



Lottery Commission Meeting Minutes
Thursday, August 19, 2021
Centennial Hotel, Spokane, WA
Virtually – Microsoft Teams

Commission Member Attendees:

Fred Finn, Commissioner
Judy Giniger, Commissioner
Valoria Loveland, Chair
Daria Willis, Commissioner

Lottery Staff Attendees:

Nikki Bardwell, Policy Coordinator	Maria Lourenco-Douka, Director of Finance
Jim Bevan, SharePoint and Office Administrator	Denise Mitchell, Project Manager
Les Denison, Spokane Regional Sales Manager	Kathi Patnode, Marketing Operations Manager
Cheryl Earsley, Promotions and Scratch Coordinator	Stephanie Porter, Executive Assistant
Corey Emery, Infrastructure and Support Supervisor	Debbie Robinson, Director of Human Resources
Crystal Fischer, Chief Information Officer	Ron Smerer, Director of Sales and Marketing
Marcus Glasper, Director	Linda Su'a, Graphic Designer
Gaylene Gray, Instant Product Manager	Stacy Sund, Merchandising Specialist
Shar Hawley, Org. Perf. & Planning Administrator	Randy Warick, Assistant Director of Marketing
Josh Johnston, Deputy Director	Kristi Weeks, Director of Legal Services
Ron Kessler, Director of Security and Licensing	Jenny Whiteside, Corporate Accounts Manager
Ken Knutson, Graphic Designer	

Other Attendees:

Eric Allen, Assistant Attorney General	Thomas Kitts, Consultant
Becky Bogard, IGT	Ryan Lyonnais, Wunderman Thompson
Kristie Christensen, Wunderman Thompson	Dan Miller, Curator
Rosina Depoe, WA Indian Gaming Assoc.	Andrew Scolaro, Scientific Games
Rebecca Echols, Attorney General's Office	Shannon Struempfler, IGT
Xiamara Garza, Curator	Aubrey Seffernick, Kalispel Tribe of Indians
Rebecca George-Kaldor, WA Indian Gaming Assoc.	

Call to Order:

8:34 a.m. – Chair Valoria Loveland called the meeting to order.

Chair Loveland asked for a commissioner roll call. She and Commissioner Fred Finn confirmed their physical attendance at the meeting. Commissioners Daria Willis and Judy Giniger

confirmed their virtual attendance. Chair Loveland then asked all other participants attending in person to introduce themselves.

Approval of Meeting Minutes:

Chair Loveland entertained a motion to adopt the minutes of the June 17, 2021, Commission Meeting as presented.

Commissioner Finn **so moved**, and Commissioner Giniger **seconded**.

Chair Loveland called for a vote for approval of the minutes of the June 17, 2021, Commission Meeting. Ayes were unanimous. **Motion carried.**

Director's Update:

Director Marcus Glasper began by sharing that the National Basketball Association (NBA) has approached the Mega Millions consortium on a possible partnership for a game promotion. The NBA has one of the largest followings of younger generations, so Director Glasper explained that such a partnership has the potential to attract a new demographic. The Mega Million's members have been seriously considering the feasibility of the proposal from the NBA, however for several reasons, they have decided not to pursue a partnership at this time. Director Glasper also shared that for the first time in 18 months, Lottery Directors will come together in person at a NASPL Director's Conference next week in Kansas City, Missouri.

Next, Director Glasper provided an update on agency operations. He was excited to announce that for the first time in their history, Washington's Lottery ended the fiscal year with just over \$950 million in sales. He said Ron Smerer would be sharing more information later in the meeting, but he wanted to express his gratitude to the team for this major accomplishment. Director Glasper said the Economic and Revenue Forecast Council (ERFC) established the Lottery's official fiscal year 2022 sales target at \$879.2 million. This is \$80 million above last year's target, but they are confident they can meet it. He said they have created agency initiatives and strategies that they continue to evaluate to assist in achieving that goal.

