

# Minutes for the Colorado Lottery Commission

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## Call to Order

A Commission Meeting for the Colorado Lottery was held on Wednesday, April 8, 2020, via Google Hangouts. 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:

Jim Bensberg, Chairman	Jessica Ross, AGO
Stan Podolski, Commissioner	John Negley, Lottery
Bill Clayton, Commissioner	Kathy Micci, Lottery
Dennis Maes, Commissioner	Marie Valtakis, Lottery
Anna Aragon, Lottery	Meghan Dogherty, Lottery
Byron Martinez, Lottery	Mindy Chapman, Lottery
Carol Romanski, Lottery	Nancy Bartosz, Lottery
CeAnne Otero, Lottery	Summer Hershey, Cactus
Christian Hawley, Lottery	David Aldag, Lottery
Chris Schroll, Lottery	Diane Boddicker, Lottery
Cristi Gannon, Lottery	Sara Abeyta, Lottery
Danielle DeLeon, Lottery	Tom Campbell, Lottery
Ethan Nosky, Cactus	Todd Greco, Lottery
Barb Marino, Lottery	Tom Horvat, Lottery
Heidi Bonzer Smith, Lottery	Tom Seaver, Lottery
Emily Stewart, Lottery	Tyson Barr, IGT
Jay Sisson, Lottery	Carol Sanchez, Lottery
Jennifer Anderson, Lottery	

## Public Comment

There was none.

## Lottery Spotlight

Christian Hawley introduced a winners video that was created to run in lieu of paid advertising to highlight positive experiences and provide a feel good message of what the Lottery brings to its players. The video is running on digital platforms and social media. All paid advertising has been removed from TV and radio during the COVID19 pandemic.

## Approval of Minutes

A motion was made by Commissioner Clayton to approve the minutes for the Commission Meeting held on March 11, 2020, and was seconded by Chairman Bensberg. The motion passed unanimously.

## **Colorado Lottery**

### **MAIN MOTIONS**

Approval of Repeal of Scratch Games, presented by Emily Stewart;

- Game #856 \$50 Series II
- Game #863 \$20 Millions Series VII
- Game #878 7s Series
- Game #885 7-11-21
- Game #103 10X
- Game #104 20X

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

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

David Aldag reported that, as of last week, sales indicated we would be \$3-5M short of hitting the GOCO cap due to statewide impact from COVID19. Updated graphs as of this morning, based on sales through yesterday, show that Scratch sales are rebounding and Jackpot sales have come up a little, improving projections to being just \$2M short of the GOCO cap.

Expenses are still in good shape and as much as \$1.2M might be saved from the cut in advertising costs, which all goes toward the bottom line and contributes to the GOCO cap.

Commissioner Clayton asked how Jackpocket sales have been. Jay Sisson responded that Jackpocket had about \$130K in sales in February. They are the number one seller in the state and their sales are climbing as an option to stay home and still be able to play Jackpot games. Jackpocket has begun to push out more advertising as this is an opportune time for them.

Tom Seaver added that lotteries that are able to sell online are not feeling as much of an impact as lotteries that can only sell from brick and mortar. This demonstrates that players want to access lottery products in more than just traditional ways.

### **Decision Items**

Approval of Scratch Games, presented by Todd Greco;

- Game#166 \$1 \$50 Mayhem
- Game #167 \$2 \$100 Mayhem
- Game #168 \$5 \$200 Mayhem
- Game #169 \$10 \$500 Mayhem

A motion to approve the Scratch Games presented was made by Chairman Bensberg and seconded by Commissioner Clayton. The motion passed unanimously.

## **Scratch Game Performance**

Mr. Greco reported that Scratch sales in March were not down as dramatically as expected, at about \$7M per week down from \$9M per week previously. March started with strong sales and the launch of new games. Scratch sales are down \$5.5M to goal but are still \$31.7M ahead of where they were at this time last year. Higher price point games continue to outperform others and 13 games increased sales week over week.

