



Lottery Commission Meeting Minutes
Thursday, October 22, 2020
Conducted virtually via Microsoft Teams

Commission Member Attendees:

Peter Bogdanoff, Commissioner
Fred Finn, Commissioner
Judy Giniger, Commissioner
Valoria Loveland, Chair
Eileen Sullivan, Commissioner

Lottery Staff Attendees:

Jim Bevan, SharePoint and Office Administrator
Dan Devoe, Director of Security and Licensing
Cheryl Earsley, Scratch/Promotions Coordinator
Crystal Fischer, Director of Information Services
Marcus Glasper, Director
Gaylene Gray, Instant Product Manager
Shar Hawley, Lean Program Manager
Josh Johnston, Deputy Director

Maria Lourenco-Douka, Director of Finance
Kathi Patnode, Marketing Operations Manager
Stephanie Porter, Executive Assistant
Debbie Robinson, Director of Human Resources
Ron Smerer, Director of Sales & Marketing
Randy Warick, Assistant Director of Marketing
Kristi Weeks, Director of Legal Services

Other Attendees:

Julie Anderson, Gambling Commission
Scott Battishill, Curator
Delaney Berreth, Curator
Becky Bogard, IGT
Kristie Christensen, Wunderman Thompson
Scooter Churchill, Wunderman Thompson
Rosina DePoe, WA Indian Gaming Association
Rebecca Echols, Assistant Attorney General
Belle Eliason, Curator
Rebecca George-Kaldor, WA Indian Gaming Assoc.

Lisa Levine, IGT
Ryan Lyonais, Wunderman Thompson
James Mackenzie, Wunderman Thompson
Dan Miller, Curator
Bonte Nemec
Ashley O'Connell, WA Indian Gaming Assoc.
Shannon Struempf, IGT
Dave Trujillo, Gambling Commission
Sayee Vaitheesvaran, Gambling Commission

Work Session:

Director Marcus Glasper welcomed everyone to the virtual Commission meeting and provided a reminder that the meeting was being recorded. Director Glasper introduced Director Dave Trujillo from the Washington State Gambling Commission, and noted his professional biography. He was invited to give the Commissioners with an overview of the Gambling Commission.

Director Trujillo began by sharing the history of gambling legalization and regulation in Washington State, which resulted in the Gambling Commission being established in 1973. He then discussed sports wagering, including the history of sports gambling laws in our state, and the illicit sports wagering market. In 2018, the Supreme Court overturned the existing Professional Amateur Sports Protection Act law, which has opened up the opportunity for states to authorize sports gambling. He said although it has been authorized by the Washington Legislature, it is not yet operational, and talked about the five pillars of sports wagering: Strong Licensing and Regulation, Stable Agency Funding, Strong Money Laundering and Professional Gambling Statutes, Strong Sports Integrity Laws and Policies, and Strong Problem Gambling and Responsible Gaming Policies. In the 2020 Legislative session, sports wagering was authorized for tribes only. The Gambling Commission is currently negotiating compacts with tribes, and Director Trujillo explained the gaming compact approval process.

Director Trujillo wrapped up by sharing a few other things that the Gambling Commission will be working on in 2021, including compact amendments, agency request legislation for the 2021 Session, and the Problem Gambling Task Force, which the Lottery is also a part of. He concluded his presentation and provided an opportunity for attendees to ask questions.

Randy Warick asked, because they are negotiating tribal compacts individually, will it result in different variations of sports betting in the state? Director Trujillo said while it is possible to have different compacts, they hope to have one or two tribes leading the way for sports wagering and once a tentative agreement is reached it could be used as a template for all the tribes. They currently have five negotiations taking place that include about 13-14 tribes, and with those he believes they will see similar compact amendment language and a sports wagering appendix that includes various standards. However, he said there will likely be differences with the internal controls.

Chair Valoria Loveland asked if the ex officios to the Gambling Commission are made-up of two representatives from the House and two representatives from the Senate. Director Trujillo confirmed that was correct, and added that they represented both major parties, a House Democrat and a House Republican, and a Senate Democrat and a Senate Republican. Currently the ex officios are Senator Conway, Senator Holy, Representative Vick, and Representative Kloba.

Chair Loveland asked if any of those legislators have relationships or connections with any of the tribes. Director Trujillo said tribes have been fairly active on the Capitol Campus and each ex officio has tribes in their constituency, but he is not sure what, if any relationships they may have created.

