

# Minutes for the Colorado Lottery Commission

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## Call to Order

A Commission Meeting for the Colorado Lottery was held on Wednesday, December 11, 2019, at the Denver Lottery Office, 720 Colorado Blvd., Denver, CO 80246 and via videoconference at the Pueblo Lottery Headquarters, 225 N. Main St., Pueblo, CO 81003. The meeting was called to order at 8:00 a.m., and was presided over by Chairman Jim Bensberg.

## Attendees

In attendance were the following:

### Present Denver:

Jim Bensberg, Chairman  
Bill Clayton, Commissioner  
Stan Podolski, Commissioner  
Diane Boddicker, Lottery  
Tom Campbell, Lottery  
Tom Horvat, Lottery  
Todd Greco, Lottery  
Christian Hawley, Lottery  
Ethan Nosky, Cactus  
Meghan Dougherty, Lottery  
Megan Dondero, Sci Games  
Mark Pierce, Sci Games  
Jessica Ross, AGO  
Tom Cargal, Lottery  
Paul Kane, Eide Bailly  
Bryan Bruno, State Auditor's Office  
Tom Seaver, Lottery  
Trisha Macias, Lottery  
Carol Sanchez, Lottery  
Tyson Barr, IGT  
Phu Nguyen, Lottery  
Brittany Wirth, DOR

### Present in Pueblo:

Dennis Maes, Commissioner  
Jay Sisson, Lottery  
Cristi Gannon, Lottery  
Nancy Bartosz, Lottery  
Dwayne Wilson, IGT  
Dave Aldag, Lottery  
Eric Parker, Jackpocket

## Public Comment

Chairman Bensberg asked for Public Comment. There was none.

## Lottery Spotlight

Christian Hawley presented trigger campaign commercial spots that will be used to generate player momentum as Jackpot prizes build. The first ad pushing the \$325M jackpot will begin its run today. Social media and digital ads are already running and radio ads begin tomorrow.

Ms. Hawley showed trophies for recent national awards Lottery has won in advertising. The first is the Fluerry Award given at the LaFleur's Conference in November, awarded by a vote of other lotteries. The award was given for the Multiplier Scratch Crypto Bros commercials. Lottery also received two Batchy Awards at the fall NASPL conference for the Scratch holiday spot and Multiplier Scratch Crypto Bros.

## **Approval of Minutes**

A motion was made by Commissioner Maes to approve the minutes for the Commission Meeting held on November 13, 2019 and was seconded by Commissioner Clayton. The motion passed unanimously.

## **Colorado Lottery**

### **MAIN MOTIONS**

Approval of Repeal of Scratch Games, presented by Trisha Macias;

- Game #830 Winner\$ Galore
- Game #846 \$20,000,000 Series IX
- Game #867 \$500,000 Spotlight Game VII
- Game #872 Loopy Loot
- Game #874 Super Very Berry Crossword
- Game #876 Super 7-11-21
- Game #880 Red Hot Riche\$

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

## **FY19 Financial Audit Report**

Paul Kane from Eide Bailly presented the audit report for FY19. The report summary indicated a clean report. There were no findings in internal control matters, accounting policies, estimates, or disclosures.

Commissioner Podolski asked about the Investment Income in allocations from the State. Mr. Kane responded that Lottery's cash investments are with the State Treasurer and Investment Income is Lottery's share in that benefit.

Commissioner Podolski extended his congratulations to Mr. Seaver and the Fiscal team for a clean audit.

## **Financial Reports**

Cristi Gannon presented financials for the first quarter ended September 30, 2019. Gross ticket sales YTD at end of September were \$158.2M, \$5M more than the same time last year. Proceeds came in at \$33M YTD, \$5M less than the same time last year. Sales for the month of September only were at \$51.4M and proceeds at nearly \$12.8M. As of September 30, 2019 Lottery sales achieved 84.3 percent of projected YTD sales goal at \$187.5M.

Financials will no longer be presented as part of the Commission agenda but information and a summary sheet will be provided to Commissioners and Fiscal staff will be available to answer questions.

