



Lottery Commission Meeting Minutes  
Thursday, August 18, 2022  
Virtual Meeting – Microsoft Teams

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**Commission Member Attendees:**

Fred Finn, Commissioner  
Schuyler Hoss, Commissioner  
Rudy Mendoza, Commissioner  
Eileen Sullivan, Acting Chair

**Lottery Staff Attendees:**

Nikki Bardwell, Policy Coordinator	Maria Lourenco-Douka, Director of Finance
Jim Bevan, SharePoint and Office Administrator	Shanelle Montano, Administrative Assistant
Janet Brooks, Secretary Lead	Kathi Patnode, Marketing Operations Manager
Anquone Conyer, Support Services Manager	Derek Poppe, Acting Director of Security & Licensing
Crystal Fischer, Chief Information Officer	Debbie Porter, Licensing Coordinator
Jon Flores, Lottery Security Specialist	Stephanie Porter, Executive Assistant
Marcus Glasper, Director	Tiffany Pringle, Legal Services Coordinator
Gaylene Gray, Instant Product Manager	Debbie Robinson, Director of Human Resources
Shar Hawley, Org. Perf. & Planning Administrator	Ron Smerer, Director of Sales & Marketing
Josh Johnston, Deputy Director	Randy Warick, Assistant Director of Marketing
Wyatt Labaw, Lottery Security Specialist	Kristi Weeks, Director of Legal Services
Viola Lippincott, Project Manager	Jenny Whiteside, Corporate Acct. Manager

**Other Attendees:**

Eric Allen, Assistant Attorney General	Rebecca George-Kaldor, WIGA
Scott Battishill, Curator	Brent Ludeman, Gano and Associates
Kristie Christensen, Wunderman Thompson	Madison Ellis, Wunderman Thompson
Scooter Churchill, Wunderman Thompson	Drew Scolaro, Scientific Games
Rosina DePoe, WIGA	Aubrey Seffernick, Kalispel Tribe of Indians
Linda Edwards, WIGA	Shannon Struempfler, IGT
Xiamara Garza, Curator	

**Call to Order:**

8:30 a.m. – Acting Chair Eileen Sullivan called the meeting to order.

Acting Chair Sullivan began by asking for a commissioner roll call. Commissioners Fred Finn, Schuyler Hoss, and Rudy Mendoza confirmed their virtual attendance.



**Approval of Meeting Minutes:**

Acting Chair Sullivan entertained a motion to adopt the minutes of the April 21, 2022, Commission Meeting, and the June 27, 2022 Special Meeting, as presented.

Commissioner Finn **so moved**, and Commissioner Mendoza **seconded**. Acting Chair Sullivan called for a vote for approval of the minutes of the April 21, 2022, Commission Meeting and the June 27, 2022, Special Meeting. Ayes were unanimous. **Motion carried.**

**Approval of CR 101:**

Kristi Weeks, Director of Legal Services, explained that the purpose of today's vote was to approve the CR 101 to open rule making for the proposed new game, Cash Pop. Prior to the Commission vote, Deputy Director Josh Johnston provided information about the new game.

Josh gave an overview on how the Cash Pop game is played. He explained a player would pick a number between 1 and 15 for each play, which is called a "pop." Each pop would cost \$5. The player would then pick how many consecutive draws they will play that number, up to 20 times. The ticket generates randomly selected prize amounts for each pop, and the Lottery draws one winning number daily. If a player's number is drawn, they win the prize amount associated on their ticket with that pop. All prizes are between \$25 and \$500, which can be redeemed at a retail location. Josh said they looked at recent player research from other states offering the game and found that players liked the simplicity of the game. Of the 3,525 respondents, 52% said the game was better than other games in their jurisdiction, and 55% said they would try the game. Josh shared some projected sales data, and said the Lottery anticipates weekly sales to be somewhere between \$385,000 to \$770,000.

Acting Chair Sullivan asked how many other state lotteries offer this game. Josh said he believes there are 10 other lotteries that use this game, but they do it differently than what is being proposed. The game was designed to be a multi-draw game, however because Washington has restrictions that prohibit multi-daily drawings Josh said they altered it slightly to fit a daily draw structure.