Chair Loveland also asked what kind of funding or fees are included in the compacts. Director Trujillo explained that the Indian Gaming Regulatory Act allows the Gambling Commission, as the co-regulator with the tribes, to be compensated for their time. In the current compacts the tribes are billed for reasonable and direct costs of regulation. The other source of funding is through license fees.

Chair Loveland asked if they anticipate the Legislature being open to sports betting outside of the tribes as they look for revenue to assist with financial difficulties as a result of COVID-19. Director Trujillo said it is probably not likely they would authorize sports wagering beyond the tribes.

Commissioner Judy Giniger said there is a report on problem gambling due to the legislature next year, and she wanted to know if the report takes into account the issues that could arise with sports betting, and if problem gambling is being discussed in negotiations with the tribes. Director Trujillo said problem gambling is definitely a topic during negotiations and many of the tribal leaders are very engaged in the subject. He said the Problem Gambling Task Force includes tribal social and behavioral health representatives and the goal is to find the gaps and fill those needs. He said the interim report from the task force is due this legislative session, and the final report is due the next legislative session. He said they may have to delay the final report because of a prevalence study that will be conducted but has been delayed due to COVID-19. He said the prevalence study is looking at gambling in its entirety, and sports wagering will only just be beginning but will likely be some part of it.

Call to Order:

Chair Loveland said she was calling into the Commission meeting from the mountains, and was having some connectivity issues so asked Commissioner Peter Bogdanoff if he could act as the Chair for this meeting.

9:40 a.m. – Chair Bogdanoff called the meeting to order.

A Commissioner roll call was performed, and Commissioners Peter Bogdanoff, Valoria Loveland, Fred Finn, Judy Giniger, and Eileen Sullivan were confirmed present at the virtual meeting.

Approval of Meeting Minutes:

Chair Bogdanoff asked if the Commissioners had a chance to review the minutes from the August Commission meeting and if there were any recommended changes. Hearing none, he entertained a motion to adopt the minutes of the August 20, 2020 Commission Meeting as presented.

Commissioner Giniger **so moved** and Commissioner Loveland **seconded**.

Chair Bogdanoff called for a vote for approval of the minutes of the August 20, 2020 Commission Meeting. Ayes were unanimous. **Motion carried.**

2021 Proposed Meeting Dates:

Chair Bogdanoff asked if the Commissioners had reviewed the proposed meeting dates for 2021 and if there were any concerns or recommended changes.

Director Gasper said he wanted to make note that the first two proposed meeting dates will be held virtually due to the current environment. The remaining meetings have been tentatively scheduled for in-person, but will be evaluated and adjusted to virtual meetings as necessary.

Chair Bogdanoff entertained a motion to approve the 2021 Commission Meeting Dates as proposed.

Commissioner Finn **so moved** and Commissioner Sullivan **seconded**.

Chair Bogdanoff called for a vote for the approval of the proposed 2021 Lottery Commission Meeting dates. Ayes were unanimous. **Motion carried.**

Director's Update:

Director Gasper began by providing an update on the state and national landscape. The North American Association of State and Provincial Lotteries (NASPL) held its annual business meeting last week, where a new slate of officers were elected. Director Gasper was pleased to announce that he was elected as Secretary of the Association. NASPL will be holding its annual conference next week virtually, beginning on October 26th. He said this is their largest conference and many of the Lottery staff typically attend. They will be holding virtual sessions throughout the course of the week, including the annual awards program.

Director Gasper said the Multi-State Lottery Association (MUSL) recently voted to change Powerball drawings from two days per week, to three days per week. They are planning to launch this change beginning August 23, 2021. After voting to make this change, they hoped the Mega Millions Consortium would consider making a similar change to the Mega Millions game. However, the Consortium ultimately voted against it at this time and opted for further analysis.

This time of year agencies must submit their budget request for the upcoming biennium, and Director Gasper said the Lottery's request was completed and submitted last month. Although the forecast is predicting a better than expected outlook, the state's budget will still be impacted by billions of dollars as a result of COVID-19. State employees have been undergoing furloughs since July, which will temporarily end this month. He said furloughs were originally slated to end in November, however due to some retirement system issues the November furlough has been delayed. It is likely the legislature will consider additional furloughs in the future as deliberations occur on the budget. Many agencies chose to close down for one furlough day per month, but given the daily draws and warehouse duties, the Lottery could not go that route. Director Gasper said staff have been gracious, understanding, and flexible through these challenging times.

