

# Minutes for the Colorado Lottery Commission

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## Call to Order

A Commission Meeting for the Colorado Lottery was held on Wednesday, November 13, 2019, at the Pueblo Lottery Headquarters, 225 N. Main St., Pueblo, CO 81003 and via videoconference at the Denver Lottery Office, 720 Colorado Blvd., Denver, CO 80246. The meeting was called to order at 8:07 a.m., and was presided over by Chairman Jim Bensberg.

## Attendees

In attendance were one (1) Chair, two (2) Commissioners, twelve (12) representatives from the Colorado Lottery, two (2) representatives from IGT, two (2) representatives from Cactus, one (1) representative from the Attorney General's Office (AGO), and three (3) members of the public.

### Present Pueblo:

Jim Bensberg, Chairman  
 Dennis Maes, Commissioner  
 Tom Seaver, Lottery  
 Trisha Macias, Lottery  
 Jay Sisson, Lottery  
 Dwayne Wilson, IGT  
 Tyson Barr, IGT  
 Carol Sanchez, Lottery  
 David Aldag, Lottery  
 Cristi Gannon, Lottery  
 Nancy Bartosz, Lottery

### Present in Denver:

Bill Clayton, Commissioner  
 Diane Boddicker, Lottery  
 Tom Horvat, Lottery  
 Tom Campbell, Lottery  
 Meghan Dougherty, Lottery  
 Joe Conrad, Cactus  
 Jessica Ross, AGO  
 Ethan Nosky, Cactus  
 Salvador Lopez, Public  
 Blanca Romero, Public  
 Juan Moran, Public  
 Diane Boddicker, Lottery

## Lottery Spotlight

Tom Seaver introduced Meghan Dogherty, Lottery's new Communications Manager. Meghan has extensive history in media relations, advertising and local, statewide and national communications campaigns. She worked previously on the Lottery account while at Karsh and Hagan and has worked with Colorado's gaming industry.

Mr. Seaver recapped the first ever Runyon to the Res clean-up in Pueblo on October 19<sup>th</sup>. Colorado Parks and Wildlife, Pueblo Parks and Rec, the Nature and Discovery Center, and Sierra Club were partners in the event to clean up a 7.5 mile stretch of Arkansas River trail from the Runyon state wildlife area to Pueblo state park. Two hundred volunteers, including employees from Lottery and Cactus, worked in group sections of the river picking up trash along the trail. The event received media coverage. The main objective was to develop a closer relationship with our partners and to make more people aware that Lottery proceeds go toward the outdoors.

## **Approval of Minutes**

A motion was made by Commissioner Maes to approve the minutes for the Commission Meeting held on October 9, 2019 and was seconded by Commissioner Clayton. The motion passed unanimously.

## **Colorado Lottery**

### **MAIN MOTIONS**

Approval of Scratch Game Guidelines, presented by Trisha Macias;

- Game #149 \$3 Money Scramble
- Game #150 \$5 Powerball
- Game #151 \$10 \$500,000 Spotlight Game IX

A motion to approve the Scratch Game Guidelines presented was made by Commissioner Maes and seconded by Commissioner Clayton. The motion passed unanimously.

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

- Game #819 Ca\$h Wanted
- Game #843 Jumbo Quadrupler Crossword
- Game #852 7-11-21
- Game #862 Win Again & Again
- Game #865 Poker Riche\$
- Game #871 Special Bonus Bingo
- Game #894 Reindeer Riche\$
- Game #895 Silver Bill\$
- Game #896 Glowing Gift\$
- Game #897 Holiday Riche\$

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

## **Financial Reports**

Cristi Gannon presented financials for the two months ended August 31, 2019. Financials show gross tickets sales YTD at the end of August at \$106.7M, \$2M more than this time last year, and proceeds came in at nearly \$20.2M. Sales for the month of August only came in at \$52.9M and proceeds at \$12M. Prize expense for Scratch is high due to the Second Chance drawings booked for July and will be offset once sales for those games start coming in. As of August 31<sup>st</sup> the Lottery is at 85.3% of projected YTD sales.