Kristi said in order to implement this new game, the Lottery needs to write rules for how it will work. If the Commission votes today to approve the opening of the CR 101, it does not mean the Lottery is committing to moving forward with Cash Pop. An approval will simply allow the Lottery to begin the process of formally exploring and possibly drafting rules for the game.

Acting Chair Sullivan entertained a motion to adopt the CR 101, to open the rule process for the proposed Cash Pop game.

Commissioner Finn **so moved**, and Commissioner Hoss **seconded**. Acting Chair Sullivan called for a vote for approval of the CR 101, to open the rule process for Cash Pop. Ayes were unanimous. **Motion carried.**



### **Approval of CR 102:**

Kristi Weeks, Director of Legal Services, began by thanking the Commission for assembling in June for a special meeting to approve the CR 101 to open WAC 315-04-180 – Obligation of Lottery Retailers, to begin looking at possible changes. The rule outlines some of the requirements for retailers who sell Lottery products, and one section currently states that once they accept a pack of tickets and activate them for sale, they have purchased those tickets. The retailer must pay the Lottery for that pack of tickets, even if those tickets become lost or stolen. Due to the significant increase in thefts since 2020, the Lottery wanted to look at possibly amending the rule for those instances where a retailer has done everything correctly to prevent the theft of activated Lottery tickets, but they are still stolen. Kristi said she reached out to several stakeholders while working on the proposed amendments, including the Korean American Grocers Association and the Washington Food Industry Association. If the Commissioners vote to approve the draft rule language, Kristi said they will then publish it on the Washington's Lottery website and the Code Revisor's website to allow for public comment. And finally, at the October Commission meeting a hearing will be held to review and hear any public comments, prior to the Commissioners vote on the final rule language.

Kristi asked the Commissioners to approve the CR 102 to publish the draft rule language for public comment. Commissioner Finn asked if Kristi had reached out to the Washington State Retailers Association and expressed concern over the 2-hour notification timeframe. Kristi said she had not but would reach out to them, and ensure they have an opportunity to provide input during the public comment period. She agreed that 2-hours is not a lot of time, but explained that if the thefts are reported quickly, they can deactivate those tickets before any can be cashed in.

Acting Chair Sullivan entertained a motion to file the CR 102, draft amendment to WAC 315-04-180 – Obligations of Lottery Retailers.

Commissioner Finn **so moved**, and Commissioner Hoss **seconded**. Acting Chair Sullivan called for a vote for the approval to file the CR 102. Ayes were unanimous. **Motion carried.**

### **Director's Update:**

Director Marcus Glasper began by formally introducing and welcoming Commissioner Hoss, who replaced the seat vacated by Dr. Daria Willis at the beginning of the year. He then briefly talked about year-end sales and was pleased to share that the Lottery finished fiscal year 2022 at \$908 million, which is \$25 million above the \$883 million target. Director Glasper thanked everyone, especially the sales team, for another great year.

Three retail locations officially went live with debit transactions on June 27, 2022. Director Glasper said they have since continued to expand the number of locations that have Lottery vending machines (LVMS) offering debit payments, and so far, the rollout has been successful. He said Josh would be providing additional details in his report, but he wanted to make sure to express his gratitude to the team for their efforts and collaboration over the last two and a half years. He went on to recognize individual staff members for their roles in the project, as well as



International Game Technology (IGT) for their partnership and persistence throughout the entire process.

Director Glasper said the Multi-State Lottery Association (MUSL) is still working on their agreement to expand Powerball into Australia. They believe this will be finalized sometime in 2023, but there are no expected impacts to Washington's Lottery. MUSL is also exploring a number of promotional concepts and partnerships with industry giants, including the NFL and NASCAR. He said the Lottery will continue to evaluate its participation in these concepts on a case-by-case basis. The Mega Millions consortium is also continuing to evaluate potential changes to the game. They hired a research firm to solicit player input for the three game options currently being considered. The firm reported back at the beginning of the month with some noted pros and cons of each game but overall, all three options were received favorably by players. Director Glasper said the Mega Millions Directors are continuing discussions and hope to make a decision soon. Once a decision is made, the Lottery will then go through the rulemaking process.