Director Gasper said in addition to the early cost saving measures, state agencies were also asked to submit decision packages that equated to a 15% reduction for the next biennium. This was an exercise to see what impacts agencies would face as well as prioritize what might go into the Governor's budget. After completing the exercise, he said it would clearly have a devastating

impact on the Lottery, not only in staffing but in revenue. Director Glasper said he does not expect that the agency will be impacted in any significant way, but the decision packages have been made public on the Office of Financial Management's (OFM) website.

The Lottery is continuing to make progress on the responsible gambling initiative, and preparing the submission for the implementation level. Director Glasper was happy to say the training modules for both employees and retailers have been completed. The employee training has been launched and the team is working on a way to allow for the Commissioners to have access to the training as well. Commissioner Giniger volunteered to be the guinea pig as the kinks get worked out. Director Glasper said unfortunately the launching of the retailer training has been delayed due to COVID-19. It is important that the Lottery's District Sales Representatives be able to connect with retailers on the importance of the training, who should take the training, and be available to support them through the launch. The current environment has made that difficult, so the decision was made to wait to ensure success of the training.

Director Glasper said the Lottery's Strategic Plan for 2020-2022 has been completed and is in its final draft stages. The communication plan for rolling it out will occur over the next couple of weeks. He was pleased that even in a virtual environment employees were very engaged in the process and did an excellent job facilitating conversations across the agency where all staff had an opportunity to provide input. Director Glasper said he and Deputy Director Josh Johnston will also be connecting with each Commissioner to share and discuss the Strategic Plan in the near future.

With the continued COVID-19 restrictions in place, most Lottery staff continue to work from home. Director Glasper said it is not expected that will change before the first of the year. The Governor's office has established an approval process for agencies to submit plans for returning to the office while maintaining safety protocols, when conditions improve. He said he knows employees are feeling the isolation pressure, the lack of traditional collaboration spaces, and some technological challenges. However, they have been amazing and continue to find ways to be creative and keep the agency moving forward. At this time, the Lottery's Olympia Headquarters office remains as the only office open to the public.

Director Glasper said, because of the rule changes that were approved by the Commissioners earlier this year, the Lottery was able to improve two in-state games – Hit 5 and Pick 3. He said the changes were implemented on time, and they have been a great success. Both were launched August 30th and both are doing better than predicted. Hit 5 sales are \$2.2 million ahead of this same time period last fiscal year, which is a 33% increase. Daily sales are averaging \$118,000, which is 116% higher than before the change. With declining interest in the national jackpot games, Director Glasper said moving Hit 5 to a daily draw seems to have sparked renewed interest in the game. He said for Pick 3, although it was only a name change, they also took the opportunity to make some improvements to the play slip. An additional play panel was added and players can buy 25 advance plays as opposed to 7. While the changes were minor, Pick 3 sales are \$1 million above the same time period last fiscal year, a 19% increase, and the average daily sales have actually increased by about 2%. Director Glasper said he is very proud of the

results and thanked the team led by Shar Hawley and Crystal Fischer, as well as IGT for all their hard work.

Chair Bogdanoff thanked Director Glasper and congratulated him on his elected position to NASPL leadership, and the great work and subsequent success the Lottery has seen with the game changes.

Commissioner Loveland asked what led to the draw changes to the Powerball game. Director Glasper said his understanding is some states made changes to their in-state games, similar to what the Lottery did with Hit 5, and they saw increased net revenue as a result. MUSL wanted to bring renewed interest to Powerball and began soliciting proposals for optimizing the game. They considered changing the draws to seven days a week, but felt moving to three draws was a low risk change that could regain some attention without cannibalizing instate games.

Deputy Director's Update:

Josh Johnston, Deputy Director, began with an update on the construction of the Spokane Department of Imagination (DOI) store. They are making great progress and things are staying on schedule so far. He presented some pictures of the developing space and said construction is on track to be completed November 23rd. He said they hope to do a soft opening on December 1st, but they are still working through what "opening" means during this unique time. Commissioners will also be notified once they are able to plan a grand opening of the store.

Josh said the Lottery is recruiting a new Internal Audit Manager. As the Commissioners are aware, sadly Ilene Frisch passed away a few months ago, and they are looking to find someone to fill that role. The position serves both as the agency's Internal Auditor and the Risk Manager, coordinating all external audits, conducting internal audits, and guiding the agency through enterprise risk management. Josh said five candidates have been selected for interviews that will take place next week.

