

Minutes for the Colorado Lottery Commission

Call to Order

A Commission Meeting for the Colorado Lottery was held on Wednesday, March 10, 2021 via Zoom. The meeting was called to order at 8:00 a.m. and was presided over by Chairwoman Peterson.

Attendees

In attendance were the following:

Stella Peterson, Chairwoman	David Aldag, Lottery
Stan Podolski, Vice Chair	Dwayne Wilson, IGT
Hon. Dennis Maes, Commissioner	Emily Stewart, Lottery
Bill Clayton, Commissioner	Ethan Nosky, Cactus
Jim Bensberg, Commissioner	Heather Love, Lottery
Tom Seaver, Lottery Senior Director	Jay Sisson, Lottery
Jennifer Anderson, Lottery Deputy Director	Joe Conrad, Cactus
Jessica Ross, AGO	Kelly Tabor, Lottery
Byron Martinez, Lottery	Meghan Dougherty, Lottery
Carol Romanski, Lottery	Michelle Hauck, Lottery
Carol Sanchez, Lottery	Mike Strasser, Lottery
Chris Schroll, Lottery	Nancy Bartosz, Lottery
Christian Hawley, Lottery	Scott Chavkin, Lottery
Cristi Gannon, Lottery	Summer Duncan, Cactus
Daniel Bewley, Lottery	Tom Campbell, Lottery
Danielle DeLeon, Lottery	Tyson Barr, IGT

Introductions and Welcome

Mr. Seaver introduced the Lottery's new marketing director, Scott Chavkin. Mr. Chavkin has an extensive background in consumer marketing and his specialty is in brand development and consumer activation. He has lived in Colorado for 22 years and appreciates the Lottery's involvement in the outdoors and conservation.

Public Comment

Chairwoman Peterson called for public comment. There was none.

Lottery Spotlight

Ms. Hawley reported that there are 26 lottery billboards around the state and get refreshed every couple of years. It takes a long time and a lot of thought in designing new billboards. The new billboards feature an outdoor theme that features a fisherman, a hiker and a mountain biker; the billboard photos will include diversity. Mr. Seaver added that the billboards are a great way to connect with players along with advertising jackpots. To keep customers attention, the billboards need to be changed quite regularly.

Approval of Minutes

A motion to approve the minutes from the January 10, 2021 Lottery Commission meeting was made by Vice Chair Podolski and seconded by Commissioner Bensberg. The motion passed unanimously.

Colorado Lottery

MAIN MOTIONS

Approval of Scratch Game Guidelines, presented by Emily Stewart;

- Game #200 \$50 \$50 SERIES V
- Game #201 \$3 RING TOSS RICHE\$
- Game #202 \$3 SPECIAL EXTRA FREE SPACE BINGO TRIPLER
- Game #203 \$5 SUPER HUGE, MASSIVE, ENORMOUS CROSSWORD
- Game #204 \$10 \$250,000 ARCTIC INFERNO

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

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

- Game #120 \$2 7S SERIES

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

Decision Items

No decision items to report on for this commission meeting.

Scratch Game Performance

Mr. Sisson reported, on behalf of Mr. Greco, that scratch sales are at around \$45 million, down about \$4 million, due to February having less days than January. February was the eighth consecutive month with \$40 million in scratch sales. Trending \$6 million ahead of

goal. The Casino Nights family game launched in March, with the first two weeks seeing \$3 million in sales, per week.

Chairwoman Peterson asked how February of this year compared to last year. Mr. Sisson responded that, compared to last year, sales are up quite a bit.

Jackpot Game Performance

Mr. Sisson reported that jackpot sales are at \$15.9 million, down 70% compared to January. The two large jackpots in January, for Powerball and Mega Millions, are also a factor in the decrease. Compared to February 2020, sales are up \$1.5 million. There was one Mega Millions jackpot winner on February 16th for \$96 million and the ticket was sold in New York.

