



WASHINGTON'S LOTTERY COMMISSION MEETING MINUTES

Thursday, February 16, 2023

Lottery HQ - Olympia, WA/Microsoft Teams

Commission Member Attendees:

Judy Giniger, Chair
Schuyler Hoss, Commissioner
Rudy Mendoza, Commissioner
Eileen Sullivan, Commissioner

Lottery Staff Attendees:

Jim Bevan, SharePoint and Office Administrator	Josh Johnston, Deputy Director
Young Cho, Customer Service Specialist	Wyatt Labaw, Lottery Security Specialist
Dean Cloud, Customer Service Specialist	Lenee Otto, Finance Manager
Anquone Conyer, Support Services Manager	Derek Poppe, Director of Security & Licensing
Maria Douka, Chief Financial Officer	Debbie Porter, Licensing Coordinator
Kim Ficek, Customer Service Specialist	Stephanie Porter, Executive Assistant
Qwaidon Frederick, Customer Service Specialist	Tiffany Pringle, Legal Services Coordinator
Crystal Fischer, Chief Information Officer	Debbie Robinson, Director of Human Resources
Sue Fitzgerald, Fiscal Analyst	Ron Smerer, Director of Sales & Marketing
Marcus Glasper, Director	Stacy Sund, Merchandising Specialist
Gaylene Gray, Instant Product Manager	Kristi Weeks, Director of Legal Services
Shar Hawley, Org. Perf. & Planning Administrator	Jenny Whiteside, Corporate Acct. Manager
Jenna Johnson, Procurement Manager	Andrew Williams, Warehouse Supervisor

Other Attendees:

Eric Allen, Assistant Attorney General	Dan Miller, Curator
Becky Bogard, IGT	Patrick Nesbitt, Kalispel Tribe
Kristie Christensen, Wunderman Thompson	Drew Scolaro, Scientific Games
Brent Ludeman, Gano and Associates	Shannon Struempf, IGT

Call to Order:

8:35 a.m. – Chair Judy Giniger called the Lottery Commission meeting to order. She asked for a roll call of the Commissioners present at the meeting. In addition to Chair Giniger, Commissioners Eileen Sullivan, Schuyler Hoss, and Rudy Mendoza were confirmed in attendance.

Approval of Meeting Minutes:

Chair Giniger entertained a motion to adopt the minutes of the October 27, 2022, Commission Meeting as presented.

Commissioner Hoss **so moved**, and Commissioner Sullivan **seconded**. Chair Giniger called for a vote for approval of the minutes of the October 27, 2022, Lottery Commission Meeting. Ayes were unanimous. **Motion carried.**

Director's Update:

Director Marcus Glasper began by talking about the Washington State Powerball winner, who was the sole recipient of the recent \$754 million jackpot. Director Glasper said this is very exciting for Washington's Lottery, as it is only the second Powerball jackpot winner in the state, the first time being in 2014. The winner has 180 days to claim the prize, and although they have not yet come forward there is evidence that the winner is aware of their winnings. The ticket was sold at a Fred Meyer in Auburn, and they will receive a \$50,000 selling bonus. Director Glasper said they recently learned that Fred Meyer has chosen to donate their bonus to their local food bank. He also mentioned there was a \$1 million Powerball winner from the Spokane area in November, and because it has not been claimed they continue to do media coverage in hopes someone will claim it. Director Glasper also talked about some partnerships Powerball is exploring with the NFL and NASCAR. While the NFL promotion is still being worked on, the NASCAR promotion will launch this year and mark the first major sports league to partner with Powerball. The winner of the NASCAR promotion will receive a million dollars live at the Phoenix Raceway in Arizona this November. All states can take part in the promotion, but he said they are still evaluating whether it makes sense for Washington's Lottery to participate.

