

**New Hampshire Lottery Commission
14 Integra Drive, Concord NH
Minutes of Commission Meeting
January 22, 2019 1:00 p.m.**

Commissioners:

Debra Douglas, Chairman
J. Christopher Williams, Commissioner

Lottery staff in attendance:

Charles McIntyre	Jim Duris	Maura McCann	Steve Johnston
Katie Brown	Valerie King	Lynda Plante	Grant Sidney
John Conforti	Jay Lau	Carmela Nolin	

Others in attendance:

James Bouley, Dennehy & Bouley	Rose Longo-White, GYK Antler	Kristen Paré, Intralot
Travis York, GYK Antler	Ryan Sahr, Intralot	

Chairman Douglas called the meeting to order at 1:15 p.m.

1. PUBLIC HEARING ON PROPOSED CHANGES TO LOT 600 AND LOT 1000 RULES

Chairman Douglas opened the meeting with a public hearing regarding proposed changes to the Lot 600 rules for prize claims and Lot 1000 rules for all instant lottery games. Seeing no one had signed up to offer testimony, Chairman Douglas closed the hearing. Motion was made to submit the two final proposals to JLCAR by Commissioner Williams and was seconded by Chairman Douglas; all in favor, motion passed.

2. ACCEPTANCE AND SIGNING OF PREVIOUS MINUTES

Chairman Douglas sought a motion to accept the November meeting minutes. Commissioner Williams so moved, and was seconded by Chairman Douglas. All in favor, meeting minutes were approved as submitted.

3. FINANCIAL REPORTS

- a. Chief Financial Officer James Duris directed the Commission's attention to the December financials. He noted that there is no cash flow report this month as he is making changes to reflect the monthly expenses and assets as a result of the building purchase. We are \$3.9 million over this time last year; Keno, instants, and iLottery are the biggest contributors. There were decreases in Powerball sales compared to last year, but those are offset by Mega Millions, for which sales have grown. Fast Play has also increased on a monthly basis since being installed on the Keno MPs.
- b. Profits were down for the month, but we transferred \$10.2 million which includes \$1.4 million due from fiscal year 2018. Tri-State remitted over \$300 thousand for FY 2018. Operating accounts receivable appear high, but is due to the timing of the EFTs with retailers.
- c. We will start making mortgage payments this month following the purchase of headquarters. The new monthly expense will be approximately half what we paid for rent, and we expect to save about \$140 thousand annually when netted against new operating costs.
- d. Prepaid expenses increased by \$163 thousand over last year, due to the timing of invoices and support of iLottery. Commissioner Williams asked why the information technology (IT) expenses increased. Mr. Duris attributed it to equipment, support, and the salary of a full-time DoIT manager. As a follow up, Commissioner Williams inquired what falls under indirect costs, which have gone up by 40%. These include check printing services, and support from the Attorney General's office and the Department of Personnel. There are other expenses that are not itemized, and they are based on an estimate and are trued up every two years.

4. SALES AND PRODUCTS

- a. Jay Lau, Product Development Specialist, presented a detailed report of iLottery sales activity. He highlighted many key points, and noted that special offers to players such as free games and deposit bonuses have helped increase online sales and deposits. Draw based players tend to spend less while e-Instant players spend more money and time playing. The lower price points in the e-Instant games tend to generate the most players; we believe these players participate for the entertainment value.
- b. We would like to see total deposits per day trend higher; we have been very successful converting the early adopters from the Replay database but expect it will get more challenging to continue pulling in the numbers of first-time players and depositors at the same rate. Director McIntyre noted that we already have twice as many registered players as we projected for the year thanks to early adopters of the platform. Travis York of GYK Antler added that while we are sourcing players from the Replay database, the demand-generated e-commerce approach is very different from our previous model. We are learning and adapting as we go, and continue using our owned channels to reach potential new players.
- c. New Fast Play games are launching on January 27; Mr. Lau noted that the period from the beginning of December to the first week of January were the highest grossing weeks of Fast Play sales. New instant games will also be released soon, including a family of fluorescent \$20 tickets that will be part of the April launch.
- d. Intralot General Manager Ryan Sahr congratulated the agency on the purchase of the building and the success of iLottery. He noted that all-time Keno sales recently surpassed \$20 million, with 188 MPs deployed at 168 retailers around the state. Towns will be voting whether to allow Keno at March meeting, and cities will vote in the fall. Fast Play sales are up thanks to inclusion of the game on Keno MPs, and more games are being developed.

