topic that is being talked about extensively on the national front, both intra and extra-jurisdictional, including international re-sellers and virtual lotteries.

Essentially, there is a growing concern and debate about third party companies purchasing tickets on behalf of players and either reselling the tickets or conveying numbers over the internet since most states cannot sell tickets directly to players online. In some states, these companies have found some legal leeway to do this and to operate

based on their particular state laws. The companies include firms such as TheLotter.com, Lottoland, Jackpocket, LottoGopher.com, Jackpot Nation and several others.

There are currently three courier service models being talked about:

- Legal licensed couriers selling online to players within a specific jurisdiction - an example of that is New Jersey, where they are adopting laws and regulations to regulate courier services within their state.
- Unlicensed couriers who buy tickets within a jurisdiction but sell them worldwide – an example of this is Oregon where at least one retailer has partnered with a particular company that is buying tickets. They are located within their retail site and selling tickets to players in other jurisdictions and the Lottery in Oregon has somewhat endorsed this initiative.
- “Virtual” lotteries that take bets on the outcomes of various lotteries but do not actually buy tickets in those lotteries; instead, they pay prizes themselves through an insurance-backed business model. These are usually illegal in most jurisdictions and arguably might not actually be considered a courier.

On the domestic front here in the US, we are starting to see movement in state acceptance where some states are viewing these services as an extension of the Lottery. States such as New Jersey and New York are adopting laws to regulate this industry, mostly having the services confined to within their borders based on geo-location data.

However, those courier services that are selling U.S. multi-state games (Mega and Powerball) outside of the United States are very controversial. Oregon, for example, has decided to embrace such a firm and facilitate their sales outside of their jurisdiction. These firms are also buying tickets in other states such as New York and Florida, but are doing so without the cooperation of the state's lottery.

The Canadian Lotteries recently sent a letter to the Mega Millions Consortium and to MUSL as well, stating that these courier services are illegal in Canada and clearly there are challenges with enforcing their law abroad. They have further asked the consortium to take reasonable measures to ensure that our states and their associated retailers are not collaborating to promote this activity in Canada.

As a result, the Mega Millions consortium is looking at a possible change to our Mega Millions rules that would require all licensees of the Mega Millions brand to limit sales to within their own jurisdictions. The General Counsels in each of the states are working

together to craft some language for consideration by the consortium members. Our legal services director is plugged in to that and is having conversations with the other legal counsels.

Mega Millions Website- An RFP was issued to replace the current vendor that supports the website. That RFP was released on March 26 and responses were due on April 9. The process is being managed by the Georgia Lottery because they are the Public Benefit Corporation and they don't have to follow traditional procurement laws found in most states.

Three vendors responded to the RFP and Georgia Lottery has made a recommendation to the Mega Millions Directors. An announcement should be made shortly. The target is to have a new vendor managing the website by October 1.

At the last meeting, Marcus reported that Powerball was in the process of implementing a change to their game called "Winner Take All" which provided for the player to participate in a separate draw each week for an additional dollar when they buy their Powerball ticket.

Two weeks after that meeting, due to varying degrees of support amongst MUSL members and other complications, the Powerball Product Group voted unanimously to indefinitely postpone the "Winner Take All" enhancement. Our staff here at the Lottery had already done a lot of work to start this project and Director Glasper thanks them for their efforts.

Former Legal Services Director Jana Jones mentioned at the last meeting that the Gambling Commission was pursuing legislation for a problem gambling study and had approached the Lottery regarding participating in the amount of \$100,000.

The Gambling Commission received a \$50,000 appropriation in the operating budget for the study, significantly less than what was planned. It did not include any funding from the Lottery. Because of that, the scope has been limited to analyzing the scope of services currently available for pathological or problem gamblers in the area of prevention and treatment.

Chair Loveland is concerned that we were not part of the conversation when this study was discussed and asked whether we think this study is a good idea.

Marcus shared that we can work on trying to facilitate a discussion around this study and he thought that was a good idea.

Marcus shared that at the last commission meeting, commissioners requested information on where the problem gambling money goes. After some research here is the information we were able to find.

The problem gambling program is managed through the Division of Behavioral Health Resources at DSHS. The funding somewhat fluctuates but in the 2017-19 Biennium, the program's budget was about \$1.45M. Lottery contributes approximately \$600,000 - \$650,000 per biennium or about 43% of their budget. The rest of their budget comes from other sources such as a small percentage of the B&O tax on card rooms and pull tab operations.