## **FY20 Projected Sales, Expenses, and Disbursements**

David Aldag presented FY20 projections performance. There have not been significant changes from last month. Sales continue to run behind in Jackpot but have been catching up in the last couple of weeks as jackpots grow. Personal services are on track and hiring activities are picking up to fill vacant positions. Operating expenses are also on track, anticipating capital expenditures later in the year. Marketing is expected to fully spend its appropriation. Beneficiary distributions are lagging because of Jackpot sales but have hit targets to at least be where they were last year.

## **Decision Items**

Approval of Scratch Games, presented by Todd Greco;

- Game #153 \$1 Mad Money
- Game #154 \$2 Max Money
- Game #155 \$5 Ca\$h Deluxe
- Game #156 \$10 \$50 & \$100 Blowout

A motion to approve the Scratch Games presented was made by Commissioner Maes and seconded by Commissioner Podolski. The motion passed unanimously.

## **Scratch Game Performance**

Mr. Greco reported that Scratch sales for November continued to do well at about \$37M. Sales for FY20 holiday game launch were consistent with FY19. FY20 Scratch sales are \$20M ahead of last year this time, slightly behind goal but expected to pick up in the second half of the year. The launch of ten new Scratch games in December will give a big sales boost.

## **Jackpot Game Performance**

Jay Sisson reported that Jackpot sales improved in November, up five percent at \$14.1M. Overall Jackpot sales are up compared to last November. Powerball, Lucky for Life, and Cash 5 were down in November. Lotto was up \$300K. The Mega Millions Jackpot is rolling and sales are already up \$1.2M over last year. Jackpot sales compared to projections are down \$43.3M, with \$37.5M of that being in Powerball and Mega Millions.

Since the new Colorado Lotto launched in September, Lotto sales have comprised 33.5% of total sales between the three Jackpot games. Powerball comprised 38% and Mega Millions twenty eight percent. Those numbers will change as the current Mega Millions jackpot begins to grow.

## Director's Report

- **Jackpocket Update**

Eric Parker presented an update on Jackpocket operations in Colorado. Jackpocket is now a fully licensed retailer located in Pueblo and open to the public, making Colorado their sixth state of operations. Jackpocket has created nine local jobs in their Pueblo retail space, supporting Jackpot game sales for the entire state. The Jackpocket app is live in Colorado with sales turned on as of December 9, 2019. Players can begin ordering tickets once they have funded their account. Ads have begun running on digital platforms and will ramp up after the New Year. The app includes an age verification feature and full disclosure that players must be eighteen years old to play and that Jackpocket is not affiliated with or an agent to any state lottery.

- **LaFleur's Conference**

Mr. Seaver provided an overview of the themes shared at the LaFleur's annual fall conference. In-lane sales, which expands the sale of lottery tickets to every lane of a store rather than just at vending machines or customer service counters, was a hot topic. Texas Lottery is piloting quick ticket in-lane sales in Dollar General Stores. Quick tickets are pre-printed Powerball and Mega Millions cards displayed in check-out lanes, available in \$4 and \$10 denominations, and activated upon sale. The player scratches the ticket off to get their numbers for upcoming Powerball and Mega Millions drawings. Another version of play is being tested that prints numbers on a cash register receipt. Any of these options would be of great benefit to the Colorado Lottery.

Lotteries reported that online instant sales are struggling with high payouts, resulting in low profitability. Online instant sales will continue to be looked at closely as a potential new income stream for lotteries.

Sports betting is still struggling to find a profitable place in lotteries. Profitability for lotteries offering sports betting is 5.5 percent on average, compared to percentages in the twenties for Colorado Lottery products. Several states have lost money in bad NFL weekends when teams cover the spread. Rhode Island Lottery lost \$2.3M in last year's Super Bowl.

Nationally about 16 percent of lottery sales come from block lotto games. Colorado is significantly above that, in the low twenties. Pennsylvania has developed a strong enough local product so that only six percent of their total sales come from block lotto games. They have very little dependence on block lotto game performance.

