

Minutes for the Colorado Lottery Commission

Call to Order

A Commission Meeting for the Colorado Lottery was held on Wednesday, January 13, 2021, via Zoom. The meeting was called to order at 8:00 a.m. and was presided over by Chairwoman Peterson.

Introductions and Welcome

Attendees

In attendance were the following:

Stella Peterson, Chairwoman	Jennifer Anderson, Lottery Deputy Director
Stan Podolski, Vice Chair	Jessica Ross, AGO
Hon. Dennis Maes, Commissioner	Marie Valtakis, Lottery
Bill Clayton, Commissioner	Mark Ferrandino, DOR Executive Director
Jim Bensberg, Commissioner	Meghan Dougherty, Lottery
Byron Martinez, Lottery	Michelle Hauck, Lottery
Carol Sanchez, Lottery	Mike Strasser, Lottery
Chris Schroll, Lottery	Nancy Bartosz, Lottery
Christian Hawley, Lottery	Summer Duncan, Cactus
Cooper Reveley, DOR Legislative Liaison	Todd Greco, Lottery
Cristi Gannon, Lottery	Tom Seaver, Lottery Senior Director
Daniel Bewley, Lottery	Tyson Barr, IGT
David Aldag, Lottery	
Emily Stewart, Lottery	
Ethan Noskey, Cactus	
Heather Love, Lottery	
Jay Sisson, Lottery	

Public Comment

Chairwoman Peterson called for public comment. There was none.

Decision Item Update

Cooper Reveley, Legislative Liaison for the Lottery, reported on the status of the Lottery's FY22 decision item. Last week, there was a JBC hearing where Tom Seaver, and his team, presented Lottery's decision item. Cooper, Tom, Jennifer and the new DOR Executive Director, Mark Ferrandino have also been meeting with legislators to discuss the decision item.

Jennifer Anderson added that it was really helpful to have Tom Seaver present the decision item directly to JBC members. Mr. Reveley included that this is another very irregular year at the General Assembly. They are officially gaveling in to convene for three days to take care of high priority items on their list. After that, they will recess until, tentatively, February 16th. Figure setting would typically happen later in January but some of the normal process is up in the air. The JBC will vote on Lottery's decision item at the DOR figure setting which should take place at the end of February/early March.

Ms. Anderson added that Daniel Bewley has worked hard in getting the support of the Tavern League, Brewers Guild, as well as all of the Lottery's beneficiaries. Mr. Seaver included that it's important to stay tight with the beneficiaries and this decision item gives the Lottery a chance to do that. A lot of very good favorable support is being lined up.

Chairwoman Peterson asked Mr. Reveley if the Lottery is tracking other industries with how they're getting decision items approved and if Lottery feels confident with where it's at. Mr. Reveley responded that virtual meetings is a very new way of doing things which is not without its challenges. Part of the request to remain digital is coming from the legislators themselves – they're hesitant to have a lot of people gathering in the Capitol. The legislators have been very responsive to text messages and meeting requests. This year's legislation is bound to look more like the last three weeks of the 2020 legislative session.

Commissioner Clayton asked Mr. Reveley to confirm that the Lottery's decision item is just regarding spending authority. Mr. Reveley responded that Commissioner Clayton is correct – Mr. Seaver has made sure to make that distinction when meeting with the JBC. Lottery is not asking for approval of Keno, but for the authority to spend Lottery money to launch broadcast games like Keno.

Commissioner Clayton asked Mr. Reveley if the Governor's Office is still on board with the Lottery's decision item. Mr. Reveley responded that the Governor's Office is still on board and it's something that they're very interested in and fully supportive of – it's part of their budget request and are working with the Lottery to make sure it succeeds.

Commissioner Clayton thanked Jessica Ross, AGO, for the quick and positive legal response to the Colorado Gaming Association's legal memo regarding the Lottery's decision item.

Commissioner Bensberg asked Mr. Reveley about whether there was any talk among legislators regarding diverting Lottery funds for different purposes, due to the downturn in the economy. Mr. Reveley responded that he hasn't heard anything about that. If the Lottery's

decision item results in increased revenue, there may be talk about where the excess funds go.

Commissioner Bensberg asked Mr. Reveley if all of the legislators understand that the Lottery is an enterprise. Mr. Reveley responded that they are aware and that's why it's being emphasized that the Lottery is only asking for spending authority and not the approval of the game itself or General Fund dollars. Mr. Seaver added that the Lottery has a very engaged Commission, appointed by the Governor, and that information is emphasized to the JBC as well.

Lottery Spotlight

Meghan Dougherty presented a five-minute video that explains where every dollar from the Lottery goes. The video educates viewers on the Lottery being self-funded and an enterprise, as well as how Lottery dollars benefit players, retailers and its beneficiaries.