As mentioned at the June Commission meeting, Director Glasper said the Lottery has been undergoing several audits. Since then, the Multi-State Lottery Association (MUSL) audit has been completed, and the State Auditor's Office also completed its compliance audit. Neither audit produced any findings. There are still three ongoing audits: the Annual Financial Report audit, the Prize Payment audit, and one by the Health Care Authority for the Public Employment Benefits Board program (PEBB). The PEBB audit is almost complete, and the financial report and prize payment audits are targeted for completion in September.

Director Glasper shared that the plans to begin returning employees working from home back to the workplace this week, have been delayed. He said given the Governor's recent vaccine mandate and the current state of the pandemic, they are reassessing their reopening plan and looking to bring staff back after October 18, 2021. However, he said the agency is taking a close

look at any service gaps in operations and will consider bringing back limited staff to close those gaps. One area this will occur is with the regional offices that have remained closed to the public. Director Glasper said they are looking at opening those offices two days a week to provide better service to players. Masks and cloth face coverings will continue to be required, and they plan to continue safe physical distancing requirements and cleaning protocols.

Over the last couple of months, Director Glasper said agency staff have been extremely busy administering the two vaccine promotions. The last vaccine promotion drawing was conducted on August 3, 2021. He said he is very proud of the team and although it was a lot of hard work, they did an amazing job pulling it off without a glitch.

Vaccine Promotion Recap:

Director Glasper provided a recap on the two vaccine promotions that were conducted in June and July. The Lottery was contacted by the Governor's Office in May and asked if staff could assist in a possible vaccine lottery, much like what had been done in Ohio and Kentucky. Kristi Weeks was tasked with determining if the Lottery had the authority to conduct the promotion, and she worked with the Attorney General's Office to determine WAC 315-06-095 provided that authority.

For the first promotion, called "Shot of a Lifetime," Deputy Director Josh Johnston worked closely with the Department of Health (DOH) and the Governor's Office conducting research and meeting constantly to determine how the promotion would work. Director Glasper said it was decided that the State's Immunization Information System (IIS) would be the most conclusive tool for verifying immunization status and eligibility for the promotion. Unfortunately, because not all entities report information to the IIS, this resulted in some vaccinated individuals not being eligible for the promotion. This included those vaccinated in another state, at a federal health care facility, and some tribal health care facilities.

Director Glasper said originally, they discussed holding only one drawing, but eventually decided to do five drawings for the first promotion. The cash prizes for the first four drawings were \$250,000 and the final grand prize drawing was for \$1 million. In addition, because there was so much interest from private businesses and other state agencies who offered to provide prize donations, they ended up with approximately 250 merchandise prizes to give away for each drawing as well. There were also two drawings for minors ages 12-17, where 30 winners received 100 GET units each, equal to one year of tuition and fees at the University of Washington.

For the second promotion, called "A Heroes Thanks," Director Glasper said the Governor's office really wanted to find a way to include military members and their families. To make this happen Josh and DOH engaged with representatives from the Army, Navy, Coast Guard, Marines, Air Force, National Guard, and Veterans Affairs. Director Glasper explained that this promotion was more difficult because the health information was not all in one place and Department of Defense information was not available at all, so the team partnered with WaTech

to establish a new system for eligible active-duty service members to opt-in to the drawings. This promotion occurred after the first one wrapped up and consisted of three drawings with two prizes of \$100,000, a grand prize of \$250,000, and 20 gift card prizes.

Director Glasper talked about the funding for the promotion, which came from the federal Coronavirus Aid, Relief, and Economic Security Act (CARES). The Governor directed the Department of Health to transfer \$2.452 million of the CARES Act funding to the Lottery for this purpose, so there was no cost to the agency other than staff time and de minimis supplies. He also shared a little about the winners and noted there was a great geographic distribution, with winners coming from all corners of the state. He also talked about the Lottery staff that were involved in the promotions, and the challenges they faced. They were tasked with holding drawings, notifying winners, shipping prizes, updating the website, promotion designs and management, PR, graphic design, and procurement. Staff that was not directly involved in the promotions took on extra duties to ensure there were no impacts to regular business. Director Glasper said the Lottery's PR vendor, Curator, was also crucial to managing the media components of the promotions.

