

Minutes for the Colorado Lottery Commission

Call to Order

A Commission Meeting for the Colorado Lottery was held on Thursday, December 14th, 2023 via Zoom. The meeting was called to order at 1:03 p.m., and was presided over by Chairman Podolski.

Attendees

In attendance were the following:

Stan Podolski, Chairman	Andy Stine, BEST
Bill Clayton, Vice Chair	Shannon Gray, DOR
Arnold Hanuman, Commissioner	Heather Love, Lottery
Stella Deslongchamp, Commissioner	Kim Trujillo, Lottery
Janelle Quick, Commissioner	Brian Kohnlein, Lottery
Tom Seaver, Senior Director	David Aldag, Lottery
Jennifer Anderson, Senior Deputy Director	Jay Sisson, Lottery
Peggy Brown, Problem Gambling Coalition of Colorado	Tom Campbell, Lottery
Lori Romine, IGT	Mike Strasser, Lottery
Monica Hernandez, IGT	Terri Geier, Lottery
Tyson Barr, IGT	Betsy Schmerge, Lottery
Heather Whitman, AGO	Scott Chavkin, Lottery
Meghan Kiss, Scientific Games	Cristi Gannon, Lottery
Jill Cummiskey, Scientific Games	Nancy Bartosz, Lottery
Lisa LaBriolo, Scientific Games	Kelia Busby, Lottery
Ethan Nosky, Cactus	Tiffany Ramsdell, Lottery
Leah Taylor, Cactus	Adrian Varney, Lottery
	Christian Hawley, Lottery

Introductions and Welcome

Public Comment

Chairman Podolski called for public comment. There was none.

BEST Update

Mr. Stine presented a slideshow demonstrating the qualities of the BEST program. BEST has a nine-member appointed board and is available to all public school districts, Charter schools and institute charter schools, boards of cooperative educational services and the Colorado School for the Deaf and Blind. The focus is to maintain accurate and consistent data for the Capital Constructions Assistance Board which makes informed decisions during the annual

BEST grant selection process and serves as a state-wide resource for school facility condition data.

Lottery proceeds average \$5.5 million since FY09 and has reached almost \$9 million in the past five years.

BEST has awarded a grant in almost every district in the state of Colorado. Every county, except for Gilpin County, has received a grant.

Mr. Stine highlighted the Canon City Middle School renovation project, the Holyoke HS Secure Entry and ADA Accessibility project and the Liberty Common K-6 Playground.

BEST averages over \$500 million in total project requests each year with approximately \$225 million in total project cost funded.

For FY25, there are 73 Notices of Intent from 51 districts, 20 charter schools, 1 BOCES and the Colorado School for the Deaf and Blind.

There was discussion regarding the consistency of amounts given by each program and Mr. Stine explained that the numbers are just projections but that the Lottery is possibly the most consistent with its proceeds.

There was discussion regarding use of proceeds to fund technology requests beyond physical safety such as measures to keep children safe on their technological devices. BEST tries to guide applications more towards physical safety and is construction related.

SGEP Update

Ms. Cummiskey reported that the recruiting efforts started in September and will continue throughout the holiday season. Progress includes six new retailers getting licensed, nine retailers in the application process and an expectation of 4-5 additional applications by the end of the year. There are 17 identified retailers that are interested but they would like to be contacted after the end of the year.

Opportunity was found to expand Lottery sales into liquor stores and are currently focusing on dispensaries, which is a new area for lotteries as a trade style.

Non-traditional trade styles are focusing on venues that relate to GOCO, such as ski resorts and Ouray resorts, who are currently in the application process. Scientific Games brought on a strategic manager who has a lot of great connections with adding new products into dispensaries.

Currently finishing the process of adding Sci-Q machines into 35 new independent C-stores. These stores tend to be invested that Sci-Q is fully staffed and successful. In January, have

another 65 locations being installed with Sci-Q, including both independent and chain stores.

Working with Tom Campbell and the sales team on a pre and post Sci-Q analysis in order to come up with a strategy on future locations for Sci-Q.

There was discussion on Maverick purchasing all Kum-n-Go stores and Buc-ees not selling Lottery in any of their locations throughout the country.