Powerball's current jackpot run only took ten drawings to reach \$155 million whereas the last jackpot run took 14 drawings. Both national games are seeing a quicker increase in jackpot levels due to the increased sales; currently, it helps that Powerball isn't competing against a large Mega Millions jackpot. Sales for this jackpot run, compared to the last run, is up 20% in Colorado and around 21% across the country.

The new Lucky for Life rules are being worked on. Currently, the game only draws twice per week and is moving to a seven day drawing schedule. The new rules will be presented to the Commissioners at next month's meeting. The only other change to Lucky for Life is the increase in advanced play – it will stay at 13 weeks of advanced play but with a seven day drawing schedule, a player will be able to purchase up to 91 advanced draws.

A change to Powerball will be happening in August. Discussion about the change will be brought up at next month's commission meeting and will present the new rules at the following month's meeting.

Powerball and Mega Million both do really well with their add-ons. Lotto+ is seeing success with its add-on, sitting at around 53%. Powerball is adding a second add-on called "double play," which is similar to the Lotto+ add-on, giving the customer an extra chance at winning. Mr. Seaver added that there will need to be a strong educational component with the Powerball extra add-on. Lotto+ had the educational component and it worked well.

Mr. Seaver included that the Colorado Lottery will be very closely monitoring the seven day drawing schedule with Lucky for Life. Commissioner Clayton asked Mr. Seaver how the Lottery navigates getting in or out of games. Mr. Seaver responded that, with MUSL, it's an at-will participation. The Lottery just notifies MUSL that it wants to leave a game and there's no penalty.

FY21 Projected Sales, Expenses, and Disbursements

Mr. Aldag responded to Chairwoman Peterson's earlier question that scratch sales this February was at \$44.4 million compared to \$48.9 million last year. Total sales are about \$43 million ahead of last year in scratch sales.

Last week saw an incredible week in sales. Jackpot sales are up significantly to projection. Projecting that sales will be over \$535 million for scratch and \$217 million for jackpot. Projecting an overflow for BEST in excess of \$7.5 million. Scratch games average a 70-71% prize payout and jackpot has around a 50% prize payout. The increase in jackpot sales are what is driving the projected overflow to BEST.

The projections are made with excluding the five best weeks in order to get more conservative numbers with the possibility of coming back with higher numbers in June or July.

Projecting that the Lottery will be \$4.3 million over the prize expense appropriation, which is not set by the long bill; it's only a placeholder in the state accounting system. If more is needed, it can be adjusted by the Lottery.

Spending authority will be depleted by the end of May or beginning of June. An emergency supplemental will be presented as it gets closer to that point. The last increase was about 4.3% a couple of years ago; the last increase before that hasn't happened in years.

The Lottery is also looking to increase the retailer's bonus incentive spending authority with the thought of increasing it enough to not have to request another increase for a few years. Commissioner Clayton asked Mr. Aldag about adding an escalator type of clause in the budget appropriation to ensure Lottery doesn't have to keep going back to the JBC each year. Mr. Seaver agreed that having an appropriation that allows the spending authority to grow along with the Lottery's revenue would be the best approach.

Director's Report

- Retailer Compliance Program Update – Chris Schroll

Mr. Schroll reported that the program is aimed to be a virtual service to provide better service to retailers and adhere to best practices as well as MUSL rules. Compliance officers, Daniel Deleon and Heidi Bonzer-Smith, have been able to engage retailers at a higher level than when it was being done in person, as they are way more efficient when they're not having to travel around the state. Additions to the program include audible interactions, video conference and ad hock visits to retailers. Focus has been shifted to retailers in a non-compliance state or those that need further assistance.

Three main reasons that retailers are non-compliant are: no scratch inventory, no lottery license posted and unsecure inactive scratch tickets or stock. Between October 2020 and

February 2021, there were 1,378 online / virtual visits to retailers, compared to 492 in-store visits between October 2019 and February 2020. Year-to-date, there has been only 56 non-compliant retailers.