Ms. Anderson added that the shorter version of the video was shown to the JBC and has already proved to be very useful. Ms. Dougherty included that the shorter version stopped right before the beneficiary portion. Mr. Seaver stated that the number one question is, "Where does the money go?" Chairwoman Peterson complimented the video and added that she's noticed a trend of animated explanation videos but this video really hit the mark. She asked who the target audience is for the longer version of the video. Ms. Dougherty responded that Lottery often sponsors industry events and the longer video is a great tool to use in presenting information about the Lottery, as well as educating players regarding where their money goes after they spend it on Lottery products. Ms. Anderson added that Mr. Bewley uses the video when he presents to beneficiaries and other organizations.

Approval of Minutes

A motion to approve the minutes from the December 9, 2020 Lottery Commission meeting was made by Chairwoman Peterson and seconded by Commissioner Bensberg. The motion passed unanimously.

Colorado Lottery

MAIN MOTIONS

Approval of Scratch Game Guidelines, presented by Emily Stewart;

- Game #195 \$1 LUCKY 13
- Game #196 \$2 WIN IT ALL
- Game #197 \$2 SUPER 7-11-21
- Game #198 \$3 LUCKY DAY
- Game #199 \$5 GOLDEN BLAST

A motion to approve the Repeal of Scratch Games presented was made by Commissioner Maes and seconded by Chairwoman Peterson. The motion passed unanimously.

There were no scratch games up for repeal at this meeting.

Decision Items

There were no scratch game decision items to report at this meeting.

Scratch Game Performance

Todd Greco stated that the Lottery has had many scratch games that featured barnyard animals after Commissioner Bensberg asked about the number of games with animals featured.

Mr. Greco reported that December scratch sales were up \$8.6 million from November. The entire month of December had \$49 million in scratch sales. The week of December 26th saw the highest week of scratch sales ever at \$13 million.

Jackpot Game Performance

Jay Sisson reported that jackpot sales in December totaled \$21.5 million, largely in part to Colorado Lotto+ with a jackpot of \$11.7 million that got hit on December 9th. The jackpot was immediately hit on the next draw, with a jackpot of \$1.1 million – it gives players the feeling that the game is winnable, compared to the national games.

Sales were up \$5.2 million in December 2020, compared to December 2019. During the November commission meeting, Mr. Sisson reported that Lottery was down 7.56% to goal – as of January 9, Lottery is now up 2.6% over goal. By the end of this week, Colorado Lottery will be ahead of goal on both the national and in-state games, due to the giant jackpots that continue to grow. Players tend to discover in-state games when playing the national games for the large jackpots.

The Mega Millions jackpot is up to \$750 million and expect the jackpot to get boosted prior to the next draw. Powerball is up to \$550 million and it's also possible that the jackpot may get boosted. Last night, Colorado Lottery sold \$2.4 million in Mega Millions alone.

Chairwoman Peterson asked if there has been extra coverage surrounding the big jackpots. Ms. Dougherty responded that Mr. Seaver has been interviewed about the growing jackpots as well as extra television and radio spots.

Commissioner Bensberg commented that a claims center in Colorado Springs would be beneficial. Mr. Seaver responded that it has been brought up with the Department of

Revenue and the State for the past couple of years – it could make for a great backup drawing site but not currently feasible.

Mr. Seaver added that the Colorado Lottery had one week with over \$9 million in jackpot sales. That amount of sales does a great deal of good for the beneficiaries and for proceeds.

Chairwoman Peterson asked if all of the mentioned great news gets to other areas within DOR and the State, that typically don't hear from the Lottery. Mr. Seaver responded that a weekly report is given to the Director of DOR, who reports the highlights to the Cabinet during their weekly meetings. When Lottery has positive results, it creates greater credibility and helps support asking for more help. These results also prove to retailers that selling Lottery products is beneficial. Ms. Dougherty included that media clips and reports are sent to the Governor's Office through DOR's Communications Director as well which gives Lottery added visibility.

FY21 Projected Sales, Expenses, and Disbursements

David Aldag reported that there was a big difference between November and December, due to the growing jackpots helping sales. In November, Mr. Aldag stated there was some concern about meeting goals, at the last commission meeting, and there are no longer any concerns after the spike in sales during December. Mr. Aldag presented graphs that reflected the growth in sales.

The Lottery is set to exceed its spending authority on retailer commissions this year, which is positive because sales are high and retailers are benefiting from that. There have been discussions with DOR and they are prepping for an emergency supplemental request for the JBC and legislature this spring when there's a better idea of how much over the spending limit Lottery will be at the end of this fiscal year.

Personal services expenditures continue to run under appropriation – there are a couple of empty positions put on hold. There has recently been conversation, at the DOR level, and a few positions within the Lottery are moving towards opening back up. State leadership is suggesting that some empty positions could benefit from being filled.