Moving on to Mega Millions, Director Glasper said the Mega Millions Consortium is still moving forward with changing the game to the new "Double Jackpots" format and increasing it to a \$5 price point. He said most of the recent activity has been working with the Multi-State Lottery Association (MUSL) and the Powerball states to make sure they understand and support the game change. There have also been several meetings with the major vendors involved to work out technical details and specifications. There is not a date for the official launch of the game change project, but Director Glasper said he expects it will occur sometime in April.

Internally, Director Glasper shared that theft cases remain at normal levels, averaging about 12 per month since September. Since the adoption of the rules providing criteria for retailer credits, the Lottery has not received any requests for reimbursement. He said there were two retailers they suspected would apply; one was a larger retailer, but the loss was only \$10 so they felt it was not worth the time to apply. The other retailer had a safe stolen that contained tickets, but because the tickets were not activated they did not suffer any financial loss. At the last Commission meeting, they talked about a new shielded in-counter dispenser that was being tested by some of the retailers that would make it difficult for a person to reach over the counter and steal tickets. Director Glasper said Ron would be providing an update on the product pilot later during his report.

Director Glasper said the Lottery's Annual Comprehensive Financial Report has been completed and the Commissioners were sent a copy of it. The final report experienced a few delays during the process, mainly due to new auditors at the firm, but the issues were not significant and they

are happy to have it finished. He thanked the Finance team for their diligence and hard work through to completion.

Lastly, Director Glasper said the state's annual Employee Engagement Survey closed October 31, 2022, with 85% Lottery participation. The results have been received, and the Management Team will review and make some decisions about how to move forward. Overall, the Lottery remained above the statewide average on all the questions and for participation. There were increases in positive ratings on 10 of the questions, slight decreases on 8 questions, and 2 remained unchanged. He said they are looking at conducting a few "pulse surveys" through the remainder of the year to get some real-time feedback and allow some time to work on any needed improvements.

Chair Giniger thanked the Lottery staff for their work on the annual financial report and congratulated them on having no significant findings. She also commended the agency for their survey participation and the plan for conducting pulse surveys. Commissioner Hoss also commended the Lottery for going above what is required to obtain a level of transparency and high standards that surpasses many state agencies. Director Glasper thanked them for their comments and said although it is a lot of work the Lottery takes great pride in participating in this voluntary audit to maintain a high level of integrity with the public. He also mentioned that the agency receives an award from the Government Finance Officers Association for their excellence in financial reporting every year.

Deputy Director's Update:

Josh Johnston, Deputy Director, began by giving an update on the Federal Way office move to the Southcenter Mall. Due to the success of the Spokane Department of Imagination (DOI) store in the Northtown Mall, the decision was made to move the Federal Way office and transition it from a cost center to a revenue center. The mall is also on a bus line and there is ample parking which makes the location more accessible. Josh said they continue to meet with mall representatives and bridge gaps, as the mall is very unfamiliar with working with state agencies. They are looking at extending the lease length to 10 years rather than the typical 5 years, which will allow them to spread out the capital investment and give the Lottery some leverage when negotiating the lease rate and tenant improvements. Josh said they are waiting for the mall to send over the Letter of Intent, but there does not appear to be any issues with moving forward on leasing the space.

Josh also provided an update on the Yakima office move, which they are hoping to move to the Tri-Cities area. He explained that the Tri-Cities has a larger population base, and they want to move close to the Columbia Center Mall for the accessibility to the bus lines, parking, and other shopping. The new Tri-Cities office will not be a full DOI store, however they do plan to sell from the location. The space the Lottery was hoping to lease is no longer available, so the team has been scouting some new locations. They have identified a preferred space and are working with the Department of Enterprise Services, which is expecting a leasing proposal from the lessor this week.

