

## **New Hampshire Lottery Commission**

14 Integra Drive, Concord NH

Minutes of Commission Meeting

July 22, 2021 · 1:00 p.m.

### **Commissioners:**

Debra Douglas, Chairman

H. Andy Crews, Commissioner

### **Lottery staff in attendance:**

Charles McIntyre

Kelley-Jaye Cleland

Maura McCann

Lynda Plante

Katie Brown

Jim Duris

Danny Maloney

John Conforti

Valerie King

Carmela Nolin

### **Others in attendance:**

Rick Newman, NHGOA

Ryan Sahr, Intralot

Mike Giovinelli, GYK Antler

Taylor Yianakopolos, GYK Antler

Jamie Timbas, Filótimo

Anthony Fusco, Ocean Gaming

Melanie Carraher, NH DAS

Rich Parsons, RYP Granite

Peter Bragdon, PretiStrategies

PC Phillips, Exacta Systems

Jeff Clifford, Exacta Systems

Patrick Neely, Exacta Systems

Alicia Preston, NHCGOA

Kurt Mathias, Boston Billiards

Brian Smith, Boston Billiards

Jim Bouley, Denney & Bouley

Jodi Grimbilas, JG Strategies

Chairman Douglas called the meeting to order at 1:02 p.m., which was held at Lottery Headquarters.

### **1. ACCEPTANCE AND SIGNING OF PREVIOUS MINUTES**

Chairman Douglas requested a motion to accept the minutes from the June 29, 2021, meeting. Commissioner Crews so moved and all in favor, minutes were accepted.

### **2. FINANCIAL REPORTS**

- Chief Financial Officer Jim Duris noted that the financials presented to the Commission are in draft for the month of June. Monthly sales increased \$7.8 million compared to the same period last year, with Keno representing the largest increase of \$3.5 million. Instant, iLottery, and Fast Play also had substantial increases. Year to date, sales have increased \$109.3 million overall. Sales of instant tickets grew \$47.9 million, with e-Instants, Keno, Mega Millions, Powerball, and Fast Play performing well.
- Mobile sports betting revenues for the month totaled \$1.0 million, bringing the fiscal year to date to \$13.2 million. The handle was \$31.1 million for the month, which includes allowance for the promotional expense, which is being accrued on a monthly basis. The retail handle in June was \$8.2 million, with a net income of \$592 thousand which is an increase over the previous month.
- Racing and charitable gaming revenues increased for the month by \$435 thousand compared to the same period last year, as the rooms had limited activity then. Games of Chance has grown \$1.8 million over the previous year with modest growth to Bingo and Lucky 7; and cash receipts increased over pre-pandemic performance.

- The transfer for June to Education was \$12.75 million, which put us ahead of plan by \$32 million year to date. This exceeds last year's results by \$46 million; and after exhaustive review, Mr. Duris confirms a remaining excess of \$3.1 million, which resulted from lower than expected prize expense. This may be transferred later after last interagency adjustments are factored in.
- Our accounts receivable breakdown is in line with expectations, and outstanding MUSL prizes were cleared up before the end of the year. Other receivables include sports betting revenue and year-end accruals from Liquor, which is another \$400 thousand. The estimate for interest from Treasury was kept at the same amount as last year, \$40 thousand.
- Most Expenses are in line; equipment expenses are in the negative as new fleet vehicles have been reclassified to assets; and miscellaneous expense includes consultants who were contracted to assist with drafting historic horse racing rules. Advertising expense is extremely high for the month as media buys and other invoices from earlier in the fiscal year were submitted all at once at year end. Mr. Duris will reach out to accounting at GYK to plan future invoicing to avoid this unusual cluster of expenses going forward. Miscellaneous income of \$186 thousand was received from Treasury, of which \$184 thousand in reimbursements from GOFERR for COVID-related expenses. Last week, we paid off the building note of just under \$2.711 million. It was noted that Lottery's revenue exceeded Liquor's revenues by between \$1.5 and \$2.0 million for the year.
- Chairman Douglas requested a motion to approve the financial report; so moved by Commissioner Crews and motion passed.

### **3. SPORTS BETTING**

- Director of Sports Betting Danny Maloney reported that handle-wise, it was a quiet month; July has no major sporting events, so baseball helped sustain activity. Despite June's handle being relatively low, it was our best retail month yet, averaging out to nearly 10% hold. Mr. Maloney compared our projections from our fiscal note for HB 480, fiscal year 2021 was expected to be \$11 million but our actual revenues totaled \$18 million. Many factors contributed to this success, including launching with a robust product and the conversion of daily fantasy sports players who were already using the DraftKings app. Finally, there might be offshore bettors who are moving from the illicit market to a legal product.
- Director McIntyre noted that we have neighboring states deliberating sports betting. Maine is holding off revisiting legislation until winter; and Massachusetts is debating several amendments to their proposed bills, at least one of which includes DraftKings. Commissioner Crews expressed concerns about geofencing and ensuring that New Hampshire-registered players are only playing within the borders of the state, and the potential loss of players to their home state.