Through this experience, Director Glasper said they learned how dedicated and flexible the Lottery staff truly is and when needed they can create and execute a new promotion in less than a month. They also gained new allies and friends at DOH, WaTech, the Department of Defense, Veterans Affairs, and the National Guard. Director Glasper said most importantly, through these promotions they made a difference. According to DOH data the promotions helped increase Covid-19 vaccination rates by 24% over what they expected.

Commissioner Finn asked if there were ever any concerns raised about the authority for the Lottery to include minors in the promotion. Kristi said there were not any concerns raised, primarily because they were not providing minors with cash prizes. She noted that while minors are not allowed to buy Lottery products in Washington State, they are allowed to play and redeem prizes. They felt giving college credits as prizes for minors was a way to include them in the promotion, but also a way to maintain the integrity of the Lottery.

Chair Loveland and Commissioner Giniger both commented on what a great job the Lottery staff did with the promotions and thanked them for their hard work.

Deputy Director's Update:

Josh Johnston, Deputy Director, began by providing an update on the debit card project. The project team has been assembled and the contracted project manager, Noha Ali, was hired to start work at the beginning of August. The Lottery is partnering with International Game Technology (IGT) on the project, and they have started the procurement process for the debit card readers that will retrofit 1,400 Lottery machines. Josh presented the overall project timeline and said the project team held the kickoff meeting in late July and have now begun requirements gathering. Next the team will go into the development stage, which will last approximately 21 weeks. After that, the team is planning for a 10-week IGT testing period, followed by a pilot program to

further confirm the effectiveness of the product. They plan to do a slow roll-out, with the goal of accepting debit cards at all machines by June/July of 2022.

Chair Loveland asked once the Lottery machines begin accepting debit cards, will retailers be expected to also accept debit cards for over-the-counter purchases, or have there been any discussions with them? Director Glasper said that retailers are currently allowed to accept debit or credit cards for over-the-counter purchases, but they incur the interchange fees. The Lottery machines will be separate, and the retailers will not bear the cost of the interchange fees for those purchases. Retailers will continue to have the choice whether to accept debit and credit card transactions at the counter.

Next, Josh gave a status update on the Powerball changes. He was excited to report that deployment for the additional Monday Powerball draw and the Double Play feature started last weekend, with full deployment set to launch on Saturday, August 21st. He said the first drawing will be Monday, August 23rd.

Josh also talked about the Lottery's Strategic Business Plan initiative to solicit feedback from players, and to analyze data so they can continue to provide a relevant gaming experience. After exploring several options, Scientific Games was selected to facilitate a player panel on behalf of the Lottery. Josh said they have assisted other state lotteries with player panels and their team has a deep understanding of the lottery industry, and extensive experience performing the requested tasks. Approximately 2,000 participants will be recruited, and a website will be developed to engage and collect their feedback. Scientific Games will gather and analyze the data, which will be shared with the Lottery to be used to better understand players and their interests.

Lastly, Josh gave a brief update on the One Washington project. As he reported in the past, the state has been working on a long-term replacement of the backend financial systems, some of which are over 30 years old. The first phase of the project was expected to launch in July of 2022; however, this has been delayed until October of 2022 to ensure adequate time to complete the system mapping.

