

New Hampshire Lottery Commission
14 Integra Drive, Concord NH
Minutes of Commission Meeting
October 22, 2020 · 10:00 a.m.

Commissioners:

Debra Douglas, Chairman
Paul Holloway, Commissioner
H. Andy Crews, Commissioner

Lottery staff in attendance:

John Conforti	Kelley-Jaye Cleland	Valerie King	Maura McCann
Katie Brown	Jim Duris	Danny Maloney	Lynda Plante
			Carmela Nolin

Others in attendance:

*Many attended by teleconference, and by the nature of that platform, participants are not identifiable.

Chairman Douglas called the meeting to order at 10:00 a.m., which was held in person and by teleconference.

1. ACCEPTANCE AND SIGNING OF PREVIOUS MINUTES

Chairman Douglas requested a motion to accept the minutes from the September 24 meeting. Commissioner Holloway so moved and was seconded by Commissioner Crews; all in favor, minutes were accepted unanimously.

2. FINANCIAL REPORTS

- a. Chief Financial Officer Jim Duris presented September financials reporting that sales for the month were up \$6.5 million over the same period last year. Similar to last month, these gains were due to instant ticket, Fast Play, Keno, and e-Instants. Year to date sales have increased \$16.1 million over fiscal year 2020, and instant ticket sales grew \$10.9 million for the same period.
- b. Mobile sports betting revenue reached \$1.2 million in September, and \$2.2 million fiscal year to date. The handle for the month was \$36.6 million, an increase of \$10.2 million over August. Retail sports betting handle was \$4.8 million, however it had a loss of \$15 thousand for the month. Commissioner Holloway asked why there was a loss; both Mr. Duris and Chief Compliance Officer John Conforti explained that most of the favorites won and players hit their bets. While the odds have a margin that favors the house, industry-wide, September saw bettors successfully winning based on favorites. Mr. Conforti noted that the sports calendar was so unusual due to the pandemic that we're not sure how much reliable data we'll have for next year. Since the NFL drove the losses, Commissioner Crews asked if the industry was not prepared for the volatility of the odds with so many players not participating this season. Mr. Conforti replied that we addressed that concern with DraftKings and they felt that it was more a string of players' luck; and results in October are returning to more of a normal return.
- c. Games of chance is showing growth of \$180 thousand year to date; and Bingo and Lucky 7 have also had modest growth. Lottery transferred \$8.1 million to Education for the month, which was

below plan by \$1.4 million. The cost of sales (payment of prizes) was very high for the period, but is commensurate with the volume of sales. Mr. Duris noted that while cost of sales was at a high of 82%, based on the mix of products, the instant tickets' prizes plus retailer commissions for the quarter impacted the revenue.

- d.** Commissioner Holloway inquired what entities we owe in our Accounts Payable; Mr. Duris explained it was largely our vendor Intralot, as well as commissions for sales. Accounts Receivable are over \$1 million, with a large portion due from Tri-Sate which they'll transfer at the completion of the audit; and an amount due from Treasury. Indirect costs (SWCAP) have been billed by the State which covers services from the Attorney General, Administrative Services, and so forth. They have billed us \$80 thousand more than projected, so the quarterly payment to catch up will be \$60 thousand. To cover that cost, we will have to move money from other appropriations. Our rent for 53 Regional Drive will be automatically withdrawn; and the out of pocket expense to move has come in around \$12 thousand.
- e.** Commissioner Holloway would like to see sports betting added to the financial report. Mr. Duris will make some formatting changes to capture as much data as possible. The new Sports Betting Revenue summary on our Financial Reports page was demonstrated to the Commission.