5. ADVERTISING

- a. Marketing Director Maura McCann referred to the POS report and reviewed the new instant and iLottery games now on sale. As mentioned, emails are being sent to Replay customers to migrate them to iLottery, and we are adapting our marketing efforts with GYK to reach out to these players. iLottery winners are now featured in our weekly newsletter. Chairman Douglas asked whether all of our players receive this, and Ms. McCann clarified that it is an opt-in communication. Retail advertising and jackpot alerts now include an iLottery mention.
- b. The Lottery participated in the NASPL-sponsored holiday responsible gaming campaign. Locally, our Light Up the Lottery campaign was a great success. Players sent in photos of their homes decorated for the holidays, and of the dozens of entries received, the Mitchell family of Claremont was chosen the winner. Their home will be featured on an instant ticket next year, and Ms. Cleland plans to repeat the promotion next winter.
- c. Travis York of GYK Antler introduced the new Keno ads, and explained that the goal was to differentiate New Hampshire Keno from the game in Massachusetts. They took a light-hearted, fun approach, and set the tone as more mainstream. There are two 30-second ads, and six companion 15-second spots which focus on each of the player personas. The advertisements are in the final stages of post-production and should air soon. After viewing, the Commission agreed that the spots are effective, funny, and some of the best we've done.

6. REGULATIONS AND COMPLIANCE

Director of Racing and Charitable Gaming Valerie King requested a motion to submit the Games of Chance rules into rulemaking. The statutory changes include the increased \$10 bet, allowing game operators to submit the application for the facility, the replacement of the state seal with the Lottery logo on all forms, and renumbering to Lot. The monthly financial reports have been standardized so that all the operators submit it the same way. The first step in the process is a motion to submit the fiscal impact statement to the Legislative Budget Assistant. Once approved by LBA, Ms. King will submit the rulemaking notice form. The scheduling of the next two meetings will dictate our next steps. Commissioner Williams moved to enter Games of Chance into rulemaking; Chairman Douglas seconded. Motion carried.

7. OTHER

- a. Hinsdale Harness racetrack recently closed due to the passing of its owner, and the family is seeking the return of the \$25 thousand bond held by New Hampshire Treasury. Ms. King requested a motion to authorize the release of the bond, which was made by Commissioner Williams. Chairman Douglas seconded, and the motion carried.
- b. Director McIntyre briefed the Commission on the agency's response to the US Department of Justice's recent reversal of their opinion of the Wire Act. Director McIntyre has informed our agency's state budget director and New Hampshire legal counsel that this new opinion poses a huge problem to our business by essentially rendering it illegal, and he will meet shortly with the Attorney General. The DOJ has delayed implementation until mid-April and we hope to get a declaratory judgment in Federal Court protecting our activities. He noted that US lotteries profit over \$21 billion per year for their jurisdictions. One of the reasons it makes sense for New Hampshire Lottery to be the first to go forward is that there was a favorable decision related to the application of the Wire Act out of the First Circuit in 2014.
- c. Director McIntyre introduced Grant Sidney, a new member of the audit team; and Steve Johnston, a frequent attendee at meetings and supervisor of the charitable gaming investigators.

8. NEXT MEETING

The next meeting was scheduled after the conclusion of the non-public session, and will take place on February 14 at 9:30 a.m.


At 2:20 p.m., Chairman Douglas entertained a motion to enter non-public session per RSA 91-A to discuss personnel issues. Motion was made by Commissioner Williams, seconded by Chairman Douglas. A roll call was taken and present were Commissioner Williams and Chairman Douglas.



Debra Douglas, Chairman



Paul J. Holloway, Commissioner



J. Christopher Williams, Commissioner

Respectfully submitted, Carmela Nolin