



WASHINGTON'S LOTTERY COMMISSION MEETING MINUTES

Thursday, October 27, 2022

Virtual Meeting - Microsoft Teams

Commission Member Attendees:

Fred Finn, Commissioner
Judy Giniger, Chair
Schuyler Hoss, Commissioner
Rudy Mendoza, Commissioner

Lottery Staff Attendees:

Nikki Bardwell, Policy Coordinator	Lenee Otto, Finance Manager
Jim Bevan, SharePoint and Office Administrator	Kathi Patnode, Marketing Operations Manager
Jon Flores, Lottery Security Specialist	Derek Poppe, Acting Director of Security & Licensing
Marcus Glasper, Director	Debbie Porter, Licensing Coordinator
Gaylene Gray, Instant Product Manager	Stephanie Porter, Executive Assistant
Shar Hawley, Org. Perf. & Planning Administrator	Tiffany Pringle, Legal Services Coordinator
John Iyall, Budget Manager	Debbie Robinson, Director of Human Resources
Josh Johnston, Deputy Director	Ron Smerer, Director of Sales & Marketing
Wyatt Labaw, Lottery Security Specialist	Randy Warick, Assistant Director of Marketing
Viola Lippincott, Project Manager	Kristi Weeks, Director of Legal Services

Other Attendees:

Eric Allen, Assistant Attorney General	Ryan Lyonnais, Wunderman Thompson
Becky Bogard, IGT	Dan Miller, Curator
Kristie Christensen, Wunderman Thompson	Patrick Nesbitt, Kalispel Tribe
Linda Edwards, WIGA	Denise Nielson, IGT
Xiamara Garza, Curator	Madison Ellis, Wunderman Thompson
Rebecca George-Kaldor, WIGA	Drew Scolaro, Scientific Games
Brent Ludeman, Gano and Associates	

Rules Hearing:

Chair Judy Giniger welcomed everyone and began by asking Kristi Weeks, Director of Legal Services, to give a brief overview of the proposed changes to WAC 315-04-180, Obligation of Lottery Retailers. Kristi explained that the proposed changes to the rule will give the Lottery Director discretion to reimburse or waive payment for retailers that have been victims of theft or robbery and have demonstrated implementation of all recommended best practices and reasonable steps to secure their lottery tickets. The rule currently does not allow any exceptions in this situation and given the recent rise in ticket thefts, the Lottery would like to allow the Director this discretion to help their retail partners. The Commissioners were provided with copies of the proposed rule language, public comments received through the website, and communication from the Senior Vice President of Policy and Government Affairs for the Washington Retail Association. After those materials were mailed to the Commissioners, Kristi

said she received one additional public comment via the Lottery's website. She read the comment into the record, but it was a concern about the Lottery's mobile app and did not pertain to the proposed rule changes. Kristi said because they did not receive any pertinent public comments there have been no changes made to the proposed rule language since the CR-102 approval.

Chair Giniger began the public hearing on proposed rules for chapter 315-04-180 WAC, filed on August 23, 2022, and published in the Washington State Register as number 22-17-136. She stated the hearing was being held by video conference on October 27, 2022, in accordance with the Administrative Procedure Act, chapter 34.05 RCW, and Executive Orders by the Governor. She noted the time as 8:36 a.m. and stated the hearing was being recorded. Chair Giniger asked for a commissioner roll call, and Commissioners Fred Finn, Schuyler Hoss, and Rudy Mendoza confirmed their virtual attendance.

Chair Giniger next read through a list of instructions for individuals wishing to testify during the hearing. The instructions included direction on unmuting to provide comment, not interrupting others, limiting the time they speak, and only commenting on the content of the licensing rules. She stated the Commissioners would not respond to questions during the hearing but may ask clarifying questions regarding the comments received. She said all comments would be summarized and sent to anyone requesting a copy. Chair Giniger then stated the public hearing was open for public testimony.

Participants were given the opportunity to speak, or type in the chat feature of the virtual meeting, comments related to the proposed changes to the licensing rules. Hearing and seeing no one come forward after several minutes, Chair Giniger stated the hearing was closed. She stated all comments received will become part of the official rulemaking file and be considered by the Commission and used to adopt the rules or make changes to the proposed rule language. If the rules are adopted, the notice of adoption will be filed with the Code Reviser and become effective 31 days after filing.

Chair Giniger concluded the public hearing at 8:41 a.m.

Call to Order:

8:45 a.m. – Chair Giniger called the Lottery Commission meeting to order.

Approval of Meeting Minutes:

Chair Giniger entertained a motion to adopt the minutes of the August 18, 2022, Commission Meeting as presented.