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

David Aldag presented preliminary actuals through September, the first quarter of the fiscal year. Most projections are on pace, others are being monitored closely and adjusted as needed. Operating income is running ahead of projections because we have been charged

for a full year of services in some areas, but they will normalize over the year. Beneficiary distributions projections are low for the level of sales because of the mix of Scratch and Jackpot sales. Although Scratch sales are projected at sixty eight percent of the mix, they have a higher direct costs from prize payouts and ticket costs. Incremental sales of Scratch generate twenty one percent to beneficiaries compared to Jackpot at forty two percent.

Commissioner Clayton asked if accounting has been provided for OIT charges. Mr. Aldag clarified that charged services include multiple line items such as OIT, risk management, legal services, and workman's comp. Mr. Seaver stated that OIT has started to provide reconciliation reports of staff time to compare against OIT charges that will be trued up at the end of the year. OIT billing also includes shared services like Google Mail. The conversion of the back office will go live on June 5, 2020 and there will be a different environment to project into for the next fiscal year with a more informed estimate. OIT billing statements will be included as information items in future agenda packets.

### **Jackpot Game Performance**

Jay Sisson reported Jackpot game sales were up 4.5% from October compared to September, about \$617,000. Powerball got hit at \$150M with only 7.5% coverage. The last two jackpots that got hit have been well under 10% of coverage. Jackpot sales this year compared to last year this time, when jackpots were at \$789M in Powerball and \$1.6B in Mega Millions, are down thirty three percent. Colorado has had five Powerball winners four months into this fiscal year compared to five in all of last fiscal year.

Products that were up on October were Powerball, EZ Match and Colorado Lotto. October Lotto sales were up forty percent compared to the previous Lotto game at the same jackpot levels. The changes in the game are working really well. On average, forty six percent of Lotto players opt in for the Plus add-on. There have been 131 winners of 5/6 with prizes from \$500-1,500. In the previous game it would have taken four to six months to get that many 5/6 winners. Mr. Seaver pointed out that our fear about price resistance is being overcome by the way players are playing the game. Pick 3 is ahead of projections by about \$800,000. It doesn't contribute much to revenue but it is pure profit.

Consumer feedback on Lotto+ has been mixed. Some players have complained that there is no longer a dollar game option while others have been winning more frequently with the Plus option and like the added features of the game. Tracking research will begin soon to identify which features of the game players are having trouble recalling. Results will be used to provide focus in the follow up campaign to make sure all players are up to speed.

### **Scratch Game Performance**

Mr. Sisson continued that October Scratch sales were up 8.66%, \$38.9M this year compared to \$35.8M last year. The biggest jump in sales compared October to October is in the \$50 game, up forty four percent, because there was not a \$50 in the market last October. \$20, \$10 and \$1 Scratch games are up in sales. \$2, \$3 and \$5 games are down ten to fifteen percent. Four months into the year Scratch sales are at \$157.5M compared to \$141.4M last year, ahead of last year's record pace in Scratch sales.

## Director's Report

- Security/Investigations 1<sup>st</sup> Quarter Recap

Corry Powers reported that 29 of 551 compliance investigations completed by investigators in the first quarter were non-compliant. 219 integrity/sting operations occurred with seven compromised tickets, three of which were returned for follow up. Nine high tier winning tickets were reviewed and found to be compliant. Over 28 criminal cases involving various thefts and robberies were filed and investigators assisted on 35 various law enforcement agency cases throughout the state.

Commissioner Maes asked for clarification of robberies and if there has been a spike in criminal cases. Mr. Powers responded that if only lottery products are taken in a robbery, Lottery investigators take the case rather than local law enforcement. Criminal cases do increase at the end of summer and into the holidays. Once the investigation is complete the case is turned over to the DA's office in that local jurisdiction for their determination as to whether to file. Cases before had been filed as assists. Lottery is now more invested in the cases and can provide an enhanced investigation. Retailers appreciate the one on one interaction with and follow up from investigators. Mr. Seaver added that this level of involvement encourages retailers to manage and report their inventory so they can tell what exactly was taken in a theft in order to make a valid claim, otherwise they won't be reimbursed for their losses.