There is a retail solutions team that works nationally on various chains like Target. Some chains have strict requirements like no-cash handling.

Mr. Seaver added that lottery products are viewed as an additional stream of income for dispensaries. Additionally, getting Sci-Q machines into the larger grocery stores is a big selling opportunity.

Mr. Campbell added that testing is in place with higher price points at the customer service desk within stores. Lottery has a great presence at King Soopers stores, both at the customer service desk and with vending machines.

Approval of Minutes

A motion to approve the minutes from the November 8th, 2023 Lottery Commission meeting was made by Vice Chair Clayton and seconded by Commissioner Quick. The motion passed unanimously.

Decision Items

Approval of Scratch Games, presented by Scott Chavkin;

- Game #317 \$1 \$50 FRENZY
- Game #318 \$2 \$100 FRENZY
- Game #319 \$5 \$200 FRENZY
- Game #320 \$10 \$500 FRENZY
- Game #323 \$5 BINGO TRIPLER / RED HOT BINGO TRIPLER

There was discussion about the number of entries into second chance drawings for each ticket price point. Participation can be a little lower with a smaller top prize and there is higher participation with price points like the \$50 tickets.

A motion to approve the Scratch Games presented was made by Vice Chair Clayton and seconded by Commissioner Deslongchamp. The motion passed unanimously.

Approval of Scratch Game Guidelines, presented by Terri Geier;

- Game #317 \$1 \$50 FRENZY
- Game #318 \$2 \$100 FRENZY
- Game #319 \$5 \$200 FRENZY
- Game #320 \$10 \$500 FRENZY
- Game #323 \$5 BINGO TRIPLER / RED HOT BINGO TRIPLER

A motion to approve the Scratch Games Guidelines presented was made by Commission Deslongchamp and seconded by Commissioner Hanuman. The motion passed unanimously.

Approval of Repeal of Scratch Games, presented by Terri Geier;

- Game #150 \$5 POWERBALL
- Game #193 \$20 CASINO NIGHTS
- Game #224 \$20 \$1 MILLION JACKPOT
- Game #230 \$1 CASH CRUSH
- Game #231 \$1 10X
- Game #237 \$5 CASH BACK

A motion to approve the Repeal of Scratch Games presented was made by Commissioner Quick and seconded by Chairman Podolski. The motion passed unanimously.

Scratch Game Performance

Mr. Chavkin reported that scratch sales for November totaled over \$44.8 million which was a decrease of about \$1.4 million compared to November FY23. The holiday games have given scratch sales a boost and will continue to increase sales the closer it gets to the holidays.

Jackpot Game Performance

Mr. Sisson reported that November sales were \$18.5 million, a decrease of about 50% or \$16 million due to the big Powerball jackpot during the first part of October. The first five draws accounted for \$18 million in sales for October. Compared to FY23 November, sales are down \$27 million due to big Mega Millions and Powerball jackpots.

There was one winning Lotto+ ticket sold on 11/29 in Pueblo and it's the second jackpot hit this fiscal year. The first one was back in September at \$5 million.

Since the addition of the Monday draw for Lotto+, the starting jackpot has seen a 15% increase.

Currently, the Powerball jackpot is at \$535 million and if it continues to roll, we could see potential \$900 million to a \$1 billion jackpot by Christmas.

Sales are up \$50 million year-to-date for jackpot. Lotto+ is down about \$4.4 million and Cash5 is down about \$160,000.

Hit 86% of annual goal for Powerball since December 9th. Mega Millions has hit 90% of annual goal as of December 9th. Overall, jackpots are at 65.5% of the annual goal.

FY24 Projected Sales, Expenses, and Disbursements

Mr. Aldag reported that the current year end projection is \$564.8 million for scratch sales. The jackpot sales current year end projection is \$287.6 million. Back in FY22 and FY20, jackpot sales saw little spikes due to lower jackpots.

The GOCO cap had significant increase this year and will affect the Lottery's downstream beneficiaries.

Last year, the vendor fees spending authority was getting tight but, at this point, there's no anticipation of spending authority limitation.

The personal services expenditure is at what was projected but Lottery is down staff – the lowest it's been all year. After the beginning of the year, the vacancies should start to get filled.