Josh next provided an update on a few sizable Request for Proposals (RFP) that the Lottery is working on. The RFP for the mobile app contract went out in early January, and because the Lottery had never done an RFP specifically for the app, a lot of work went into creating it. Despite the complexity, the RFP was posted three days early, and will close on March 23, 2023. Josh said another RFP they are getting ready to release is for their primary Scratch ticket vendor. It will be posted towards the end of March or early April, and close in June. In addition, Josh said they will be releasing an RFP for market research, which will also be posted by early April and close in June.

Josh finished his report with a status update on the One Washington project, which is the replacement of the core financial system used by state agencies. A state of the project meeting was held recently, where they shared their planned approach, approximate schedule, with a target deployment set for the summer of 2025. The Lottery was assigned an Organizational Change Management team, and Josh said they have met with the team and now have someone to directly work with and ask questions as the project moves forward. He said so far, the team has been very responsive and helpful.

Chair Giniger asked what services are currently provided by the Lottery's mobile app vendor. Gaylene Gray, Instant Product Manager for the Lottery explained that the current vendor supplies a mobile app that allows players to scan and check their tickets, access services from the Lottery website, and enter non-winning tickets for the points-for-prizes program. They also maintain the points-for-prizes store and provide a customer relationship management program that gives players help with the app, sneak peeks at new features and promotions, and sends reminders to check tickets when large jackpots get hit.

Chair Giniger thanked Gaylene, and asked how the contract was established if this was the first RFP done for these services. Josh explained that there is a future technology component included within each of the three major Scratch vendors contracts. They asked those vendors to submit proposals for a mobile app and they selected the one that best met their needs. They have since decided to separate the mobile app from the Scratch contract.

Commissioner Sullivan commented that the moves to Southcenter and Tri-Cities are exciting, and that she appreciates that the Lottery is always looking for ways to grow and maximize its potential.

Chair Giniger asked if the location they are hoping to lease in the Tri-Cities is in Kennewick. Ron Smerer, Director of Sales and Marketing confirmed it is in Kennewick and about three blocks from the Columbia Center Mall and near Costco. He said the lessor has worked with state government before so it may make the process a little smoother, and that the Yakima team is excited and looking forward to the move.

Legislative & Legal Services Update:

Kristi Weeks, Director of Legal Services, began by sharing that 12 new formal or informal requests for records have been processed since the October Commission meeting. None were particularly difficult, but a few required large amounts of data, such as all winning draw numbers for every game since the beginning of the Lottery. She said they received one administrative hearing request in a prize denial case, which will be their third brief adjudicative proceeding since the new rules went into effect. These cases can be few and far between, so she appreciates having three in such short order because it allowed them to test and improve their processes. Kristi said they are also working to resolve a few tort claims for motor vehicle accidents. Lottery district sales representatives spend significant time on the road as part of their job, and unfortunately there have been a few accidents that have been challenging to resolve because of the subjective nature of the alleged injuries.

Kristi was pleased to report that the Lottery had its first person enroll in the voluntary self-exclusion program. For the newer Commissioners, she provided some background on the program which is considered best practice in addressing problem gambling. In 2019, the Legislature passed a bill requiring the Gambling Commission and the Lottery to each establish a voluntary self-exclusion program by June 30, 2021. She explained that the Lottery's program is different from how a traditional gambling establishment self-exclusion program is run, which allows a person to sign-up and then is restricted from entering those gambling establishments. Because they cannot overburden retailers with preventing enrolled players from purchasing tickets, the Lottery's program only prohibits an enrollee from claiming large prizes. Any prize over \$600 must be collected from a lottery office, and names are checked against the list. If they are enrolled in the program and try to claim a prize at a Lottery office, the claim would be denied and the money would go to the state's Problem Gambling account. The rules became effective June 14, 2021, and information went out through the Lottery's website and social media. Kristi said the measure of success for the program is not how many people are enrolled, but that it's available for those who need it.

