

NEW JERSEY STATE LOTTERY COMMISSION

PUBLIC MEETING DECEMBER 19, 2019

Chairman D'Anton called the Commission meeting into session at 10:00 a.m. in the Lottery Office located at One Lawrence Park Complex, Lawrenceville, New Jersey.

COMMISSION MEMBERS PRESENT

Robert D'Anton, Chairman
Marilyn Blazovsky, Vice Chair
Dini Ajmani, Treasurer's Designee
Gary Terwilliger, Division of Investment Designee
(by phone)

James A. Carey, Jr., Acting Executive Director
Robert E. Kelly, Deputy Attorney General

VISITORS

Adam Perlow, Northstar
Erica Helms, Northstar
Foster Krupa, Northstar
Sarah Brennan, Northstar
Sam Fromkin, Northstar
Desiree Maurin, MSI

STAFF

Regina Arcuri
Fran Edwards
Missy Gillespie
Jerry Guarino
Robert Kersey
Kalliopi Kostis
Jason Lee
Charlene Mello
Daniel O'Brien
Debbie Raub
Mary Ann Rivell
Margaret Square
John White

After the Pledge of Allegiance, Chairman D'Anton announced that the Lottery was in compliance with the provisions of the Open Public Meetings Act and that adequate notice of the meeting had been provided in the manner prescribed by law.

Chairman D'Anton requested a motion to approve the minutes of the November 21, 2019 Commission meeting. Acting Executive Director Carey stated that a question asked at the November 21, 2019 meeting was omitted from the minutes. During a discussion concerning sales of the multi-state lottery games, Vice Chair Blazovsky asked how participating lotteries contribute to fund multi-state jackpots. Acting Executive Director Carey and Deputy Director of Finance John White explained that all participating lotteries contribute to payment of jackpots and that advertised jackpot amounts are estimates and actual jackpots might be larger or smaller. Vice Chair Blazovsky made the motion to approve the minutes of the November 21, 2019 meeting as amended to include the discussion of multi-state jackpot game sales. The motion was seconded by Treasurer's Designee Ajmani. Chairman D'Anton asked if there were any comments and there being none, the motion carried.

DIRECTOR'S REPORT

Acting Executive Director Carey reviewed the Lottery's November results and activities. Highlights were:

All games total sales were: \$261 million
Lotto games total sales were: \$32.9 million
Daily machine games total sales were: \$77.8 million
Scratch-Off Tickets total sales were: \$150.3 million

Acting Executive Director Carey stated that Pick-6 had sales of \$4 million compared to \$9.9 million the prior year, which was a decrease of 58%.

Acting Executive Director Carey stated that CASH4LIFE had sales of \$4.5 million compared to \$3 million the prior year, which was an increase of 50%.

Acting Executive Director Carey stated that Mega Millions had sales of \$14.7 million compared to \$12.3 million the prior year, which was an increase of 19%.

Acting Executive Director Carey stated that Powerball had sales of \$9.5 million compared to \$9.8 million the prior year, which was a decrease of 2.2%.

Acting Executive Director Carey stated that Pick-3 had sales of \$32.6 million compared to \$32.5 million the prior year, which was an increase of 0.4%.

Acting Executive Director Carey stated that Pick-4 had sales of \$21.5 million compared to \$20 million the prior year, which was an increase of 3.8%.

Acting Executive Director Carey stated that Jersey Cash 5 had sales of \$10.2 million compared to \$13.4 million the prior year, which was a decrease of 23.9%.

Acting Executive Director Carey stated that Cash Pop had sales of \$2.4 million.

Acting Executive Director Carey asked Adam Perlow, Vice President and Chief Operating Officer of Northstar, if he would like to add anything about Cash Pop. Mr. Perlow stated that there is a coupon program that will begin in January where if a player spends \$3, they will get five numbers and five plays. There will be additional POS going up to support that beginning in February.

Acting Executive Director Carey stated that Quick Draw had sales of \$9.2 million compared to \$11.6 million the prior year, which was a decrease of 20.3%.

Acting Executive Director Carey stated that fiscal year to date Pick-6 had sales of \$24.9 million compared to \$41.7 million the prior year, which was a decrease of 40%.

Acting Executive Director Carey stated that fiscal year to date CASH4LIFE had sales of \$24 million compared to \$16 million the prior year, which was an increase of 53%.

Acting Executive Director Carey stated that fiscal year to date Mega Millions had sales of \$59.2 million compared to \$171.9 million the prior year, which was a decrease of 65.5%.