Director Glasper next provided an update on the Lottery's continued efforts towards theft prevention at retailers. He said in July they had 17 cases, which is a significant drop compared to 88 back in January. The decrease may be attributed to the education blitz they recently completed, and Director Glasper thanked IGT, the division sales representatives, and the security staff for their efforts in educating Lottery retailers on best practices. He shared that the highest number of cases are still grab-and-run thefts, and there is a warrant out for the arrest of a prolific suspect who has not been found yet. Although numbers are down, they will remain extra vigilant and continue to explore additional preventative measures, including new technology.

The annual financial audit and the annual prize payment audit have both begun for the Lottery. Director Glasper said they expect the prize payment audit to be completed in early September and the financial audit to be completed sometime in October. Statute requires the Office of Financial Management (OFM) to contract with an independent accountant to annually conduct an audit of the Lottery's prize payments to ensure the manner and time of payments to winners is consistent with rules and are being properly documented. Director Glasper said in addition to managing the annual audits, the Financial Team has been swamped with work related to year-end financial statements, debit card transactions, and the One Washington project. He said although they have been short staffed, they continue to meet deadlines and thanked Maria Douka and her team for their commitment and dedication through it all.

Director Glasper mentioned they held a Strategic Planning retreat in June and are in the middle of defining initiatives and completing the next two-year plan. He said they hope to have a draft done in mid-September and will provide more information and solicit input from the Commission soon.

He also shared that the Lottery is moving forward with major changes to the Federal Way and Yakima regional offices. While evaluating the performance of the Department of Imagination (DOI) store in Spokane, the Lottery has been assessing all offices on the viability of converting



them from cost centers to revenue centers. Prior to the pandemic, the Federal Way region operated a kiosk and vending machines at the Southcenter Mall for several years, and by using that data to conduct a cost/benefit analysis they found the location was already generating upwards of \$23,000 a week. Director Glasper said they determined moving the Federal Way office to the Southcenter mall and establishing it as the second DOI Store would be a viable and profitable move. They are currently working with OFM and the Department of Enterprise Services (DES) on lease negotiations, but there is not a definitive timeline at this point.

Director Glasper said the other change will be to the Yakima Office, which will be moving to the Tri-Cities. He said they looked at a variety of factors including current population and growth rates, before determining that moving to the Tri-Cities was the best opportunity to strategically position the Lottery for a future DOI store. He said they hope to find a location near the Columbia Center Mall with sufficient traffic and visibility and will plan to sell lottery products from that office. Initially, it will not be an official DOI store, but it will give the Lottery objective financial data to analyze the feasibility of one day transitioning into a mall. He said they have an ideal location targeted and are currently working with OFM and DES on the lease process. They believe it will take about a year to complete the move.

#### **Deputy Director's Update:**

Josh Johnston, Deputy Director, began by providing an update on the debit card project. He talked about the phased deployment for implementing debit card readers and the three different styles of LVMS, some of which already have debit readers installed and about 1,600 others that had to be retrofitted. So far 808 retrofit devices have been installed, with 813 remaining. Josh said the project just moved into phase three last week, and they now have 618 active devices with an average daily debit purchase amount of \$20,402. Next week they will move into phase four and another 325 devices will be activated, followed by phase five on September 1<sup>st</sup> with an additional 464 devices activated. Josh said players are still adjusting to the new shopping cart feature, with the most common reported issue being moving from cart loading to checkout. In response, instructional danglers have been attached to machines to assist players with how to use the shopping cart. Currently the biggest issue is the number of refund requests, which they are researching and hope to find the root cause and solution for quickly.

Josh next provided an update on the Spokane DOI store and began by recapping its history. It opened in December of 2020, Monday through Friday from 8 a.m. to 5 p.m. In December of 2021, the store hours were extended to match the Northtown Mall hours, and in May of 2021 they began paying prize claims over \$600 during those expanded hours. Prior to expanding the store hours average weekly sales were at \$4,957, and now they are experiencing an average of \$9,279 a week in sales. Josh said originally, they determined the store would begin making a profit in year six, however with the expanded hours they now expect to breakeven in year four. He said although afterhours claims are currently not utilized as much as expected, by offering the option it creates equity and additional accessibility for players unavailable during regular business hours. There has been some difficulty hiring for the expanded hours and some additional burden placed on the Regional Sales Manager, but they are looking at options for



adjusting the staffing structure to address the issues. He said overall the change to hours has been positive for players and is making additional profit for the Lottery.