Next Kristi gave a legislative update and said that tomorrow is the last day to get bills out of policy committee in the house of origin. They then have until February 24th to get out of fiscal committee, and March 8th to be voted off the floor. She shared that Senate confirmation hearings for Commissioners Giniger, Hoss, Mendoza, and Sullivan were held on February 9th, and commended them for doing an excellent job representing the Lottery. There were no negative comments or difficult questions from the legislators, and all four votes were unanimous.

Kristi said things are fairly quiet on the gambling front. The bill for sports wagering beyond tribal casinos was introduced again but is not moving. The Lottery's agency request player privacy bill made it out of the policy committee in both the House and the Senate. It will skip the financial committees because it does not have any financial impacts, and now they are waiting for a floor vote. If passed this will codify the current practice of releasing only a winner's name and city or town of residence in response to a public records request. Kristi said they have relied

on a mix of exemptions in the past, none of which are perfectly clear. This bill would create a single concise exemption that the Lottery can refer to.

At the last commission meeting there was a request for some additional information about the Problem Gambling Task Force's final report and recommendations, so Kristi put together a presentation on how the prevalence study, report, and bill work together. She started by giving a brief overview of the creation of the multi-agency task force and the recommendations they were required to make on conducting a prevalence study, the need to expand funding for prevention, treatment, and recovery, and improvements to licensing and certification for providers. They deemed the prevalence study necessary and were provided \$500,000 with an original due date of June 30, 2022, to report to the Legislature, which was extended to November 30, 2022.

Invitations to participate in the study went out to 52,000 people, and 9,200 surveys were completed. Based on this sample population they established and broke down the demographics for people more likely to gamble that included gender, age, marital status, schooling, ethnicity, employment status, race, physical disability, and military experience. Kristi walked through the statistics provided in the report for the demographics on all gambling, then gave an overview of Lottery players demographics specifically. The study found that the largest number of Lottery players are white, females, aged 35-64, employed, college educated, with no military experience. Kristi walked through the findings of the study, which identified characteristics for individuals at risk for problem gambling. She pointed out the finding that only 1.7% of people who gamble traditionally are at risk of problem gambling. However, 7.8% of people that gamble both traditionally and online were shown to be at risk of problem gambling.

She talked about the key gaps that were identified in the study, including the need for increased state funded treatment resources. The recommendations from the study were: more comprehensive problem gambling services; an increase in funding and a new data system; and more collaboration and partnerships between the Gambling Commission, Health Care Authority, legislature, tribal governments, and other state agencies and stakeholders. Kristi said all the recommendations were included in two companion bills this session and she went through the sections of Senate Bill 5634 and House Bill 1681. She said the Lottery will be required to continue participating on the Problem Gambling Advisory Committee, and to provide problem gambling signage and the hotline number. The only new impact will be increased distributions to the state's Problem Gambling account. The Lottery currently contributes 0.13% of net revenues, and they propose raising it to 0.20% in fiscal year 2024, and 0.26% in fiscal year 2025 and beyond. This change would decrease the Lottery's yearly contributions to the Washington Opportunity Pathways Account (WOPA). Kristi said Senate Bill 5634 has been voted out of Policy Committee and was referred to the Ways and Means Committee on February 10th, and House Bill 1681 was voted out of Policy Committee on February 14th.

Commissioner Hoss asked Kristi if she had any additional information on how they determined who is at risk for problem gambling. Kristi said they used a common screening tool that asks 11 or 12, yes or no questions. Based on the number of "yes" answers the individual can be categorized as at risk, at moderate risk, at severe risk. She said she would send that information

over to the Commissioners if they were interested in reviewing. Commissioner Hoss thanked her, and also expressed his concern about online gambling, and encouraged the Lottery to do everything possible to extend their support of problem gambling in hopes of reaching those in need of help. Kristi said online gambling is a big concern and the task force recommended the advisory committee look into what can be done.

Chair Ginger asked if there was any information on how Washington State compares to other states for the number of people considered at risk for problem gambling, or if other states have done any similar prevalence studies. Kristi said she does not have any information, but that she will do some research and let the Commissioners know what she finds.