DSHS reported that out of the \$1.45M budget that 86% is dedicated to out-patient treatment which is contracted through 22 certified treatment providers. The other 14% is for training, prevention, and outreach, which is contracted through the Evergreen Council on Problem Gambling.

We are happy to reach out to DSHS and the Evergreen Council to have them come give the Commission a presentation if you think you'd like more information.

Results Washington had their first Governor's Results Review on the road instead of in Olympia. The April Results Review was hosted in Port Townsend, WA and the topic was Community Revitalization where the discussion centered on building vital, vibrant, and inclusive communities. Marcus did not attend but he heard it was a success and the plan is to continue hosting these results reviews in various places around the state.

The Lottery completed a Lean event on Policies and Procedures. The team has made a number of recommendations and we are beginning the implementation phase. A key recommendation is the establishment of a policy coordinator position, for which we are in the recruitment process.

In mid-March, we submitted our application materials for OFM approval for Choice Performance Management Confirmation. The Lottery was previously a Performance Management confirmed agency and was invited to participate in the Choice Performance Management. This pilot is sort of a modified version of the previous program that would allow the agency to award recognition leave based on stringent performance and development plan requirements.

If approved, the agency will be allowed to award one to two days of recognition leave to our employees in recognition of outstanding performance/results. We are awaiting OFM's response.

At the last meeting, Marcus reported some Lottery data on the 2017 Employee Engagement Survey and Commissioner Cantrell asked for some additional information on areas the Lottery would be focusing on.

Since that time, the statewide results were released to all employees on April 10. 47,243 employees from 75 agencies, boards, and commissions took the survey, representing a 75% response rate. Lottery's participation rate was 76%, slightly down from 2016.

The top three statewide areas with positive feedback were "knowing what is expected of me"; "being treated with dignity and respect by my supervisor"; and "knowing how my work contributes to the goals of the agency".

For the Lottery, a team of volunteers had been established to identify areas we can focus on in 2018 in order to improve the overall work climate. We had 12 volunteers on the team and Marcus thanked them for their efforts.

The two areas this team has recommended working on include:

"My agency consistently demonstrates support for a diverse workforce" as the overall positive responses for this area was down 10% from the previous year, and *"We use customer feedback to improve our work processes"* as this question was the lowest scoring overall.

The team is continuing to meet to understand what the questions mean, possible causes for lower scores, and how we might address root causes so that recommendations can be presented to the management team.

Government Finance Officers Association has awarded Lottery the Certificate of Achievement for Excellence in Financial Reporting (CAFR) for the 28th year in a row. Thanks go out to Maria and her team for once again doing an outstanding job for the Lottery.

Marcus mentioned that Kurt Geisreiter attended the National Indian Gaming Association Conference two weeks ago and had several positive meetings with Tribal leaders and CEO's from our state in order to advance our relationship with those various tribes, both in terms of promotions and licensing

Kurt will give an update at the next commission meeting.

IGT sponsored a new computer lab this year by donating 25 computers to a great deserving school – Napavine Elementary. A ribbon cutting ceremony was held last month

at the school and several folks were in attendance: Marcus Glasper, Commissioner Guenther, Becky Bogart, and Bobby Hatam.

LEGISLATIVE & LEGAL UPDATE

Legislative Services and Legal Director Kristi Weeks gave a very brief legal report. There are no pending lawsuits against the Lottery, and just the normal number of public records requests.

Kristi shared that she has been very busy learning about the lottery and has had some good meetings with staff. She is looking forward to working at Washington's Lottery.

Chair Loveland welcomed Kristi to the Lottery as legal counsel.

Assistant AAG Andrew Logerwell informed the commission that he would be leaving state service to go work for Pierce County. He shared that Mary Tennyson would fill the role as counsel to the commission until she hired someone to take his place.

SALES & MARKETING

Sales Update

Sales & Marketing Director Ron Smerer shared the sales numbers with the commissioners. Ron believes that we are still on track to hit a sales record and that we are doing everything we can to get that accomplished.

Marketing Update

Marketing Assistant Director Randy Warick shared highlights of February – April. The Lottery had a robust brand campaign in the market place that included new tactics and partners. We had a statewide jackpot campaign that incorporated out of home and digital display.

Randy shared that we ran a New Sounders Hit 5 promotion and we have a new beneficiary spot. He said that he thinks it is even better than our origami beneficiary spot.