Lotteries are trying new games such as wheel spins for a chance to win \$1M and a fireball spin to interchange numbers for improved chances to make a winning combination.

There are a lot of mixed feelings among lotteries about suggested Powerball changes. It is anticipated that larger states will be advocated for proposed changes to the game as they

won't be affected as much. Mr. Seaver will continue to make the Commission apprised of any information as it becomes available.

Commissioner Clayton asked how many state lotteries run sports betting. Mr. Seaver responded that there are five to six, each under a different model. DC is the most recent to add sports betting to its portfolio and is paying an extra insurance premium so they don't lose money.

- **WLA Level II Certification**

Mr. Seaver informed the Commission that Lottery was successful in obtaining Level II Responsible Gaming Certification. Work has begun on the Level III application with a deadline of May 2020. The ultimate goal is to join eight other lotteries at Level IV Certification.

- **OIT Allocation Overview**

Mr. Aldag provided an update on the OIT allocations process. OIT has begun working on projecting costs for FY21. Projected costs are based primarily on estimated usage and number of staff. After receiving information from OIT, DOR will then undergo a similar process to split the allocation among its divisions by distributing specific costs to each division and based on staff count. Lottery consists of six percent of DOR staff count. A two-year true up look back will adjust for changes in costs at both the OIT and DOR levels. The FY19 true up will occur in FY21.

With regard to the FY18 to FY19 OIT allocation, Lottery's personal services are expected to drop almost \$1M for the 13 FTE who went to OIT, but Lottery's OIT allocation only went up to \$850K. Even though OIT absorbed 13 people, Lottery has saved money on a projected basis. Lottery has begun to receive preliminary reports for the projects those thirteen FTE have provided to Lottery from July to November 2019.

Lottery and OIT have a three-year interagency agreement, designed to develop transparency and accountability in terms of OIT's responsiveness to Lottery needs. The Lottery operations team is working with OIT to closely monitor projects and ensure back up resources are adequately provided for Lottery operations.

Jennifer Anderson has met with the new OIT director assigned to Lottery. Utilization reports provided by OIT do indicate that staff are working on Lottery projects.

Mr. Seaver added that OIT has not been asked to provide intricate billing and accountability from other state agencies, but they are aware that Lottery requires more accountability than other state agencies and our needs will continue to evolve with the conversion of back office system, further impacting the complexity of our billing request.

Commissioner Clayton asked how OIT is billing for FTE. Ms. Anderson responded that Lottery's Decision Item specifically transferred personal services costs for thirteen FTE to OIT and dollars for those FTE to OIT for at least two years, beginning with FY20. Lottery

will work with OIT to evaluate whether the current billing strategy or the common billing policy other state agencies utilize better meets our needs.

Commissioner Clayton asked whether Lottery will work through DOR or directly with OIT. Ms. Anderson responded that Lottery will work directly with an assigned OIT liaison and will involve DOR budget during the true up process to ensure monies owed back to Lottery are properly administered.

- **Communications Report**

Meghan Dougherty will begin to provide weekly communications updates to DOR and the Commission. While media inquiries have been quiet, social media had 733,000 impressions and 10,000 engagements in November. The top performing post for the Triple Red Scratch ticket had 2,000 message clicks.

The Annual Report is being finalized and communications staff is working on the next phase of the proceeds photography project.

Ten winners from Colorado are going to the Powerball New Year's Rockin' Eve in New York City and have the opportunity to be the first Powerball millionaire of 2020. Media has been arranged to meet them at the airport, gather stories and develop assets to use about the experiences winning provides other than playing.

Chairman Bensberg asked about the number of CORA requests. Ms. Dougherty responded that most CORA requests are from companies who want to offer annuity services to winners. Winner information is not publicly displayed and only available through the CORA process.

The Director's Report was concluded at 9:37 a.m.

## **Commission Items**

Commissioner Podolski requested updated Organizational Charts.

## **Adjournment**

Chairman Bensberg adjourned the meeting at 9:38 a.m.



Completed by: Trisha Macias



Date of Approval