### **4. SALES AND PRODUCT DEVELOPMENT**

- a. Chief Product and Program Officer Kelley-Jaye Cleland reported that instant ticket sales for the fiscal year 2021 were up 18% over the previous year and we are starting fiscal year 2022 on a high note. Marketing is in full force to support the launches of the new \$20 game, the next \$500,000 Fortune (\$10 game), and a strong family of holiday tickets. Jay Lau, Data and Product Manager, analyzed sales for trends in our average scratch ticket selling price. In 2018, it was \$4.61; in 2021, it was \$5.88, but it was \$6.33 the prior year. While purchases are for higher average ticket prices, the volume of tickets sold is lower. We've made adjustments to certain price points to increase the number of lower-tier prizes to create more winners; this also leads to positive

word of mouth about the games. Commissioner Crews asked what we will do when sales start to decline: we will continue to adjust prize payouts, as well as monitoring sales in other states.

- b.** iLottery first time depositor numbers are up, but we are scrutinizing their value and how to keep them engaged, as players may sign up and purchase tickets during jackpot runs, but not play e-Instant games or come back to the site until there is another high jackpot. Overall, we are in great shape with 122% growth in deposits, and 144% growth in player value year over year.
- c.** Fast Play \$20 games are leading that product's sales, followed by the \$5 games. There is a lot of opportunity in this line, including introducing a \$10 blowout game. Keno sales, which were devastated by restaurant and bar closures during the pandemic, have come back strong with a 65% increase over last year.
- d.** Branding for the new player app is being reviewed and the development is moving along. The personal aspects of the CRM program are coming together with an emphasis on customer service. Gimme 5 online sales launched quietly on iLottery this week, and we already have seen a 12% lift in draw based games sales. Next week, we'll actively promote the game with special offers and bonuses.
- e.** Ms. Cleland presented the Commission with the proposed Lottery Sales Representative (LSR) bonus rate for fiscal year 2022. Discussion followed that acknowledged that we may not see the same sales growth that we experienced last year during the pandemic; and the bonus rate is intended to incentivize the staff. Commissioner Crews suggested studying other options versus a straight percentage that encourages more initiative. He then made a motion to maintain the LSR incentive rate at 12% for single bonus and 19.2% for double bonus; Chairman Douglas seconded and motion passed.

## **5. MARKETING**

- Maura McCann, Marketing Director, went over highlights for June. Our website traffic is down due in large part to lower jackpots. Winning numbers, home page, and iLottery are the top three pages visited on the website. iLottery registrations are up with the help of home page offers; and a QR code that has been added to Keno tickets and the placemats at Common Man diners.
- As part of our sponsorship of the NASCAR race at NH Motor Speedway in July, DraftKings was promoted through the venue's online event program. As a result, we had 1600 new bettors sign up, and 5680 bets totaling \$114 thousand, which was an excellent return on investment. In addition, we had great press with the Governor and driver Bubba Wallace. That success has us looking at partnering with other sporting events and promoting DraftKings through their digital media. Commissioner Crews asked for a breakdown of the residency of bettors from this acquisition; are they likely to continue to using the app after the race, and does that skew of the cost per acquisition. Chairman Douglas asked about our plans with DraftKings and the Patriots this fall; this is still a work in progress as the NFL is becoming accustomed to sports betting in general.
- Lucky for Life's draw schedule has changed to seven days per week, and we are using a television spot from another state to help promote it. GYK Antler did a great spot for the upcoming Powerball change, which other states are interested in using; great way to support each other and share costs. Gimme 5 on iLottery will be officially launched with offers next week.

- Upcoming events include Chairman Douglas representing the agency at the annual school bus race and throwing out the first pitch at the Fisher Cats game. The Big Spin Tri-State event is coming up on September 4 at the Tobey Keith concert in Gilford. Finally, the corporate, brand halo, and holiday campaigns are underway, and a piece is planned to announce our record sales this year.

## **6. COMPLIANCE**

Valerie King addressed the Commission and directed them to the draft of the Initial Proposal for Lot 8200 Historic Horse Racing rules and Fiscal Impact Statement.


- Some of the significant changes to earlier drafts of the rules include limitations on room size of HHR compared to games of chance from 50/50 to 65/35; and the revenue share of HHR to games of chance was increased from 3:1 to 4:1. Promotion expenses are now expanded to 15% of revenues, and any offers exceeding that would be covered by the operator. Another significant change was the ratio of machines from a single manufacturer, which was increased from 40% to 55%, which allows the operator to negotiate with suppliers based on product availability.
- In the interest of processing license applications in a timely fashion and avoid a bottle-neck when rules pass, we have suggested that the operators start putting their documentation together now.
- The Attorney General's office will rule on what is considered a transfer of license based on the ownership makeup of a games of chance operator.
- It was noted that this request for motion does not constitute a final draft of rules; there could still be changes made based on public comment. The public hearing for Lot 8200 Historic Horse Racing rules was set for September 9 at 1:00 p.m. to ensure submission in time for the October 21, 2021, JLCAR meeting.
- Ms. King and Director McIntyre noted that the legislature demands that we avoid the emergence of slot parlors; the rules are being carefully constructed to prevent loopholes that could lead to that.

Commissioner Crews moved to enter Lot 8200 Historic Horse Racing into rulemaking. Motion seconded by Chairman Douglas, all in favor, motion carried.

## **7. NEXT MEETING**

The next meeting will be on August 24 at 10:00 a.m. at Lottery Headquarters. *Editor's note: the date was changed to August 26 at 10:00 a.m.*

Chairman Douglas entertained a motion to adjourn at 1:22 p.m., which was made by Commissioner Crews and seconded, motion passed.



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Debra Douglas, Chairman



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H. Andy Crews, Commissioner

Respectfully submitted, Carmela Nolin