Recently there were cyber-attacks against the state IT systems, and although Josh said he could not share much about it, the Lottery is on top of the situation and working closely with WaTech to further secure the agency's systems. He said the Lottery had put several mitigation recommendations in place prior to the cyber-attack, so they were in a better position than some state agencies. He said to date, they have not had any incidents reported.

Commissioner Loveland suggested the Lottery should work with the Northtown Mall to find ways to advertise or build awareness of the new store in Spokane. Josh agreed, and said the mall has been great to work with so he would bring that back to the team to consider.

Commissioner Finn asked about the timeline and if there were additional delays. He said he remembers from the last meeting they talked about a 10-week plan, which would have set completion of the construction sooner. Josh said while there were not necessarily any delays, construction has taken longer than anticipated. He said they did have a few minor issues they

worked through along the way, including COVID-19 challenges, but the team has been very flexible and creative as plans were adjusted and they found solutions quickly.

Legislative & Legal Services Update:

Kristi Weeks, Director of Legal Services, began with an update on public records requests and said there have only been nine formal requests since August and various informal questions they have handled. She said there have not been any lawsuits filed, and there has also not been any administrative actions. There were four assignment cases, which she said was an unusual number for the Lottery. Kristi explained that an assignment case is when an annuity winner decides to transfer their future winnings to a third party. Two of the cases were for profit, and two were related to the death or disability of a winner who wanted to assign their winnings to a trust.

Kristi said something she has been working on since the last Commission meeting, was a transition document for the Governor's office. Every four years, prior to a gubernatorial election, state agencies are required to draft a transition document that could be used as an orientation for a new Governor, or a refresher for an incumbent. A template was provided, and this year emphasis was placed on COVID related activities and challenges for the agency. The Lottery completed and submitted their transition document on October 14th. Kristi said although it was not complex, it was a great opportunity to highlight the agency's accomplishments and beneficiary contributions over the last four years.

As Director Trujillo mentioned in his presentation, the Problem Gambling Task Force is a Gambling Commission endeavor that was assigned to them in a 2019 Budget proviso. The Lottery was designated to have a seat on the task force, and Kristi has been the representative and participating in meetings for about a year. The task force consists of a main group and various subcommittees, and Kristi said she volunteered for the research and data subcommittee because she wants to ensure the new prevalence study is developed in a way that breaks down gambling into subcategories. She would like to see the Lottery looked at separately from the overall umbrella of gambling, in order to get a better idea of the Lottery's specific impact on problem gambling. So far the major areas of focus for the group have been expanding Medicaid coverage to problem gambling treatment and contracting for the prevalence study. Kristi said unfortunately work on the study has been stalled due to the current freeze on personal service contracts and the need to hire a group to conduct the study. Because the work will not be completed within the biennium, there is likely to be a bill or new proviso to extend the timeline for the final report.

Kristi next provided a final update on the 2020 Census, which she has reported on at past Commission meetings. Data collection has ended and she was happy to report that Washington State's self-report rate was 72.4%. This exceeded the 2010 self-report number by 5.2% and tied for second highest rate in the country with Wisconsin. She said another 27.5% of households were counted through in-person interactions, bringing the total number to 99.9% of Washington households counted.

Commissioner Loveland thanked Kristi for the information and her participation on the Problem Gambling Task Force. She asked if the subcommittee has looked at programs from other states to try and learn what is working for them. Kristi said yes, most of the subcommittees are looking at best practices from other states.

Commissioner Giniger asked if Kristi could remind her what the timeline is for the self-exclusion program and the Lottery's part in it. Kristi said the bill that passed requires two separate programs to be created. The Gambling Commission will be developing a program for all their licensees, such as card rooms, and the tribes will voluntarily work with them to try and create one program for casino gambling in the state. Separate from that, the Lottery was directed to create their own self-exclusion program. Kristi said the rule making was opened for it last year, and they are in the process of drafting the rules and standing up the program. The statute says the program must be operational by June 30, 2021. Kristi said soon she will be sending a rough draft of the rules to the two Commissioners who volunteered to provide input.