Mr. Seaver added that the team has done a wonderful job. Retailers haven't been very good at keeping inventory and when thefts occur, it's difficult for the Lottery to track stolen tickets. The team has done very well at implementing the program and reaching out to retailers who need the extra help.

- PGAM Campaign – Christian Hawley

Ms. Hawley reported that as part of the WLA assessment, it was concluded that the problem gambling area of the Lottery website could be improved upon. So they took what other lotteries are doing with their responsible gaming pages and decided to include a quiz, videos and additional information, along with the tagline "Know your limits".

Videos were shown depicting the message that feature a hiker, a kayaker and a skier. Chairwoman Peterson asked if there was a way to soften the message, as she felt that some people might take offense to the use of the term "real Coloradans." . Ms. Hawley responded that it was great feedback and she would look into it. Ms. Dougherty added that other agencies, such as RTD, have used similar marketing campaigns such as their "Dumb Ways to Die" campaign and it resonated well.

- Decision Item Update – Tom Seaver

The JBC figure setting is occurring tomorrow where they will vote on the proposed decision item. It includes the spending authority necessary for the creation and marketing of monitor games. The Colorado Gaming Association and casinos view this decision item as competition and are strongly opposed to it. The other piece of the decision item would provide spending authority for a change in the contract with Scientific Games – switching from a fixed to a variable cost model. Lottery has been working very hard with the JBC members to advocate for approval of the decision item.

It's possible that the JBC may come back with a split decision, approving one but not the other. The JBC meeting can be viewed live but outside participation is not allowed.

Commissioner Clayton asked if the Colorado Gaming Association and casinos understand that the Lottery has other options if this decision item isn't passed. That the Lottery is interested in generating revenue for its recipients; whereas, the casinos are interested in generating revenue for their pockets. Commissioner Clayton asked if there's any discussion about iLottery. Mr. Seaver responded that there has been internal talks regarding how to generate revenue if the decision item doesn't pass and iLottery has been one of those options. IGT, who works with both lotteries and casinos, has provided several robust case

studies that show keno does not cannibalize casino games and vice versa; they're different products and sold differently in different locations.

Commissioner Clayton asked if the proceed beneficiaries have been helpful in advocating for the decision item. Mr. Seaver responded that they have been and fully support our decision item. They understand what this new revenue could mean for them.

Commissioner Bensberg asked Chairwoman Peterson if she has had any recent contact with Senator Moreno. Chairwoman Peterson responded that she has had recent contact but not involving the discussion about the Lottery.

Mr. Seaver added that, if keno is approved, some of the smaller casinos may even become Lottery retailers and offer keno through the Lottery. Currently, there are multiple Lottery promotions being run in casinos.

The Director's Report was concluded at 9:21 a.m.

Commission Items

- Mr. Bewley presented a slideshow on the annual responsible gaming best practices training for Commissioners. Full slideshow is available upon request.
- Ms. Ross presented a slideshow on the annual best practices and code of ethics training for Commissioners, pursuant to C.R.S. 24-3.7-102 and C.R.S. 44-40-110. Full slideshow is available upon request.
- Commissioners Bensberg and Maes asked about the status of meeting in-person for commission meetings. Mr. Seaver responded that the direction from the Governor's Office is that commission meetings are to continue being held virtually until further notice.
- Commissioner Clayton asked about the status of the Galleria move. Mr. Seaver responded that new space has been looked at and floorplans have been laid out. There will be employees working remotely with the option to come in and use hoteling space and other employees who are in the office daily or every other day. The new location will also serve as the Lottery's backup drawing site. Ms. Anderson added that the large conference room will be shared with other divisions and might be the location of future in-person commission meetings. In regard to the surplus furniture left at the Galleria, DOR has allowed employees to come in and take things with them for their home office such as desks, so Lottery anticipates making furniture available for its employees at a future date.

Adjournment

Chairwoman Peterson adjourned the meeting at 10:22 a.m.

Heather Love

Completed by: Heather Love

4/14/2021

Date of Approval