Legislative & Legal Services Update:

Kristi Weeks, Director of Legal Services, began by sharing the Lottery received 11 formal requests for public records or information since the June meeting. However, she said this number does not accurately reflect all the requests related to the vaccine promotion, which were primarily from the news media. There have been no annuity assignment cases, but there were two administrative appeals filed, and one lawsuit. One of the appeals was a prize denial of an individual who submitted non-winning tickets and then requested a hearing. Kristi said the case was dismissed on a dispositive motion. The other appeal was a license denial based on a retailer's undisclosed criminal history. The case is scheduled for hearing in November, but Kristi will be filing a motion for summary judgement this month. The current lawsuit involves an individual who filed for a preliminary injunction to halt the vaccine promotion until such time as

he could be added to the list of eligible participants. He claimed due to a mental health disability he could not receive the Covid-19 vaccine. His request was denied by the Superior Court. He requested reconsideration, but that was also denied. He then filed a tort claim naming the Lottery, DOH, and Governor Jay Inslee as defendants. He is claiming a violation of the Washington Law Against Discrimination and is asking for damages for emotional distress. Kristi said the tort claim is a prerequisite to filing a lawsuit in civil court, and she will keep the Commissioners apprised as the case moves forward.

Next, Kristi provided a brief voluntary self-exclusion update. The rules became effective on June 14, 2021, and have been posted on the official Legislative website. The Lottery's dedicated voluntary self-exclusion webpage went live on July 1st and the marketing team has begun advertising the program through social media. Kristi said they have not had anyone enroll yet, but the program is now available for anyone who needs it.

Kristi said it is already time to start planning for the next Legislative Session. The time for submitting proposed agency request legislation to the Governor's Office for approval is quickly approaching. She said the Lottery does not have any proposals for the 2022 session, and she is not currently aware of any proposed bills by other agencies or private entities that would affect the agency's work.

Financial Report:

Maria Lourenco-Douka, Finance Director, presented the final biennium 2021-23 Pro-Forma. She reminded the Commissioners that at the June meeting they voted to approve the estimated biennium 2021-23 budget Pro-Forma obtained from the ERFC. She ran through the updated projected numbers for the operating budget, sales revenue, operating expenses, and contributions.

Chair Loveland inquired about the first foot note that referred to the "on-line gaming system vendor." Maria explained that it refers to the draw games vendor, which is IGT.

Sales & Marketing Update:

Ron Smerer, Director of Sales and Marketing, started by sharing the final sales results for fiscal year 2021. Lotto was the only game that lagged for the year, and Ron said they are looking at several ideas to try and enhance the game. He then presented the sales results for the first month in fiscal year 2022, which were \$300,000 above last year.

He next provided a review of corporate accounts for the fiscal year and talked about the top selling retailers in the Spokane region. Statewide, Safeway had the highest lottery sales for grocery stores, followed by Fred Meyer, then QFC, WinCo, and Walmart. For statewide convenience stores, Ron said 7-Eleven stores carried the highest lottery sales, with Jackson's being the next highest in sales, followed by Circle K, and then Maverick stores. Ron said the new DOI Spokane store continues to outperform expectations, with an average of \$4,589 in weekly

sales for the first 32 weeks. The Gem Touch lottery vending machines were recently upgraded at the SeaTac Airport, which resulted in a 28% increase in weekly total sales and a 38% increase in scratch sales. Ron also shared they were able to come to an agreement with the airport on where the kiosk will be relocated, which will be at the entrance of the "C" gates.

Ron said last year they decided to move forward with the idea of "Bundle Buttons." This pulls together different games into a bundle and makes it easy to purchase a variety of different draw games. The team coordinated four different bundles for \$5, \$10, \$20, and \$30. Ron said so far, the bundles are selling better than expected, with the \$30 bundle performing surprisingly well.

Commissioner Giniger commented that the Hit 5 sales results so far this fiscal year have increased significantly over the previous year and asked what that is being attributed to. Ron said this time last year they were still only drawing Hit 5 three times a week. It was not until the end of August 2020 that they began the daily drawings, and the numbers began to increase immediately following that change.

Commissioner Finn said he was impressed with the statewide corporate sales, especially given the difficult economic situations many are facing. He asked if they know how those sales compared to other states. Ron said from what he has seen, many other states also saw an increase in sales last year. He said when the casinos were closed last year they saw a large increase in scratch sales, and it seems they have been able to maintain some of those players.