Commissioner Finn **so moved**, and Commissioner Hoss **seconded**. Chair Giniger called for a vote for approval of the minutes of the August 18, 2022, Lottery Commission Meeting. Ayes were unanimous. **Motion carried.**

Approval of 2023 Commission Meeting Dates:

Chair Giniger asked the Commissioners if they had any questions or concerns about the proposed meeting dates for 2023. Hearing none, Chair Giniger entertained a motion to adopt the 2023 Lottery Commission dates as presented.

Commissioner Mendoza **so moved**, and Commissioner Hoss **seconded**. Chair Giniger called for a vote for approval of the 2023 Lottery Commission Meeting dates. Ayes were unanimous. **Motion carried.**

Approval of CR 103:

Chair Giniger asked the Commissioners if they had any questions or concerns about the changes to WAC 315-04-180 before they proceeded with a vote.

Hearing none, Chair Giniger entertained a motion to adopt the CR 103, to approve the changes to WAC 315-04-180 – Obligations of Lottery Retailers.

Commissioner Finn **so moved**, and Commissioner Hoss **seconded**. Chair Giniger called for a vote for approval of the CR 103, to adopt the changes to WAC 315-04-180 – Obligations of Lottery Retailers. Ayes were unanimous. **Motion carried.**

Approval of CR 102:

Kristi Weeks, Director of Legal Services, outlined the draft rules for the new game Cash Pop, that the Lottery is considering launching. The draft rules were provided to the Commissioners for prior review and include how the game is played, odds of winning, and prize structure. Kristi said the Lottery is seeking the Commission's approval to file the CR 102 and proposed rule language with the Code Reviser's Office and open the rule for public comment.

Chair Giniger asked the Commissioners if they had any questions or concerns about the proposed rules for Cash Pop. Hearing none, Chair Giniger entertained a motion to approve the filing of the CR 102.

Commissioner Finn **so moved**, and Commissioner Mendoza **seconded**. Chair Giniger called for a vote for the approval to file the CR 102 – Cash Pop rules. Ayes were unanimous. **Motion carried.**

Director's Update:

Director Marcus Glasper began by providing an update on the Mega Millions Consortium's evaluation of possible game changes. As reported at the last Commission meeting, they had narrowed it down to three options all at a \$5 price point and were gathering player input. In late August, after consideration of the positive feedback received from player research, the group

voted to go forward with the “Double Jackpots” option. With this option, in addition to the standard national jackpot, each time the jackpot is hit, each state will also have a secondary jackpot winner based on the sales in that state. Director Glasper explained that 10% of each state’s sales would be put in reserves to fund the secondary jackpot. The Mega Millions group is working with the Powerball Product Development committee and vendor partners to define the specifics of how the game will work and how it will be implemented. The estimated timeline for launching the new game is between 18-24 months.

The World Lottery Summit was held last week in Vancouver, B.C., and Director Glasper, Chair Giniger, and several Lottery employees were in attendance. This was a joint conference between the North American Association of State & Provincial Lotteries (NASPL) and the World Lottery Association, which is generally conducted every 7-10 years. Lotteries and vendors from all over the world attended, and Director Glasper participated on a panel with colleagues from Brazil and India to discuss what strategies are being used to reach new target audiences. He said they were given the opportunity to see the latest and greatest innovations through hosted tours of both the International Game Technology (IGT) and Scientific Games booths. During the Summit, NASPL conducted their business meeting and annual elections, and Director Glasper said he had the honor of being elected 2nd Vice President for the organization. Marketing and advertising awards were also presented at the conference, and Washington’s Lottery won more than any other Lottery, taking home six of the ten awards for which they were nominated. Director Glasper thanked the Lottery’s marketing team and Wunderman Thompson for their passion, creativity, and hard work leading to this success.

Chair Giniger congratulated the Lottery on their awards and expressed her gratitude for the opportunity to attend the conference. She said she learned a lot about the challenges facing not only Washington’s Lottery, but Lotteries worldwide. She talked about the panel discussion Director Glasper participated in, as well as the discussions that took place around climate change and diversity and inclusion.

Director Glasper mentioned that the industry has been focused for some time on responsible gambling efforts and plans to broaden the scope to also look comprehensively at corporate social responsibility. He said Washington’s Lottery is taking that approach as well, and they have included corporate social responsibility as a key initiative in the agency Strategic Plan.