3. SALES AND PRODUCT DEVELOPMENT

- a.** Chief Product and Program Officer Kelley-Jaye Cleland presented October's product results noting a dramatic shift in sales. iLottery e-Instants have gained momentum, becoming the fourth highest revenue generator, just behind scratch tickets, Keno, and Powerball in that order. Fast Play has increased with Marketing's efforts to promote it through all channels, and its availability on the Keno MP exposes new players to the game. Commissioner Crews asked how much of an impact the lower jackpots have had on draw game sales, at which Ms. Cleland acknowledged a negative effect, but also they may be driving regular players to other options like Fast Play.
- b.** Ms. Cleland drew the Commissioners' attention to the new Halloween Extreme instant ticket, an omni-channel game also available on iLottery. The play style is different between platforms, but the look and feel are the same; and an iLottery offer is included on the back of the scratch ticket. A similar game, Frosty Fun, will launch next month and includes a larger sized, high-definition \$2 ticket. We hope to drive new players to iLottery with these offers, and Halloween Extreme has already had a measurably strong conversion rate.
- c.** In the first of two graphs, annual scratch ticket sales for the last three years were illustrated. Ms. Cleland noted that the dip in sales that we typically see in August may seem dramatic this fiscal year, but is due in part to coming down from high sales we had in the summer. We expect sales to pick up with the holidays as they have historically. The second graph compared the initial impact of the introduction of \$20 and \$25 instant tickets on similarly-priced games, and how those sales level back out over time.
- d.** Commissioner Douglas inquired about Lottery Sales Representative (LSR) bonuses, noting one territory did not earn one. Ms. Cleland explained that seacoast region sales were severely impacted by COVID-19 tourism restrictions, as well as the suspension of lottery operations at several grocery stores in that area. She added that LSRs understand that bonuses are not guaranteed, but a goal.

4. MARKETING

- a.** Marketing Director Maura McCann remarked that fall is a great time of year for marketing efforts. Holiday products are set for launch, and we will be supporting iLottery with a Cyber Monday promotion and a similar campaign in December called Merry Mondays. Our first "Easter eggs" will take over the website: characters from Frosty Fun will pop up on several pages promoting offers for iLottery. Social media posts for iLottery have driven approximately 400 new players to the site.
- b.** The Big Spin instant ticket launched this month, thanks to a big lift by all departments. Sales for the game are strong and it's doing well. Sports 603 is making progress in development, and we've had great press coverage with the opening of DraftKings Sportsbook at Filótimo in Manchester; the announcement of Danny Maloney as Director of Sports Betting; and the ribbon cutting at The Brook in Seabrook tomorrow (October 23).
- c.** Ms. McCann was reappointed as Chair of the Council for Responsible Gambling at the recent Governor and Executive Council meeting. She concluded her report by sharing the new radio spot for the holiday season.

5. TRI-STATE COMMISSION

- a.** Ms. McCann summarized the activities from the recent Tri-State meeting. Two projects were completed this year, increasing Gimme 5 to five draws a week, and launching The Big Spin. Commissioner Douglas asked how that game's sales are going. Ms. McCann responded there were initially a few snags, but players seem to like it. Ms. Cleland added it's doing phenomenally well; it's the number two selling ticket overall and best \$5 ticket last week. We will evaluate whether a reorder will be needed soon. Television and radio advertising supporting the ticket will start after the election ad cycle.
- b.** The next initiative is evaluating Megabucks, and vendors have been asked to present proposals to reinvigorate the game. Commissioner Holloway observed that the interest rates must be making funding the games challenging. Ms. McCann agreed, and noted that she has never seen the annuity and cash values so close in years in the industry.

6. COMPLIANCE

- a.** Chief Compliance Officer John Conforti and Valerie King, Director of Licensing and Enforcement, presented an analysis of the effect of the three-month COVID-19 closure on revenue at New Hampshire's charitable gaming facilities. Since re-opening, revenue has rebounded, with strong activity in cash poker and table games. Tournaments are down as fewer facilities are offering them due to social distancing requirements. They noted that Encore in Everett, Massachusetts closed all poker activities, and it does not appear that they will reopen soon.
- b.** At the next Commission meeting, Ms. King will request a public hearing for Lot 7300, Unlawful Gambling Machines.
- c.** Ms. King concluded by expressing how pleased the Licensing and Enforcement staff are to be at the new office on Regional Drive. She praised Chief Operations Officer Lynda Plante, and Facilities Manager Eric Prescott for all the work put into the move and their continued efforts to see to final details.

7. OTHER

Chief Operations Officer Lynda Plante gave a final recap that the move to Regional Drive did indeed go smoothly two weeks ago and the fifteen staff members have settled in comfortably. She added that we are now considering how to move staff at headquarters to vacated workstations to accommodate distancing in the short term; as well as consider more permanent solutions for space in the long term.

8. NEXT MEETING

The next meeting will be on November 20, 2020 at 10:00 a.m. and will include a public hearing, which will be posted in advance of the meeting.

Commissioner Holloway sought a motion to adjourn, which passed unanimously; the meeting was adjourned at 11:13 a.m.

Debra M. Douglas, Chairman

Paul J. Holloway, Commissioner

H. Andy Crews, Commissioner

Respectfully submitted, Carmela Nolin