Commissioner Hoss asked Josh if he knew if the revenue being generated at the Spokane store is incremental new revenue or is there any data showing sales are being poached from other locations. Josh said they have looked at the retailers in the Northtown Mall area and so far, they have not detected any declines in sales or received any complaints about potential impacts. From the numbers they are seeing, they believe the increase in sales is incremental new revenue.

Josh was happy to announce that the kiosk at the SeaTac airport has finally reopened. The redesigned kiosk is now in its new location at the entrance to the C terminal. He talked about the challenges the Lottery had over the last several years negotiating with the airport on the space, but he was excited to share that in the first month of being reopened it did nearly \$50,000 in sales.

Finally, Josh provided a brief update on the One Washington project, which is the new financial system that will replace the state's antiquated system. The project has been on pause while they worked on developing a new scope, deployment, and schedule. They have completed the deployment strategy and scope, and have proposed a single cut-over for the entire state. They are now working on the new deployment schedule. Josh said the Lottery project team continues to work on the remediation of their legacy systems and feels good about where they are at in the process.

#### **Legislative & Legal Services Update:**

Kristi Weeks, Director of Legal Services, began by sharing the Lottery has received 11 requests for records or information since the last Commission meeting. They have also received one request for an Administrative Hearing, which is a retailer revocation case. Kristi said the Brief Adjudicative Proceeding (BAP) rules that the Commissioners approved in April went into effect on June 9, 2022, and this hearing will be the first time using the process.

Kristi also provided an update on the Mido lawsuit, the company that offers lottery tickets to the public through a mobile app. Kristi explained that because the sale of lottery tickets over the internet is specifically prohibited in law, it is the state's position that Mido began operating in Washington unlawfully. The Gambling Commission issued a notice of Cease and Desist, and Mido then sued them and is asking the court to declare their operation in the state legal. The trial date has been continued to July 3, 2023. Kristi said they will continue to watch this case and keep the Commission informed.

Over the last three years, Kristi said she has been designated as the Lottery representative on the legislatively mandated Problem Gambling Task Force. It was directed to produce an interim report to the Legislature in November of 2020, and a final report in November of 2021. The interim report was completed by the deadline; however, the Legislature granted a one-year extension on the final report in order to complete a prevalence study. Kristi explained that the



study was necessary to obtain sufficient data to evaluate where problem gambling resources are needed and make informed recommendations. The prevalence study is now completed and with the Division of Behavioral Health at the Health Care Authority for additional data analysis. The final study is scheduled to be released by October 31, 2022, and Kristi said she will get a copy to the Commissioners once it is received. The final report and recommendations are on track to be delivered to the Legislature by November 30, 2022. Among the recommendations, Kristi said there will likely be one for additional funding to the state problem gambling program which will likely increase the Lottery's annual contributions. They want to increase the funding to allow for expansion of certified problem gamblers and additional research evaluation and monitoring.

With the legislative session approaching, Kristi shared that the Lottery is exploring a possible agency request bill to strengthen privacy protections for players. The Lottery's current policy is to only release the winner's name, city, game, prize amount, and the retailer where the winning ticket was purchased. This policy is based on a number of different exemptions in the Public Records Act (PRA), but given the PRA's broad scope, narrowly construed exemptions, and steep fines for noncompliance, the Lottery is seeking one clearly stated exemption in the law. Agency request packages are due to the Governor's Office by September 16<sup>th</sup>, so the Lottery is working quickly to decide if they will move forward with submission. If they do move forward, it will still need to go through the Governor's review process and approval before the Lottery would be able to introduce it in January of 2023.

### **Financial Report:**

Maria Lourenco-Douka, Finance Director, presented the latest projections for fiscal year 2023 sales as reported by the Economic and Revenue Forecast Council in June. She shared the financial totals that were initially reviewed and approved by the Commission at a previous meeting, compared with the latest projected sales totals. Commissioner Hoss commented that he has many years of experience reviewing state agency budgets, and he was impressed by the minimal variance of the Lottery's totals.