As announced by the Governor’s Office, Director Glasper said effective October 31, 2022, all remaining COVID-19 emergency proclamations, and state of emergency orders in Washington State will be rescinded. He said the federal state of emergency is still in effect, but those rules primarily affect high-risk employees. The requirement for state employees to be fully vaccinated as a condition of employment remains in place for most agencies, including the Lottery. Masks are currently required for employees in close contact with individuals whose vaccination status is unknown. Director Glasper said this is likely to end and the agency will be responsible for their own masking requirements in accordance with state and federal health recommendations, and all changes will be reflected in the Lottery’s Return to the Workplace plan.

Director Glasper thanked the Commission for approving the CR 103, giving the Lottery additional options to provide relief to retailers who experience lottery product theft. He said they will immediately begin work on the policy and process for implementation. Theft cases continue to reduce, with 19 cases in August, 11 in September, and 13 so far in October. He said they are happy to see the theft cases come back down to traditional levels, and the Lottery continues to support retailers on best practices to further combat thefts. They are currently piloting a new shielded in-counter dispenser in hopes it will prevent customers reaching over the counter to steal tickets. The three retailers testing this product have so far provided positive feedback, including a retailer who has resumed selling higher valued tickets after previously removing them to minimize losses.

The Lottery's annual financial audits have been completed, and Director Glasper was proud to announce they both resulted in no findings. Next the team will focus on the Annual Comprehensive Financial Report which should be completed and available for review soon. He also shared that the agency's strategic plan, which highlights the projects and initiatives prioritized for the next two years, has been completed. It includes 25 new initiatives, which he acknowledged is a heavy load but said he has confidence in the Lottery staff and knows they will once again be successful.

Director Glasper said the state's annual Employee Engagement Survey opened September 30 and will close on October 31, 2022. They anticipate receiving preliminary survey results in December and the official results in January of 2023. Once the results are received the data will be analyzed and typically a team of employees is assembled to help identify opportunities for improvement. He said they are hoping for a high response rate, as these surveys are meaningful for the agency's continuous improvement in building people and culture. Director Glasper also talked about the Lottery's 40th Anniversary activities and the selling of the first scratch ticket, "Pot O' Gold," on November 15, 1982, selling more than 9.6 million tickets in the first week. There was recently an unveiling of a permanent timeline installation at the Lottery headquarters building, which he said beautifully captures all the major milestones and achievements throughout the Lottery's history. In addition, nostalgic commercials and historical trivia has been included in recent staff meetings, and the special 40th Anniversary scratch ticket is doing well and will be in the market until the end of the year. Director Glasper also mentioned that today is Instant Product Manager, Gaylene Gray's 40th anniversary and she is the longest serving employee at the Lottery.

Chair Giniger congratulated Gaylene on her years of service, and the agency for their success. She asked if the timeline installation was the same as the one shared in the 40th Anniversary booklets that were mailed out. Director Glasper said the brochure contained a shortened version of the Lottery's history and he looks forward to the Commissioners getting to view the wall installation next time they come to the Lottery's headquarters office. Chair Giniger asked if the theft numbers the Lottery is seeing would be considered a normal level. Director Glasper said the thefts are back down to around 15-20 instances each month, which is considered a more normal rate of activity. While zero is optimal, he said they are pleased to see them decreasing especially after the high number they experienced this time last year.

Commissioner Hoss thanked Director Glasper for the quality of information provided in his report, and said he is very impressed with the work the agency is doing and all the creativity and innovation that is involved. He also congratulated Gaylene on her 40 years of service.

Deputy Director's Update:

Josh Johnston, Deputy Director, began by providing an update on the debit card project. Debit as a payment option on Lottery vending machines started rolling out about 17 weeks ago, starting with a small pilot group of 10 retailers. On October 7, the installations were completed statewide. Josh explained that because this was a significant software and hardware launch, they are experiencing issues with player refunds. Although the number of refunds is lower than some other states, there are still more than what they had planned for. Most of these refunds are because vending machines are freezing in the middle of transactions which have caused the player's debit card to be charged but tickets not dispensed. Josh said they recently deployed a fix to the machines that seems to have corrected the freezing issue. Despite some of these issues, the project has been a success and last week the Lottery had their first \$1 million debit sales week. Josh said currently debit accounts for 8% of all vending machine sales, players are spending an average of \$23, and since September retailers with debit have averaged a 1% week-over-week sales increase. Josh expressed his gratitude for the debit project team and for keeping close to the original project schedule even though they dealt with some unexpected setbacks.

Next, Josh gave an update on the plan to move the Yakima regional office to the Tri-Cities. In order to move forward with the project, the Lottery had to submit a financial document to the Office of Financial Management (OFM) articulating the business decision. OFM approved the move and now the Department of Enterprise Services (DES) is working with the lessor on the Lottery's behalf to negotiate the lease. Josh said this step in the process can take a while so they do not have a timeline for moving in. Once the lease has been negotiated, they expect to move in quickly because the selected space is nearly move-in ready.