## **Jackpot Game Performance**

Mr. Sisson reported that Jackpot sales for March sales were up one percent, or \$136K, compared to February. Jackpot sales were down \$16M compared to last March when there were large jackpots. Jackpots did not build in March with the average Powerball jackpot at \$125M and Mega Millions at \$85.5M. March sales in Colorado Lotto, Mega Millions and Lucky for Life were down and Powerball, Cash 5 and Pick 3 were up slightly. There was a Colorado Lotto winner on March 25<sup>th</sup> for \$2.3M, so the Lotto jackpot started over.

It is difficult to determine how much sales are down during COVID19 with jackpot size playing into the mix, but an aggressive projection would be that they are down around 19%. The big Jackpot games have seen the most negative impact.

## **Approval of Powerball Game Changes**

Trisha Macias informed the Commission that the Powerball Product Group voted on a rule to change the way the Powerball jackpot is funded, due to low sales during COVID19. Effective once the current Powerball jackpot is hit, Powerball jackpots will be determined based on sales and interest rates. The Powerball Product Group will both determine and announce the jackpot size prior to each drawing.

Mr. Seaver added that minimum funding amounts were removed from the Powerball rule so that the jackpot could be adjusted to real sales in order to guarantee that the advertised jackpot can be paid. This rule change eliminates the danger of advertising a jackpot that is not funded and is necessary to ensure that we are accurately and fairly promoting prizes to players. The rule may revert to guaranteed minimum funding amounts after the COVID19 crisis is over.

A motion to approve the Powerball Product Group rule change presented was made by Commissioner Clayton and seconded by Commissioner Podolski. The motion passed unanimously.

## **Director's Report**

- **COVID19 Response Update**

Mr. Seaver expressed his gratitude to all Lottery staff, who have continued to keep productivity moving forward in face of rapid changes over the past few weeks. On March 16<sup>th</sup> Lottery staff began a pilot work from home program where as many staff as possible were equipped to work from home. It pilot was supposed to be a one week run but on March 18<sup>th</sup> it was ordered that all public state offices would be closed and Lottery service

to the public had to be quickly reconfigured. On March 24<sup>th</sup> the Mayor of Denver issued a stay at home order, further challenging the staff in Denver. On March 30<sup>th</sup> Governor Polis followed suit with a statewide stay at home order, followed by an order on April 6<sup>th</sup> that everyone in state offices wear a mask. The goal in the beginning was to have 50% of the workforce not come into the office, which DOR later increased to an 80% goal. As of today, 90% of Lottery staff are not coming into the office to work. The Lottery sales force continues to serve and maintain retailer relationships through email and phone, helping them manage inventory and provide merchandising guidance. The Governor did grant permission for claims over \$10K or more to be paid through the Pueblo Headquarters drive thru window, for players not comfortable mailing their large winning ticket. Two winners have scheduled touch free appointments on April 16<sup>th</sup> to redeem a Cash 5 and a Lotto jackpot winner. Lottery's emphasis through this crisis is to continue to serve retailers and players.

- **Powerball and Mega Millions Update**

Mr. Seaver continued that, as a member of the Powerball Product Group, he voted in favor of the Powerball rule change to reset the starting jackpot commensurate with sales. It is important that the Lottery is ethical and honest in the way jackpots are advertised to players and managed. Jackpot games grow only as much as sales grow, which this rule change allows to more effectively match the growth of the jackpot to the growth of sales. Mega Millions is expected to follow with a similar rule change.

- **FY20 Advertising Policy and Strategy Update**

Mr. Seaver was involved in discussions and came to an agreement with Lu Cordova and the Governor's office staff regarding the removal of product advertising so as not to encourage people to go out to buy lottery products during the stay at home order. The Play On Scratch game was approved to continue to launch on May 4<sup>th</sup> as it is a proceeds message game. The game was originally developed to provide people with more information on Lottery proceeds and was going to be handed out at events to further promote the proceeds message, but it ended up being developed as a full game and in this current situation will be used to still enable us to have a voice in the market. The campaign is a proceeds message, not a selling message, about how Lottery supports what we love about the outdoors in Colorado and still allows the Scratch ticket to be rolled out. The message is not brand advertising but will remind people that when they play Lottery games, they help to support what Coloradans love to do.