Commissioner Sullivan asked if any concerns over less funds from the Lottery going to WOPA if it goes to the Problem Gambling fund has been raised in Committee. Kristi said it was not mentioned during the hearings, but it has been talked about through back channels. It is not a significant amount of money that would be shifted over, so she does not believe it will be a contentious issue.

Director Glasper pointed out that this study did not separate lottery players from destination-based players, so it's hard to know how much they are represented in the 3.5% of respondents at risk for problem gambling.

Financial Report:

Maria Douka, Chief Financial Officer, presented the second quarter financials for fiscal year 2023, beginning with the fiscal year 2022 three-month comparison for the period ending December 31, 2022. She said the total operating income increased by \$40 million compared to the prior year, and the beneficiary contribution also increased by \$15 million. Next, she shared the budgeted versus actual expenditures for the same three-month period. The total operating income exceeded the forecast by \$6 million, or 10%, and the beneficiary contributions exceeded the budgeted number by \$20 million, or 20%. Maria shared the vendor expense versus budget comparison chart for the Lottery's three major vendors, and then talked about the operating profit by product price point. She completed her report by sharing the appropriated expenditures, and said they are projecting a remaining total of \$8.5 million for the rest of the biennium which ends on June 30, 2023.

Chair Giniger asked why the chart for the instant ticket vendor was at \$6.1 million, which is significantly less than the budgeted \$8.3 million for the fiscal year. Maria explained that there has been a shift in the Lottery's portfolio make-up. At one time the Scratch portfolio was 75% of their entire portfolio, but now she said they are seeing a decrease resulting in that lower expenditure. Josh added that the Lottery is running about \$9 million behind the projected Scratch sales this year, however they are ahead in draw game sales. The draw games bring in more profit, so sales are still doing well despite the dip in Scratch sales.

Sales & Marketing Update:

Ron Smerer, Director of Sales and Marketing began by sharing the year-to-date sales. As of February 4, 2023, total sales were at \$618.4 million which is 12.2% ahead of last year. Next, he shared the fiscal year 2022-2023, year-to-date sales comparison and said they have already hit their Mega Millions and Powerball sales goals for the year. They are currently \$78 million ahead of last year in overall draw game sales. Scratch is down by 8.7% compared to last year, but he said they remain optimistic they will hit their sales goal.

Ron next gave an overview of the shielded in-counter dispenser pilot program. The goal of the pilot was to test the dispenser with the hope that it would help retailers reduce over-the-counter grab-and-go ticket theft. They also hoped to bring ticket bins back into retailers that had chosen to remove their display cases because of theft. Ron said some retailers kept their bins, but removed the \$10, \$20, and \$30 tickets. He shared pictures from a 7-Eleven store in Tumwater, with the new dispenser installed. They had stopped selling the larger price point Scratch tickets because of theft and have now resumed sales. He also shared pictures from a Safeway store in Vancouver with the new dispenser in place. Prior to the installation of the new dispenser the store had stopped selling tickets from the Customer Service counter, and now they are bringing in an average of \$17,00 in weekly sales. And finally, Ron shared pictures of the new dispenser installed at the Tonasket Food Mart. They typically only have one employee working, and they are very happy with the security of being able to lock up this in-counter dispenser. Ron said because the pilot has been successful the Lottery will continue to push this option out to retailers and hopefully continue to drive down the ticket thefts.

Next Ron provided a public relations update, sharing some of the media coverage the Lottery has received over the last couple of months. He talked about the stories on the Seahawks event at the Tacoma Mall, the large Powerball jackpot, unclaimed prizes, Kraken Scratch, and the Gift Responsibly campaign. He said the press reporting since October resulted in over 580 million positive media impressions for the Lottery.