Josh also talked about the future South Center Mall Department of Imagination store, which will replace the Federal Way regional office. This move is slightly more complicated because they are moving from a traditional office space into a retail space with office space in the back. State facilities are not accustomed to this type of set-up, so the Lottery has had to do additional stakeholder work. Josh was happy to announce that they did receive approval from OFM to move forward and DES has started working on the lease with the mall.

Chair Giniger asked Josh if she understood correctly that OFM must approve the move to the Columbia Center Mall. Josh said OFM approved the move to the Tri-Cities but not the specific location. The space they are hoping to occupy is down the road from the Columbia Center Mall and will not be an actual DOI store. He explained because the DOI stores are such a significant investment, they have decided to use a staged approach and start with Lottery vending machines (LVM) in potential mall locations, and if sales do well they will consider installing a kiosk, and if that is successful then eventually look at a funding a full DOI store. Josh said the LVM's are set to go live in Columbia Center Mall November 1, 2022.

Legislative & Legal Services Update:

Kristi Weeks, Director of Legal Services, began by sharing that since the August Commission meeting the Lottery received 10 requests for records or information, and they just completed a request for winner data since 1982 that involved a spreadsheet with over 45,000 lines of information. She thanked the Information Services and Finance staff, Denise Neilson from IGT, and Legal Service Coordinator Tiffany Pringle for their help getting the request completed. Kristi said they received one new request for an administrative hearing for a retailer revocation case, which will be their second brief adjudicative proceeding under the new rules. They also received one tort claim, which is a required precursor to filing a lawsuit. Because the case is ongoing, Kristi said she could not offer details but explained the complaint involves a Lottery employee who was separated from service due to the vaccine mandate.

Kristi next provided an update on the Problem Gambling Task Force and said the results of the 2021 prevalence study were released on October 10th and a copy was emailed to the Commissioners to review. Kristi had hoped the study would break down the risk of problem gambling rates by the different categories of gambling, but it did not provide that much detail. She said she was surprised to see in the study that the demographic information tracked closely to what the Lottery used to think was their core players, largely older adults. However, recently the Lottery's research has indicated a shift to younger players but that did not come through in the study. The due date for the final report and recommendations was extended again and is due to be delivered to the Legislature by the end of the year. Kristi said they anticipate around 12 recommendations, each with multiple strategies, including an overarching recommendation for additional funding for the state's problem gambling program. Those funds would allow for an expansion of state certified problem gambling counselors, increased research, program evaluation, and monitoring.

With the 2023 Legislative session approaching, the Lottery filed a bill package with the Governor's Office for the proposed player privacy bill. Kristi said this bill would codify in one concise place the current practice of releasing only a winner's name, city or town, prize amount and retailer location when responding to a request for public records. They are waiting to hear back from the Governor's Office as to whether the Lottery can move forward, but initial stakeholder discussions, including some with key legislators, have been very positive.

Kristi finished her report by commenting on her own reflections from the World Lottery Summit. She said the speakers were incredibly powerful and although they were not part of the Lottery industry, they discussed big issues and how they can be applied to the industry. She talked about a segment she attended about addressing illegal activities in your jurisdiction and some good strategies she learned from the discussion to hopefully implement at Washington's Lottery. Chair Giniger said she also attended the illegal gambling segment and found it very interesting. She said she looks forward to seeing how Kristi applies the strategies she learned.

Chair Giniger said she reviewed the Problem Gambling Task Force prevalence study, and echoed Kristi's disappointment concerning the lack of break down for the different gambling activities.

She said she hopes it comes forward as a recommendation that they pursue to make it a useful tool for the Lottery.

Financial Report:

Lenee Otto, Finance Manager, presented the first quarter financials for fiscal year 2023 starting with the fiscal year 2022 three month comparison for the period ending September 30, 2022. She next talked about the budgeted versus actual expenditures for the same three month time period, followed by the vendor expense comparison chart for the Lottery's three major vendors, and the first quarter sales numbers and estimated net profit by product. Lenee finished her report by going over the appropriated expenditure to date, outlining the biennial spending authority and the breakdown of the full time equivalent (FTE) budgets by agency department.