- **Decision Item Update**

Jennifer Anderson provided update on the Lottery's FY21 Decision Item. The Office of State Planning and Budgeting (OSPB) has approved Lottery's comeback request on the Decision Item (DI) that was only partially approved by the Joint Budget Committee (JBC), and will be included in the Governor's comeback packet. Jean Robinson emailed a one pager to members of the JBC to clarify information in the DI and has had a couple of in person conversations, one specifically with Sen. Zenzinger. The comeback will hopefully be considered and approved shortly after the legislature reconvenes. Ms. Robinson will

follow up with members of the JBC again, closer to when they are scheduled to vote on the comeback packet.

Lottery has also begun work on the FY22 DI, requesting an increase in spending authority. Once the FY22 DI is approved by OSPB, Lottery will begin to formulate a strategy to get next year's DI request passed. Getting JBC approval next year will be a big lift and any additional support from the Commissioners in reaching out to legislators for their approval will be greatly appreciated. We do have a Public Outreach Manager starting soon and one of his big projects will be to help shepherd the DI through the JBC.

Commissioner Maes stated that he will continue to pursue a conversation with Rep. Esgar on the comeback and already has a call into her.

Ms. Anderson also informed the Commission that the Governor issued an Executive Order (EO) on April 6<sup>th</sup> to suspend the statute requiring a player to claim a winning ticket within 180 days of a drawing or 180 days of the end of the game for Scratch tickets. The EO is effective through April 30, 2020, during which time players whose tickets would otherwise expire will be allowed to claim their tickets past the 180 day deadline. The Governor can extend the EO thirty days at a time as needed if emergency conditions persist.

- **Proceeds Photo Library**

Meghan Dougherty provided an update on the proceeds photo library project that began last summer. The project now has three dedicated photographers to capture photos of proceeds projects throughout the state. Photos will be used to create a library of Lottery funded proceeds projects to be used for presentation and advertising purposes. The project will be complete by fall of 2020.

Mr. Seaver added that tracking research indicates that peoples' attitudes improve greatly when they can see funded projects that are close to where they live. One of the most popular features on the Lottery website is the interactive map that shows Lottery funded projects by region. This project will enable us to provide more localized views of projects funded, by area, to show what the Lottery proceeds helps to provide. Some photography has already been used in meetings with legislators to show them projects in their jurisdiction, to bring to life how their constituents are benefited by Lottery proceeds and to localize our messaging.

- **Communications Report**

Ms. Dougherty continued that Communications staff has been working to ensure DOR messaging gets dialed down to Lottery staff and assisting Marketing on game changes and retailer closures during COVID19. She added that Starburst Awards have been narrowed to the top 10 and are being scheduled for award presentations.

- **3<sup>rd</sup> Quarter Security/Investigations Report**  
Chris Schroll informed Commissioners that the security team is working remotely to provide their support to the Lottery and retailers. The previously scheduled SSAE Audit changed significantly to be conducted as a virtual audit via remote server and access and will be used as a model for other like situations in the future. Retail theft was flat in March. Investigator Michelle Hauck is working with Mr. Sisson to create security advisory messages to push out to retailer terminals to inform them of timely security information.

The Director's Report was concluded at 9:05 a.m.

### **Commission Items**


Commissioner Maes expressed his gratitude to Lottery staff for their work in continuing to meet needs of the citizens of Colorado.

### **Adjournment**

Chairman Bensberg adjourned the meeting at 9:07 a.m.

  
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Completed by: Trisha Macias

  
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Date of Approval