Financial Report:

Maria Lourenco-Douka, Finance Director, presented the first three months of the actual results for the first quarter of fiscal year (FY) 2021. She said the FY2020 audit results she would normally be presenting are not available yet due to delays related to the pandemic, so she will cover those at the December meeting. She went through the FY2020-FY2021 financial comparison for the period ending September 30, 2020. She then talked about the budgeted amount to actual amount comparison for the same period. Next she provided graphs showing the vendor expense comparison for the current year, prior year, and the budgeted amounts. Maria then presented on the sales and estimated net profit by product for the period. And finally she went over the appropriated expenditure and full time equivalent (FTE) usage for the period.

Sales & Marketing Update:

Ron Smerer, Director of Sales and Marketing, began by sharing that the FY21 sales goal is set for \$800.2 million, which he said is a pretty big jump from last year. The first quarter sales goal is set for \$213.8 million, and actual sales are at \$237.1 million. He provided the year-to-date sales comparison for all Lottery games and noted the only games currently struggling are Lotto, Mega Millions, and Powerball. He said Scratch sales continue to be amazing, at \$38 million ahead of last year. Ron said overall they are on pace to hit the total sales goal, and maybe even break the record set last year.

Randy Warick, Assistant Director of Marketing, began with a public relations update and shared some of the topics that were seen over the last quarter, including stories on unclaimed prizes, and information about new scratch tickets being launched. He thanked Curator for the great job they did with getting those messages out. Randy next provided a marketing update and talked about the launch of the Hit 5 and Pick 3 changes, finalizing brand research for the next DOI brand campaign, Holiday scratch tickets, and the opening of the new retail store in Spokane.

Continuing their partnership with the Seattle Seahawks, the Lottery has found fun ways to advertise this year's Seahawks scratch ticket and for fans to interact from their homes. The Blitz 2020 Challenge is set to begin next week. It is a user interactive contest presented by the Seahawks that they are hoping will be a big success. They also got creative and found a way to do a digital meet-and-greet with Matt Hasselbeck. Randy shared they received over 24,000 entries for the first Seahawk scratch mail-in second chance drawing, which occurred on October 14th.

Randy said they just wrapped-up the Let's Imagine Together campaign with three final player generated ideas, "Beehive," "Jurassic Garage," and "Meowza 2020." These spots will be coming out the first of the year. The research for the new Department of Imagination campaign has been completed, and Wunderman Thompson will be bringing forward a presentation soon. Randy said he is very excited for this next chapter which will be revealed in February of 2021.

Commissioner Loveland asked how well the Seahawks scratch tickets are selling without the normal avenues for advertising or fans being able to go to live games. Randy said they are doing really well, and three of the four top prizes have already been claimed. Even during this pandemic, scratch ticket sales have continued to climb and the success of the Seahawks ticket has definitely added to that growth. Ron added that the next drawing for the second-chance promotion is on December 2nd and they have already received more mailed in entries than expected.

Commission Report – Instant Ticket Artwork Review:

Randy presented the new scratch artwork for the Commissioners to review. Commissioner Finn brought up a mild concern with the "Copper Dropper" ticket, in view of issues with violence against police. He said the inclusion of the penny image at the top helps to clarify the intent, but wanted to bring it up to the group. Randy shared that the ticket is based on a branded slot machine in the state and was not something they made up, however he felt Commissioner Finn had a valid point that the team had not considered. Commissioner Loveland also stated concern about the "Copper Dropper" possibly being interpreted poorly and asked about checking with the Governor's office. Randy suggested tabling this ticket due to the concerns voiced. Director Glasper said when the ticket was developed they were only considering if from the point of view of a penny and the licensed brand it represents, but now that this other perspective has surfaced they will not place it in the market at this time.

Commission Business:

Chair Bogdanoff asked if there was any other business that Commissioners wished to put forward. There was none.

Public Comment:

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

Agenda Items for Next Commission Meeting:

Chair Bogdanoff asked if there were any suggestions for the next meeting agenda, which will be held on December 17, 2020. Commissioner Loveland asked that a discussion be held if any major issues surface after the Governor's budget is released. Director Glasper said he will definitely make sure to discuss what is in the budget as it pertains to the Lottery.

Adjournment:

10:52 a.m. – Chair Bogdanoff adjourned the meeting.

The October 22, 2020 Lottery Commission Meeting Minutes were approved this _____ day
of _____, 2020.

Respectfully submitted,

Valoria Loveland, Commission Chair

Stephanie Porter, Executive Secretary