Randy Warick, Assistant Director of Marketing, began by talking about public relations and the great job Curator did with the "Shot of a Lifetime" and "A Heroes Thanks" promotions. During June and July, the PR team worked non-stop and there were over 1,300 news stories featuring the Lottery. They were in constant communication with the media, sending over 2,100 emails, coordinating 35 interviews, 547 TV Stories, and experienced over 809 million impressions. Randy talked a little about the different news stories and the success they had with getting the top winners to participate in media appearances.

Next, Randy provided a marketing update and shared that the new Seahawks Scratch ticket launched on August 9th. This year's ticket gives players a chance to win 2021 Gameday packages and 2022 season tickets. He also displayed the Seahawks Scratch advertising spot that is running on gas station TV at over 1,300 screens across the state. Randy said the new NHL Kraken Scratch ticket will launch on October 4th, and players will have a chance to win some great 2nd chance Kraken prizes. Randy also shared that the relaunch for Powerball is planned for August 23rd, featuring the new Double Play add-on and the three-day-a-week drawings. He said Wunderman Thompson did a great job of coming up with a secret agent themed campaign to engage players and he shared what will be seen on Lottery vending machines, gas station TV, and social media.

Commission Report – Instant Ticket Artwork Review:

Gaylene Gray, Instant Product Manager, presented new scratch ticket artwork for the Commissioners review and briefly talked about each one. Commissioner Finn and Chair Loveland both indicated that the kitten and corgi themed scratch tickets may appeal to children, however neither one felt they specifically targeted minors.

Commission Business/Agenda Items:

Chair Loveland asked if there was any other business that Commissioners wished to put forward or any suggestions for the next meeting agenda, which will be held on October 21, 2021.

Commissioner Giniger asked if Director Glasper could supply an update related to the selling of Scientific Games. Director Glasper said the company is dividing into three different entities, and they are working with lotteries to reassign contracts to the one that will be dedicated to lottery only. Kristi said her understanding is they are not selling off at this time, but are reorganizing within Scientific Games International, and will now have subsidiaries within the main corporation. The Lottery has been asked to sign off on moving its contract to the subsidiary, Scientific Games Incorporated, which is still under the company and working with the same partners. Kristi said she has reviewed the agreement and did not see anything of concern.

Commissioner Giniger asked if the reorganization was a precursor to selling the company. Director Glasper said he will have to go back and confirm, but he believes the statement Scientific Games released left open the possibility of selling off one of the entities. He said he would look into it and provide additional information to the Commissioners.

Chair Loveland asked for some information on how the Lottery is affected when retailers change names or are taken over by new management. Kristi explained that there are contracts in place for each licensed retailer, and part of the contract requires them to notify the Lottery prior to the change of ownership. The new owners, or co-owners must apply for a new license which includes a background check.

Public Comment:

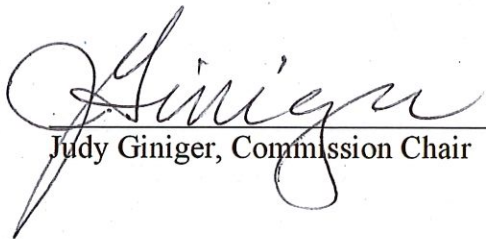
Chair Loveland asked if any members of the public wished to make public comment or voice any concerns. There were no comments made.

Adjournment:

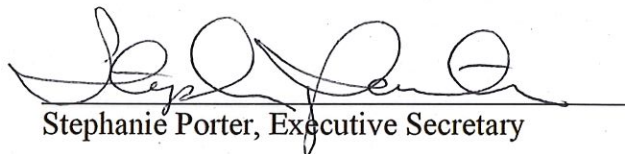
10:13 a.m. – Chair Loveland adjourned the meeting.

The August 19, 2021, Lottery Commission Meeting Minutes were approved this 21 day
of October, 2021.

Respectfully submitted,



Judy Giniger, Commission Chair



Stephanie Porter, Executive Secretary