Acting Executive Director Carey stated that fiscal year to date Powerball had sales of \$49.6 million compared to \$95 million the prior year, which was a decrease of 47.8%.

Acting Executive Director Carey stated that fiscal year to date Pick-3 had sales of \$168.3 million compared to \$168.4 million the prior year.

Acting Executive Director Carey stated that fiscal year to date Pick-4 had sales of \$107.9 million compared to \$106.1 million the prior year, which was an increase of 1.7%.

Acting Executive Director Carey stated that fiscal year to date Jersey Cash 5 had sales of \$56 million compared to \$66 million the prior year, which was a decrease of 14.9%.

Acting Executive Director Carey stated that fiscal year to date Cash Pop had sales of \$6.1 million.

Acting Executive Director Carey stated that fiscal year to date Quick Draw had sales of \$52 million compared to \$49 million the prior year, which was an increase of 6.1%.

Acting Executive Director Carey stated that fiscal year to date Fast Play had sales of \$8.1 million compared to \$10.8 million the prior year, which was a decrease of 24.7%.

Acting Executive Director Carey stated that fiscal year to date Scratch-Offs had sales of \$771.7 million compared to \$754.5 million the prior year, which was an increase of 2.3%.

Acting Executive Director Carey stated that fiscal year to date all games had total sales of \$1.3 billion compared to \$1.4 billion the prior year, which was a decrease of 10.2%.

The monthly contribution to Pension Fund L for the month of November was \$75 million, which was a decrease of 1.8%.

The contribution to date to Pension Fund L for the fiscal year was \$380.6 million, which was a decrease of 16.8%.

Acting Executive Director Carey stated that net proceeds for the fiscal year to date were \$380.6 million or 28.6% of sales. Lotto games were \$62.2 million or 37% of sales. Daily games were \$151.2 million or 38% of sales. Instant games were \$163.1 million or 21% of sales.

Acting Executive Director Carey stated that total to date FY19 net proceeds, also include 30% of the current estimated forfeited prizes or \$4 million.

Acting Executive Director Carey stated that receipts and deposits for the month of November were \$223 million.

Acting Executive Director Carey stated that there were 95 electronic fund transfer (EFT) failures totaling \$348,303 or 0.16% of total receipts and deposits. The Accounts Receivable Unit settled or closed 84% of EFT failures from October.

Acting Executive Director Carey stated that current balances in annuity investment accounts total \$115 million.

The three top selling non-core games for November were "\$200X the Money Bonus," which generated \$16.8 million in sales, "Winter Wishes," which generated \$9.8 million in sales and "Hit \$2,000," which generated \$7.9 million in sales.

Total sales for Core and Family Games for the month were more than \$91 million. The "Crossword" family of games had \$26.8 million in sales, "Hit!" family of games had \$17.79 million in sales and the "Holiday" family of games had \$17.4 million in sales.

Acting Executive Director Carey stated that the four new games introduced during November were "Holiday Luck," "Holiday Lucky Times 10," "Holiday Lucky Bonus" and "Winter Wishes."

Acting Executive Director Carey stated that new games launched on December 2 were "2020 Cash Celebration," "Win for Life," "Double Match Bonus" and "\$1,000,000 Spectacular."

Acting Executive Director Carey stated that advertising to support the Holiday family of instant games began on November 29 and will run through December 24.

Acting Executive Director Carey stated that Quick Draw continued to run 50% Bonus Hours promotion on Thursdays in November.

Acting Executive Director Carey stated that there were a few high tier winners throughout the state in November. Jersey Cash 5 had two \$328,949 winners on November 18, one in Essex County and one in Atlantic County. There was a \$713,400 winner on a scratch-off ticket from Burlington County.

Acting Executive Director Carey stated that the Lottery's website had over 1,000,000 visitors in November. There have been discussions with Treasury regarding putting a reminder on the website that the 2020 Census is coming up. The Lottery has historically participated in efforts to help the Census.

Acting Executive Director Carey stated that all drawings for the month of November were completed with no abnormalities.

Acting Executive Director Carey stated that all on-line game pools were closed according to procedures with no abnormalities.

Acting Executive Director Carey stated that Lottery's IMS department submitted a purchase order to purchase two new video production Tricasters for approximately \$70,000. The Tricasters are a piece of broadcast production equipment that are essential to broadcast the drawings. There were technical difficulties in December with the broadcast on one of the Tricasters. The new Tricasters will be here in January.

Acting Executive Director Carey stated that the Public Information Office issued a press release on November 13 noting that the \$9.5 million Pick-6 jackpot ticket remains unclaimed.