Commissioner Hoss asked Lenee if she could expand on why the Lottery sales have increased but the reported contributions have gone down. She explained that for this year the Lottery had a high number of unclaimed prizes, \$7 million versus \$2 million last year. The unclaimed prize money is subtracted from the monthly accrual estimates for the Washington Opportunity Pathways Account (WOPA). The restricted funds released this year was over \$2 million compared to \$991,117 last year, and because the unclaimed prize money was so high, a third of it went to the Economic Development Reserve Account. Lenee said at the end of the year whatever remains in the restricted funds account in excess of \$10 million will go to WOPA.

Sales & Marketing Update:

Ron Smerer, Director of Sales and Marketing began by talking about his experience attending the World Lottery Summit and said he had the opportunity to meet with Kroger, who owns the QFC and Fred Meyer stores in Washington. He said the meeting went well and they discussed some possible things they can do at their fuel centers and stores. Ron next talked about Lottery sales through the first quarter, which are ahead of last year largely due to the Mega Millions sales for the jackpot that was hit last week. Powerball is also currently doing well, with \$1.2 million in sales yesterday. He said the Lottery is on track to meet their sales targets for the year.

Ron shared that they recently welcomed Stuart Woods to the Lottery as the new Regional Sales Manager for the Yakima Region. He also gave an update on the new SeaTac Airport kiosk, which opened near the entrance of Concourse C on June 21, 2022. He shared some pictures of the kiosk and said they are averaging \$7,500 a week in sales, which combined with the LVM sales puts them at a weekly average of \$53,641 as the largest Lottery retailer for the state. Ron talked about the mall locations where they currently have Lottery LVM's, and said they are set to install one in the Columbia Center Mall on November 1st. He also shared images of the new advertising in the Vancouver Mall for the "Go Full You" campaign, and of the design for the planned kiosk replacement at the Tacoma Mall.

Randy Warick, Assistant Director of Marketing, began his report by congratulating the Lottery's public relations firm, Curator, who recently won two very prestigious awards for their work

around the Lottery's "Shot of a Lifetime" campaign for the vaccine appreciation promotion. He then provided a public relations update and said over the last three months they have had over 363 million positive media impressions. The Lottery experienced national attention with recent winner stories and local coverage on unclaimed prizes, Seahawks Scratch, and large jackpots.

Next, Randy talked about this year's Seahawks Scratch ticket and the "12 Fan Draft" second chance promotion. He shared images of the Gas Station TV and social media marketing for the promotion, which gives players a chance to win \$50,000 and meet former Seahawk players Kam Chancellor and Cliff Avril. For the first drawing they had over 29,000 entries, which is 8,000 more than last year's first drawing entries.

Randy shared information about the upcoming Seattle Kraken Scratch campaign and talked about the high bar that was set after winning awards for last year's campaign. Continuing to look for exciting ways to get fans immersed and engaged in the game, this year the Lottery partnered with the Seattle Kraken to give players the chance to win glass seats for a Kraken hockey game. Randy talked about two new commercial spots that were filmed with Kraken hockey players, Brandon Tanev and Jamie Oleksiak. They are working on final edits and those should be airing soon.

Randy ended his report by recognizing Wunderman Thompson, Curator and the Lottery team for the excellent work they did that attributed to their advertising awards at the World Lottery Summit.

Chair Giniger, as well as Commissioners Mendoza and Hoss, extended their congratulations for the well-deserved awards.

Commission Report – Instant Ticket Artwork Review:

Gaylene Gray, Instant Product Manager, presented three new extended play scratch tickets for the Commissioners to review. She explained that they took three of their popular Scratch games, set them at \$20, and added an additional play area on the back. The three game options; Loteria, Crossword, and Slingo, were then brought to the Lottery's player panel for feedback and to vote on their favorite. The panel unanimously voted for Loteria.

Chair Giniger asked how many players are on the player panel. Randy stepped in and shared that they have over 1,200 participants and they received about 600 responses for this survey. Chair Giniger asked what the process is for finding participants. Gaylene explained that they have sent out email recruitments to players that are signed up for an online Lottery 360 account or other types of communications from the Lottery, and through social media.

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 December meeting

agenda. Chair Giniger said she would be interested in an update on the final Prevalence Study report that comes out in December. Commissioner Mendoza said he would be interested in hearing more about the counter-measures for retailer thefts that the Lottery is testing. Director Glasper said they will put together some slides and information to present at the next meeting. He said they are currently planning to have the December meeting, in hopes of holding the Public Hearing for the Cash Pop rules.

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:

10:07 a.m. – Chair Giniger adjourned the meeting.

The October 27, 2022, Lottery Commission Meeting Minutes were approved this 16 day
of February, 2023.

Respectfully submitted,



Judy Giniger, Commission Chair



Stephanie Porter, Executive Secretary