Currently tracking a couple of capital expenditures like a new phone system in Pueblo. The Marketing and Comms budget is the biggest appropriation and there is a meeting on that with stakeholders next week; will recalibrate as needed.

There was discussion about the OIT costs. Over the last few years, OIT has moved to "real-time billing". In the past, DOR would be overcharged by OIT for a couple of years at a time before it would get corrected and credits would be applied. Now, allocation goes from OIT to DOR and then from DOR to each of the Divisions. The process is getting better and should see fewer surprises moving forward. The billing lag is at about a month to a month and a half.

Director's Report

- JBC Hearing Update - Tom Seaver, Senior Director

Mr. Seaver reported that this week the JBC held a hearing on DOR's budget request that included the Lottery's decision item for two years of additional funding to buy more self service kiosks and other equipment for retail. Last year, the decision item was proposed for 5 years at \$5 million per year. The JBC responded that they would only approved 3 years and wait until the audit findings were published before approving the additional 2 years.

Have between now and February/March before the JBC votes on the DI as part of the figure setting. Despite the fact that money was approved last year, Lottery is still questioned about the placement of vending machines and the use of money. Adrian

Varney and Mike Strasser were instrumental in providing information on player demographics and projects funded with Lottery money.

There was discussion about the objections being made on receiving additional funding. The machines are strategically placed in areas that generate the most revenue without focusing on the demographic of those areas.

Chairman Podolski requested the most recent demographic data. The Commissioners will be provided with this data and it's updated annually.

There was discussion about the demographic data being included on Lottery's social media. There is currently a video on the Lottery's website that explains the current demographic and it could be included on other social media. The information is also included in the annual report.

There was discussion about the demographics of winning lottery players. When winners are posted, their stories and backgrounds are shared but follow-ups could be looked into.

- Legislative Audit Hearing Committee Update - Jennifer Anderson, Deputy Senior Director
Ms. Anderson reported that on the Lottery's 2023 Performance Audit report and Legislative Audit Committee hearing. There were six findings in the report. Ms. Anderson reviewed each finding and the Lottery's response to each.

Mr. Seaver gave kudos to Jennifer and the Lottery team for putting together responses, gathering information, interacting with auditors and everything else involved with the audit.

There was discussion about the possibility of adding FTE to the compliance team due to the number of retailers. Ms. Anderson responded that the current plan is to add 1 FTE to the compliance team to bring them to a total of 3 which is a 50% increase over the current number (2). However, there has not been much of an increase in the number of retailers yet, but if/when there is a need to add more compliance investigators, it is something the Lottery is prepared to ask the JBC for.

Vice Chair Clayton gave kudos to the Lottery team on completing the audit and appreciates their hard work.

- Annual Personal Financial Statement for Commissioners - Heather Love, Commission Secretary
Ms. Love reported that the annual personal financial statements are due by January 1st, 2024 and each Commissioner is required to complete the form that is produced by the Secretary of State's Office. An email was sent to each Commissioner with the form and if they have questions, they can direct them to Heather Whitman.

The Director's Report was concluded at 2:55 p.m.

Commission Items

- Commissioner Quick reported that the Pueblo Hispanic Education Foundation partnered with PGCC on the dangers of underage and excessive gambling. The event was well received by those who participated.
- Commissioner Hanuman asked about the data on credit financing and will send an email to Tom and Jennifer with that request. Inquired if it was possible to have a standing item on the agenda regarding the audit recommendations.
- Commissioner Deslongchamp announced her resignation from the Colorado Lottery Commission Board and thanked the Board, and Lottery, for the opportunity to serve eight years and for the work that is being completed by the Lottery.

Executive Session

- At 3:02 p.m., Chariman Podolski motioned to move into a closed executive session, pursuant to C.R.S. §§ 24-6-402(3)(a)(II) for the purposes of receiving legal advice and recommendations from counsel on specific legal questions related to certain findings in the recent report issued by the Office of the State Auditor for Colorado Lottery. The motion was seconded by Vice Chair Clayton. The motion passed unanimously.

Chairman Podolski reconvened the open Commission meeting at 4:15 p.m.

Adjournment

Chairman Podolski adjourned the meeting at 4:17 p.m.

Heather Love

Completed by: Heather Love

January 10, 2024

Date of Approval