Ron talked about the different billboards the Lottery uses to advertise Seahawks and Kraken Scratch, which are located in Bellingham, Shoreline, Burien, Tacoma, Spokane, and Yakima. He shared images of each billboard current Kraken advertisement. He also talked about the second-chance drawing promotion for the Kraken Scratch and the social media excitement surrounding the campaign as hockey becomes increasingly popular in Washington. He played one of the Kraken commercial spots that was circulated by someone on Reddit and quickly gained more than 26,000 likes. Ron also shared some of the social media advertising for the "Go Full You" campaign, playing one called "Pillowfit" and one called "Karaoke."

Lastly, Ron talked about what's coming next and shared the Kraken player shorts that will be running on social media. He also talked about the "Ticket to Adventure" Lotto promotion that gives players a chance to win a Winnebago camper van. He played the advertisement for the promotion that will be on gas station TV, as well as the three different social media spots that

will run. He said this promotion idea and several others were presented to the Lottery's player panel, and this was selected as their favorite.

Chair Giniger said she really liked the camper van promotion and asked how it is played. Ron said players must purchase a \$10 Lotto ticket to receive a bonus play ticket. There will be six bonus play drawings, and winners are then entered into a grand prize drawing for the camper van. He said they have staff going to the RV Show in Seattle this weekend, not to sell tickets but to tell people and get them excited about this promotion. Chair Giniger asked how long the promotion runs. Ron said the six \$1,000 bonus play drawings happen throughout March and April, and the grand prize drawing will occur in May.

Commission Report – Instant Ticket Artwork Review:

Gaylene Gray, Instant Product Manager, presented new scratch ticket artwork for the Commissioners to review. The Commissioners did not have any questions or concerns about any of the presented artwork.

Commission Business/Agenda Items:

Chair Giniger asked if the Commissioners wished to bring anything forward for discussion, or if there were any topics the Commissioners wanted to recommend for the April meeting agenda.

Commissioner Hoss shared that during the confirmation hearings last week, there was recurring praise about the current strength and impact of the Lottery and many positive comments about the professionalism of its staff. He said he was proud of the respect and admiration he heard for the Lottery and for Marcus. Chair Giniger agreed, and said the committee heard from all the Commissioners the importance of the role Lottery plays in education and what a great organization it is.

Chair Giniger said she looks forward to the legislative update in April and asked if the legislature will be wrapped up by the next Commission meeting on April 20th. Kristi said it adjourns on April 23, 2023. Chair Giniger also said she would like to hear if the Lottery is successful with getting more retailers to install the new ticket dispensers.

Commissioner Mendoza thanked the Lottery staff for their work around the new ticket dispensers as a counter measure to retailer thefts. He asked what might be preventing retailers from getting these installed right away. Ron said there is no cost to the retailers to have them installed, and the district sales representatives and IGT staff have been getting the word out. He said they are seeing the requests growing, so he is optimistic they will be installing many more.

Public Comment:

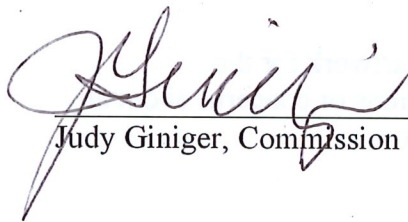
Chair Giniger asked if any members of the public wished to make comments or voice any concerns. There were no comments made.

Adjournment:

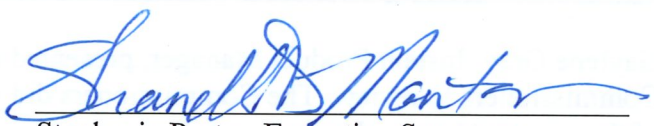
10:34 a.m. – Chair Giniger adjourned the meeting.

The February 16, 2023, Lottery Commission Meeting Minutes were approved this 20th day
of April, 2023.

Respectfully submitted,



Judy Giniger, Commission Chair



Stephanie Porter, Executive Secretary
Shanelle Montano for Stephanie Porter