Acting Executive Director Carey stated that there were 257 open investigations at the end of the month. There were 138 security investigations initiated. There were 122 security investigations completed. There were 51 licenses issued.

Acting Executive Director Carey stated that the Validations department received and sorted 3,389 mailed claim forms during the month of November and an additional 369 walk-in claims. Staff entered 3,754 claims into the claims tracking system. During the month of November, there were 4,108 claims totaling over \$11.8 million that were paid to winners including annuity payments.

Acting Executive Director Carey stated that there were 31 Social Security number matches between the files from the Department of Human Services, Department of Labor, Department of Community Affairs and the Division of Taxation.

Acting Executive Director Carey stated that there were 9 claims that were processed and garnished because of current and previous matches totaling \$7,218.88. Four of the garnishments went to satisfy child support arrearages and five were for public assistance and food stamps.

Acting Executive Director Carey concluded the Director's Report.

Chairman D'Anton asked if there were any questions or comments.

Vice Chair Blazovsky stated that she noticed that sales for Fast Play and 5 Card Cash are down. Are there any plans for Fast Play because we just recently approved some game rules for that. Also with 5 Card Cash, is it costing us more to keep that game running than we are getting back in revenues? Acting Executive Director Carey responded that 5 Card Cash costs very little to continue to run. 5 Card Cash sales are approximately \$3 million a year. It does not take up significant resources and continues to make money. At the level of money that it is generating, there are no plans to advertise it. The Lottery will continue to discuss it with Northstar over the year.

Acting Executive Director Carey asked Sam Fromkin, Product Innovation Manager at Northstar, to respond on what initiatives are planned for Fast Play. Mr. Fromkin responded that the games that were approved last month are scheduled to launch on January 20. Quarterly launches were planned to finish out this fiscal year, so there will be one more launch by the end of the fiscal year. Like all the other games, it is jackpot driven and that jackpot has been getting hit recently. There are plans to keep launching games and we will continue to look at it in the future. The new vending machines that will be placed in retailers will give players and retailers more exposure to Fast Play. Mr. Perlow added that 500 machines have been acquired for Quick Draw locations, which will be able to sell Fast Play. Those machines will start hitting the field in late March.

Acting Executive Director Carey explained that we are expecting a technical refresh from Northstar and IGT in the coming year. At the January meeting, there will be a brief presentation from Northstar about what is coming up with the technical refresh. It starts with vending machines and retailer terminals then it will move on to the entire gaming system.

Vice Chair Blazovsky asked if there is a back log in Security's cases that we have because the number of cases completed doesn't add up to the numbers. What is the average aging of a case? What is the average that it takes from a case being opened to closed?

Acting Executive Director Carey asked Deputy Director of Security, Daniel O'Brien to respond. Mr. O'Brien stated that there is not a back log of cases. The cases get assigned out to the investigators and they follow up on them. Some cases take longer than others. Mr. O'Brien stated that he will get her an answer on the aging of cases. The majority of the cases that we have open are older cases because they requested a formal hearing.

Vice Chair Blazovsky stated the way these numbers are reported they don't add up. The completed cases are less than the initiated. It shows that there are a total number of 257 that are opened at the end of the month. She would like to have a handle on what the true back log is and the aging issue will be helpful to be reported monthly. Acting Executive Director Carey stated that there is a back log of Administrative hearings. During the change of administration, there was already a back log and that was not cleared up. Deputy Director of Administration and Compliance, Ryan Schaffer, is working very closely with Mr. O'Brien and the Attorney General's Office to clear up the back log of Administrative hearings. There are approximately 18 cases that are complicated and we are dealing with those now.

Chairman D'Anton asked about the status of lottery courier Jackpocket. Acting Executive Director Carey responded that Jackpocket is operating. There was legislation implemented during the prior administration, that is now state law and the Lottery is obligated to implement that. Chairman D'Anton stated he is concerned about retailer complaints.

Chairman D'Anton asked if the \$30 scratch-off ticket is the highest scratch-off ticket we sell. Foster Krupa, Senior Director of Product Innovations at Northstar, responded that the \$30 tickets are the Lottery's highest price point and that sales are strong.

Chairman D'Anton asked if there are any plans in the future to enhance instant tickets. Mr. Perlow stated there are plans to enhance those tickets. It is easier to grow instant sales than it is to grow draw based game sales.

Chairman D'Anton asked if other states sell \$50 or \$100 instant tickets. Mr. Perlow stated that \$50 is the highest.