- Legislative Audit Committee (LAC) Recap

Mr. Seaver reported the purpose of the LAC hearing was first to discuss findings of the recent financial audit, of which there were no findings or comments, and also as follow up to findings from last year's Performance Audit regarding the restricted player database and multiple high tier winners. The LAC was satisfied with the follow up information provided and had no further questions.

- Proposed Changes to Powerball

Mr. Seaver next reported that because of the lagging performance of Powerball and Mega Millions, the MUSL Board is considering changes to the core game of Powerball. The MUSL Product Development Committee has been tasked with identifying alternatives to possible changes to the game to include inviting the UK to sell Powerball. Some of the consequences of adding the UK's population to the game would include less opportunity for winners in Colorado, but also the credibility of the game. It is hard enough to get Coloradans to believe they can win Powerball when players are in the US, much less from England. Other discussed changes include adding numbers to the matrix to make it harder to win, increasing the length of the rollover, increasing the base price of the game to \$5, or adding a third drawing each week. The Development Committee is conducting analysis and Mr. Seaver will begin to meet with DOR's Research and Analysis Department to conduct an independent analysis of the impact some of these changes could have to Colorado players. A meeting is scheduled in March for the Development Committee to present their final recommendations before a final vote of the Board. A change to Mega Millions will likely follow changes to Powerball. There are other impacts

to Lottery such as plans for other games, advertising resources, retailer education, and impact to our vendors.

Chair Bensberg asked what our response might be we objected to the Board's decision. Mr. Seaver responded that Colorado is one vote of forty five member states. Not all of the changes discussed would be bad but the one that most concerns members is the addition of players from outside the country into the game because of the relevance factor.

Commissioner Maes questioned why the UK is being considered. Mr. Seaver responded that the UK has been proactive in wanting to sell Powerball. Although it is an English language country and there would be no problem with translations, there could be concerns with currency and time zone/drawing times. Europe offers Euro Millions, a European jackpot version, but Powerball jackpots are bigger and the game is proven successful at growing large jackpots.

Commissioner Maes asked what MUSL gets out of the expansion and how other states feel about it. Mr. Seaver responded that MUSL would collect dues from the UK and believe it would help the health of Powerball to make a change to the game. Each of the alternatives would have different impacts. Historically changes to the matrix don't upset players in the long run. Price changes affect players more because there would no longer be an option to play at lower levels. There is equal concern from other states.

- **FY21 Budget Decision Item (DI)**

Mr. Seaver shared the FY21 Budget Decision item, which is a consolidation of line items within the Lottery budget. Historically the budget has been subdivided into multiple categories that are unnecessary compared to other DOR departments. This change would make our budget process consistent with the rest of DOR and provide more flexibility in spending authority without affecting the bottom line. The DI has already been discussed with Senator Rankin and Representative Esgar. Similar discussions will occur with other members of the JBC. This is mostly an administrative request, not a request for more money. There is no opposition of this request from DOR.

The Director's Report was concluded at 9:35 a.m.

## **Commission Items**

Chair Bensberg inquired about the status of the Jackpocket launch. Mr. Sisson responded that Jackpocket has secured a building in Pueblo to house their storefront and have applied for a retailer license. Their goal is to be operational by Thanksgiving.

## **Public Comment**

Salvador Lopez attended the meeting to assist Juan Moran in following up to an attempt to redeem a Scratch ticket that had been flagged as unredeemable. Mr. Powers will assist Messrs. Lopez and Moran resolve the ticket issue following the Commission meeting.

The Commission Chair will amend the agenda in future meetings to allow for Public Comment to occur earlier in the meeting.

**Adjournment**

Chariman Bensberg adjourned the meeting at 9:49 a.m.



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Completed by: Trisha Macias

12/11/19

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Date of Approval