### **Sales & Marketing Update:**

Ron Smerer, Director of Sales and Marketing began by sharing the fiscal year 2022 final sales results. As mentioned by Director Glasper, Ron said they exceeded their overall sales goal, in addition to their Scratch and Hit 5 goals. He shared the fiscal year 2023 sales goal, which is set at \$917.5 million. So far, the year-to-date sales are ahead of last year at \$92.8 million, which Ron said can mostly be attributed to the recent billion-dollar Mega Millions jackpot. During the week of the large jackpot the Lottery had over \$33 million in sales, with over \$18 million in Mega Millions tickets sold. He talked about some of the biggest selling locations for that week, including the Spokane DOI store with \$17,563 in sales, the SeaTac Airport kiosk with \$106,851, and the LVM located at the Muckleshoot Casino had over \$44,000 in sales.

Ron also shared that the regional sales managers and district sales representatives have been helping with the effort to educate players on the new features of the LVM's. They have been



visiting retailers in their regions that have active LVM debit card readers and assisting players with learning the new process. He said some players have had challenges with the new shopping cart feature, but as they continue to use it, they are finding it is much like purchasing from Amazon or other similar sellers.

Randy Warick, Assistant Director of Marketing, began his report by talking about Curator, the Lottery's public relations firm. Since the last Commission meeting in April, they have helped the Lottery receive positive news coverage throughout the state for its 40<sup>th</sup> Anniversary, unclaimed winnings, growing jackpots, and recent winners. Randy shared some of the news headlines, but specifically shared the story of a local Hit 5 winner. The player visited a retailer to claim their winnings, believing they had won \$360 and were amazed to learn they had actually won \$360,000. The story crossed over 28 states, has been covered by the media more than 94 times, and resulted in over 102 million impressions.

Next, Randy shared some of the social media spots announcing that debit is coming to Lottery vending machines. He thanked Wunderman Thompson, the Lottery's advertising agency, for their fun promotional design. Randy talked about the 40<sup>th</sup> Anniversary Scratch ticket and it's 1980's theme. He shared the Gas Station TV spot and social media advertisements for it, and said the ticket is selling really well. He also shared the beneficiary message and advertising that is currently on display at the Yakima SunDome.

Randy shared what is coming with the new Seahawk's Scratch ticket promotion. He talked about the social media promotions, and said they just wrapped up the new broadcast spot called "Fan Up," where they had the opportunity to work with Kam Chancellor and Cliff Avril. He said he will be sharing it at the next Commission meeting, but everyone will have a chance to see it if they are watching the Seahawk games.

Finally, he shared they have been working on two new concepts for the "Go Full You" campaign. The brand spots are called, "Go Full Rockstar" and "Go Full Pillow Fight." Randy said they are currently finalizing all of the video content and they are scheduled to come out in January.

#### **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. The Commissioners did not have any questions or concerns with the presented scratch artwork.

#### **Commission Business/Agenda Items:**

Acting Chair Sullivan asked if the Commissioners wished to bring anything forward for discussion. Commissioner Hoss commented that he really appreciates all of the support he has received from Lottery staff as he transitioned into his role on the Commission. He said he has enjoyed his time so far and looks forward to continuing to work with everyone.



Acting Chair Sullivan asked if there were any topics the Commissioners wanted to recommend for the next meeting agenda. There were no items brought forward.

**Public Comment:**

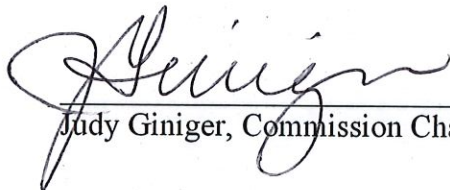
Acting Chair Sullivan asked if any members of the public wished to make public comment or voice any concerns. There were no comments made.


**Adjournment:**

10:00 a.m. – Acting Chair Sullivan adjourned the meeting.

The August 18, 2022, Lottery Commission Meeting Minutes were approved this 27 day  
of October, 2022.

Respectfully submitted,

  
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Judy Giniger, Commission Chair

  
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Stephanie Porter, Executive Secretary