Operating costs continue to be projected conservatively – some of the lower spending patterns seen during the first half of the year will likely result in \$100,000-200,000 of underspend.

Director's Report

- **Security Update – Chris Schroll**

Mr. Schroll reported that the Colorado Lottery has received its WLA Level 1 certification for security control standards. This is the only security control standard across the globe

that ensures lotteries are performing with the same best practices and security standards. Mr. Seaver added that he is proud of this team and getting this certification proves that the Colorado Lottery follows data integrity while meeting a global standard.

Starting November 1, 2020, the administrative task of marking stolen retailer tickets as stolen after hours was transferred to IGT. There was cost savings, operational efficiency and it has worked out really well so far, with continued improvements being made. This shift did not require a change to the contract with IGT.

December 2020 and January 2021, there has been an increase in smash and grab thefts. Criminals are breaking into retail locations, often not equipped with surveillance and closed at night, and taking the entire scratch display cases. There have already been seven cases as of the date of this commission meeting and a close eye is being kept on these types of thefts. The crimes are mostly occurring in convenience stores.

Security and Investigations is making the move to virtual retail licensing by working with Eliza Tyndall, OIT and Marketing. Additional opportunities are being looked at for additional virtual services, such as an online retailer background checks.

- **Ouray Ice Festival Sponsorship – Marie Valtakis**

Ms. Valtakis reported that there is an incredible ice climbing park in Ouray, Colorado. The Colorado Lottery is proud to sponsor the first virtual ice climbing festival where elite ice climbers will ascend upon Ouray to participate. The finals will be aired on Saturday. Through the Lottery's sponsorship, professional footage will be received that can be used in future presentations to beneficiaries. Mr. Seaver added that this area is one of only a few throughout the world and it's a great opportunity for the Lottery to obtain striking footage to use. With numerous events being canceled, this was a creative way for the Colorado Lottery to get involved.

- **MUSL and NASPL Updates – Tom Seaver**

The discussed changes to Mega Millions and Lucky for Life are still on schedule. The only new item is the possibility of selling Powerball in Australia. In the U.S., scratch games sell more than jackpot games and in Australia, it's the opposite. This means if Powerball is sold in Australia, it would do very well. One issue is that Idaho has legal provisions that prevent it from participating in international games. Colorado doesn't have any provisions like that and can participate if Australia is included. Idaho is currently working on legislation that would allow them to participate. MUSL is talking with TabCorp, who control all jackpot games in Australia. Powerball could be introduced in Australia as early as August 2021 but could be pushed out due to legal constraints and other hurdles. If selling in Australia works out well, there's consideration of branching out to the United Kingdom.

On the NASPL side, most of the events that NASPL runs will be virtual. This includes the BCLC New Horizons Responsible Gaming event in March, Lottery Leadership in April and it's unsure if there will be an in-person Director's Meeting or Professional Development

Seminar this year. The large NASPL event, scheduled to be held in Kansas City at the end of September, will likely be virtual.

- **Introduction of Mark Ferrandino, Executive Director of DOR**

Mr. Ferrandino expressed his excitement about joining DOR as the new Executive Director. Mr. Ferrandino worked as the CFO and COO at Denver Public Schools for the past six and a half years. He also served in the legislature representing central Denver and served several years on the JBC. He added that there are many amazing opportunities with the Colorado Lottery expanding its products by including Keno. He also thanked the Commissioners for volunteering and serving on the Lottery Commission – Mr. Seaver and Ms. Anderson have given him a great impression of the Lottery within his first three weeks leading DOR.

The Director’s Report was concluded at 9:27 a.m.

Commission Items

- Chairwoman Peterson suggested, with the recent insurrection at the U.S. Capitol, that a message be sent to US House and Senate Representatives expressing a thankfulness for their safety and their service. Mr. Seaver responded that the Lottery’s communications team will draft something for the Commissioners to review prior to sending out.
- Chairwoman Peterson asked whether there were any best practices in place for conducting virtual meetings. Ms. Anderson responded that the Governor’s Office has sent out some best practices about managing remote teams and the communications team can include some best practices, for employees working remotely, in their next newsletter. Commissioner Maes added that he would like to see at least one in-person meeting, before his last meeting as Commissioner in June. He added that it’s important to have face-to-face connections that virtual meetings cannot replace. Chairwoman Peterson clarified that by best practices, she would like to see topics such as rules on when to have the camera on, types of acceptable backgrounds, the type of environment if not using a background and how to effectively run a virtual meeting. Commissioner Bensberg added that he would like to see the link to Lottery’s commission meeting published to the public so that there could be public comment made.

Adjournment

Chairwoman Peterson adjourned the meeting at 9:45 a.m.

Heather Love

Completed by: Heather Love

2/10/2021

Date of Approval