Chairman D'Anton asked if sports betting is effecting sales. Mr. Perlow stated that it appears to be a factor with Quick Draw, specifically, which should be one of the growth games. There is a summer sales slowdown in other states, but in the fall it picks back up. There was a decline in the summer and it never picked back up in September. Treasurer's Designee Ajmani asked if other states experienced this. Mr. Perlow stated that other states picked back up after the summer. It could be that during football season, people were more focused on sports betting than they were on Quick Draw when they are in social spaces. New Jersey is one of the few states that have mobile sports betting. Northstar will compile materials for next Commission meeting where they will compare Quick Draw trends in New Jersey compared to other states.

Chairman D'Anton asked about an instant ticket for football that would last through the season until the Super bowl. Acting Executive Director Carey stated there are many interesting games like that that are pitched at conferences.

Vice Chair Blazovsky stated that she noticed that in some other states that have high sales, they all have some sort of sport ticket and our portfolio does not have any sport tickets. Acting Executive Director Carey stated there are a lot of different pitches that come from the industry. New Jersey has not succeeded the way other states have succeeded with licensing arrangements tied to the local sports teams. Licensing fees are expensive, and New Jersey was a fractured market for sports teams.

Chairman D'Anton requested a motion to approve the Director's Report. Vice Chair Blazovsky made the motion, which was seconded by Treasurer's Designee Ajmani.

NEW BUSINESS

Acting Executive Director Carey certified that consideration for each game included, but was not limited to, intended target market, product family, seasonal factors, launch plans, overall market strategy, sales goals, prior experience, current market trends and market place demands. Additionally, as part of our overall responsible gaming initiatives, these games have been reviewed to identify any problematic elements that could present a risk to vulnerable problem gamblers.

Chairman D'Anton requested a motion to approve the instant ticket game rules for "Lucky 7's" and "\$500,000 Fortune."

Vice Chair Blazovsky asked if these games are part of a family or a core game. Mr. Krupa stated that they are not. Vice Chair Blazovsky stated that she saw that there is a "Lucky 7s" for \$2, and asked if New Jersey is starting a family? Mr. Krupa stated that New Jersey is not starting a new family.

Vice Chair Blazovsky referred to a sentence that is in the game rules for all instant games: "Should additional tickets be introduced, prize levels and frequency of winning will be consistent with the following disclosures." Vice Chair Blazovsky asked for an explanation of the sentence and how it impacted what was being approved. Acting Executive Director Carey stated that we use the language for flexibility. In the past, the lottery had games that were very successful and the Lottery would request that additional tickets be printed for a game. Mr. Krupa added that when additional tickets are printed the game remains the same, and the Lottery is just increasing the inventory if we need more tickets to distribute with that game. Acting Executive Director Carey added that when additional tickets are printed, the game rules remain the same, the artwork remains the same, the odds remain the same and the prize payout remains the same. But by printing an additional million tickets, they are introducing more tickets to the market with the same prize structure. Prizes and odds are not changed or diluted, because more tickets also means proportionally more revenue and more prizes.

Vice Chair Blazovsky said it would be helpful when we look at the rules, if we could also see the sample ticket. Frances Edwards explained that in general, the game rules are approved before the tickets are printed. Vice Chair Blazovsky asked if there is a sample as part of the working papers. Mr. Krupa stated that rule approval and the completion of working papers do not always coincide, and there is not always a final ticket that can be shared until working papers are completed. Vice Chair Blazovsky stated that working papers are all in the flow already, from what she remembers, then there was a sample ticket. Mr. Krupa stated that it all depends on when the meeting is and what stage these are in. Treasurer's Designee Ajmani asked if it is possible to have an image to add to the meeting packets. Mr. Perlow stated that they can do that, but it may not be the final art. Vice Chair Blazovsky said a draft ticket is fine.

Investment Designee Terwilliger made the motion to approve the instant ticket game rules which was seconded by Treasurer's Designee Ajmani. Chairman D'Anton asked if there were any comments and there being none the motion carried.

PUBLIC COMMENT

There was no Public Comment.

EXECUTIVE SESSION

There was no Executive Session.

ADJOURNMENT

Chairman D'Anton asked for a motion to adjourn the Public meeting. Investment Designee Terwilliger made the motion which was seconded by Treasurer's Designee Ajmani. The motion carried.

I HEREBY CERTIFY that the foregoing is a true and correct copy of the minutes of the New Jersey Lottery Commission meeting held on December 19, 2019.

IN WITNESS WHEREOF, I hereby set my hand on

the 10th day of January, 2020.



James A. Carey, Jr.
Acting Executive Director