Every year around St. Patrick's Day, we put together our annual list of our "luckiest stores" and the media loves this. This story resulted in 12 placements in media outlets such as KIRO, KOMO and the SeattlePI.com in Seattle. The stories were run in several

Spokane stations as well as Wenatchee and the Everett Herald. These stories generated 761,421 impressions and an estimated publicity value of \$30,521.

Randy stated that just two months after January's giant jackpot, Mega and Powerball again grew to a combined value of more than \$830M. These two jackpots created a frenzy of positive excitement in the press and our players went out and bought tickets. We saw more than 250 broadcast clips during the month of March and generated approximately nine million impressions with a value of \$845,000.

One winner in Pennsylvania claimed the \$457M Powerball jackpot and another single winning ticket was sold in New Jersey for the \$521M Mega Millions jackpot. Washington's Lottery had a \$50,000 Powerball winner and he plans to use his prize to help pay for his granddaughter's college tuition.

Randy shared that in addition to the social media creative that we launched in January for inside the DOI, we also launched new media extensions. We launched an interactive digital game, interactive video units and short video clips. We are hearing back from our players through social media and they are loving this.

Randy talked about the Sounders Hit 5 Promotion. We launched a Hit 5 promotion that will give our players a chance to sign a one-day contract with the Sounders or they might win a trip to the MLS All-Star Game in Atlanta, Georgia. This has been a great promotion for us. Randy played the Sounders promotional spot.

Randy talked about the new FY18 Jackpot campaign that the Lottery launched for both Mega Millions and Powerball. The plan is to include billboards with LED cans. We used to advertise on billboards but it became too expensive. This was something that Ron really wanted to start doing again and we have been able to find a way to accomplish that.

We are very excited about our new beneficiary spot. We partnered with a world famous YouTube domino artist to help us tell our beneficiary story. It took her and her team three days to set up the dominoes needed to capture all the shots needed for the spot. The spot was all about how the dollar our players spend playing the Lottery has a domino effect that ripples throughout the state.

KOMO's Seattle Refined stopped by the shoot and Marcus gave them an interview while he was watching the shoot take place. Seattle Refined posted a behind the scenes photo gallery of the dominoes shoot. The beneficiary spot was played.

Randy shared what is coming up in the Lottery. The Muckleshoot Casino scratch ticket will be launching on May 2 that will give a second chance opportunity for a slot machine tournament for our players. They will be able to win a spot to play in the tournament.

We are excited to be launching a Ms. Pac-Man scratch ticket on June 20. We have done these maze tickets in the past. Our players love them and we believe that our players will embrace this ticket too.

We love our Seahawks and we are excited about this year's ticket that will launch in the market on July 27.

We will have a Sounders Brand campaign in late May and we will launch a new scratch ticket for us – Day of the Dead. We believe this will be a very successful ticket that our players will love.

COMMISSION REPORT – INSTANT TICKET ARTWORK REVIEW

Instant Product Manager Gaylene Gray asked the commissioners if they had any questions on the artwork.

Commissioners Cantrell and Bogdanoff had concerns on the Holiday Countdown artwork. They would like to see changes made to the snowman. Gaylene will rework the artwork on this. Laura thanked Gaylene for reworking the artwork on the Day of the Dead scratch ticket and she didn't have issues with any of the other artwork. Commissioner Bogdanoff reviewed the artwork too and he thought the artwork looked good to him.

COMMISSION BUSINESS

Chair Loveland asked if there was any commission business to bring before the commission and there was none.

OTHER BUSINESS

Chair Loveland asked if there was other business to discuss and there was none.

PUBLIC COMMENT

Chair Loveland asked if there was any public comment and there was none.

FUTURE AGENDA ITEMS

Chair Loveland asked about future agenda items for the next meeting and there were none. At our next meeting Kurt will give a tribal update. Marcus suggested that Ilene update the commissioners on audit activities and he will see if we can invite someone from the gambling commission to talk about the problem gambling study.

EXECUTIVE SESSION

Chair Loveland called for an executive session.

ADJOURNMENT

11:35 a.m. *Chair Loveland adjourned the meeting.*

May 1, 2018 Lottery Commission Meeting Minutes approved this _____ day of _____, 2018.

Respectfully submitted,

Peter Bogdanoff, Acting Commission Chair

Debbie Meyer, Executive Secretary