

NEW JERSEY STATE LOTTERY COMMISSION

PUBLIC MEETING, JUNE 19, 2018

Deputy Director of Administration and Compliance, Megan Mazzoni, called the Commission meeting into session at 10:00 AM in the Lottery Office located at One Lawrence Park Complex, Lawrenceville, New Jersey.

COMMISSION MEMBERS PRESENT

Patrick Toscano, Vice Chairman (by phone)
Robert D'Anton, Commissioner (by phone)
Christopher McDonough, Commissioner (by phone)
Dini Ajmani, Treasurer Designee

John M. White, Acting Executive Director
Robert E. Kelly, Deputy Attorney General
Lauren LaRusso, Governor's Auth. Unit (by phone)

VISITORS

Erica Helms, Northstar
Sarah Brennan, Northstar
John Renner, Marketsmith, Inc.
Ken Keyes, Lottery.com
Sal Anderton, Lottery.com

STAFF

Regina Arcuri
Denise Coleman
Jill Dawson
Michael DeCheser
Dean Ialacci
Megan Mazzoni
Charlene Mello
Prerna Mukhija
Joe Oleszkiewicz
Richard Pagnani
Debbie Raub
Mary Ann Rivell
Margaret Square

After the Pledge of Allegiance Deputy Director Mazzoni 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.

Deputy Director Mazzoni requested a motion to approve the minutes of the May 22, 2018 Commission Meeting. Commissioner McDonough made the motion, which was seconded Vice Chairman Toscano. Deputy Director Mazzoni asked if there were any comments and there being none the motion carried.

DIRECTOR'S REPORT

Acting Executive Director White reported that during the month of May, the Lottery sold over \$282 million in Lottery product. This was 2.7% above the previous May and 0.8% below the budgeted targeted amount. Jackpot games were relatively flat compared to last year. Compared to budget, jackpot games were down 6.1%. For the year, sales for all products have now exceeded \$3 billion. This is 3.8% above where sales were at this time last year and 0.5% above the budgeted amount. The Lottery is doing pretty good eleven months into the year.

Acting Executive Director White stated that the monthly state contribution for the Lottery was \$80 million. This is 2.4% below last year's figure and 5.6% below the budgeted amount. The total contributions to date of \$905 million is 5.2% above the same period in 2017 and 0.1% above the budgeted amount. Contributions are doing good relative to budget plus there are ample reserves that will be contributed once the final audit is complete. That should keep the Lottery on budget or above budget for the year.

Acting Executive Director White noted that Fiscal Year 2018 profits from lotto games are just under 40%. The profits from daily games except instant games is also just under 40%. The profit from instant games is almost 22%. Total to date FY18 contributions, including 30% of the current estimated forfeited prizes is 30.88% of sales. Additional forfeited prizes will be included in future transfers as audits are completed.

Acting Executive Director White reported that receipts and deposits for the month were over \$229 million.

Acting Executive Director White stated that there were 92 electronic fund transfer (EFT) failures totaling \$320.5 thousand or 0.14% of total receipts and deposits for the month. The Accounts Receivable Unit settled or closed 87% of EFT failures from April. Field Account Adjusters visited 400 retailers and collected \$225.1 thousand.

Acting Executive Director White noted that the balances in the unclaimed prize reserve totaled over \$29.2 million. Once the audits and final settlements from other states on the multi-state games are completed, these funds will be moved into the contribution.

Acting Executive Director White reported that the balance in the annuity investment accounts was \$122.8 million. The S&P ratings have not changed since last month.

Acting Executive Director White stated that the three top selling non-core games for May exceeded \$32 million in sales.

Acting Executive Director White noted that total sales for Core and Family Games for the month were in excess of \$87 million.

Acting Executive Director White reported that the Lottery introduced four new instant games during May and these games made up over \$23.9 million in sales for the month.

Acting Executive Director White stated that there were eight new games presented for Commission rule approval and subsequent vendor production.

Acting Executive Director White reported that there are now 958 retailers selling Quick Draw.

Acting Executive Director White noted that the Jersey Collect 'N Win monthly second chance promotion for draw games tickets continued. There have been eleven grand prize winners each winning \$50,000. Over 35,500 players are registered to date for this promotion. There were 913,311 total entries in May.

Acting Executive Director White stated that the Lottery currently has 15 Fast Play games in circulation.

Acting Executive Director White reported that there were a number of high tier winners throughout the state in May. The May 5 Jersey Cash 5 drawing had one \$574,449 winner in Monmouth County. The May 9 Powerball drawing had one \$50,000 winner in Ocean County. The May 12 Powerball drawing had one \$50,000 winner in Atlantic County. The May 15 Jersey Cash 5 drawing had one \$746,494 winner in Warren County. The May 22 Jersey Cash 5 drawing had one \$130,999 winner in Morris County. The May 26 Jersey Cash 5 drawing had one \$155,778 winner in Bergen County. The May 27 Quick Draw drawing had one \$25,000 winner in Hudson County. The May 29 Jersey Cash 5 drawing had one \$239,741 winner in Ocean County.

Acting Executive Director White noted that the biggest win of all, which was the fourth biggest win in the history of the State Lottery, was the Powerball drawing on May 19. One ticket sold nationwide had matched all the winning numbers and that was sold at the Shoprite in Hackensack in Bergen County. The annuity value of that prize was \$315.3 million. The press conference with the winner was held on June 8. That was the second big win of that magnitude this year.

Acting Executive Director White stated that the Lottery continues to maintain a strong presence on various social media platforms, including Facebook, YouTube, Twitter, Google and Instagram.

Acting Executive Director White reported that the Lottery Consumer and Retailer Websites Support responded to 200 email requests and inquiries from VIP members and users.

Acting Executive Director White noted that the VIP Club now has an enrollment of over 469,000 active members.

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

Acting Executive Director White reported that all on-line pools were closed according to procedures with no abnormalities. All Powerball and Mega Millions Drawings were verified and processed with no abnormalities. The Internal Control System (ICS) was processed for each drawing without any imbalances. All appropriate winning number information was broadcast correctly to all media contacts.

Acting Executive Director White stated that the Public Information Office disseminated Lottery news in May that reached more than 18 million daily viewers with an estimated advertising value of over \$169,072. Contributing to these results was the \$315 million Powerball winner press release.

Acting Executive Director White noted that in addition to routine press releases that are issued on a daily basis for winning ticket information on the various games, there were several extraordinary press releases. There was the May 10 press release announcing the new drawing host, Lauren Berman, will be taking over duties from Erica Young. Erica Young will move into an expanded communications role. On May 18 there was a press release that a Trenton couple celebrates seven-figure Lottery win. There was also a Media Advisory and press release associated with the winning ticket being sold at the Shoprite of Hackensack. The Lottery had a press conference at the store where it presented the \$30,000 selling bonus. On May 22 there was a press release associated with the "101 Reasons to Love Summer." This is part of the Lottery's marketing campaign for this summer. Also on May 22 there was another release associated with the first quarter semi-finalist winners list posted for Million Dollar Replay's second chance drawing.

Acting Executive Director White stated that all press releases, winner stories and photos were provided to the Lottery's business partners at Northstar for the social media team to use as content for the website and social media.

Acting Executive Director White reported that the top reactive Social Media stories posted in May included large wins in Powerball and a player who had the multiplier and won \$500,000.

Acting Executive Director White noted that the Public Information Office continues to regularly monitor Federal, New Jersey State and other state's legislative websites for any lottery related Legislative activities. Staff continued to work with the Council on Compulsive Gambling of New Jersey regarding problem gambling related legislation. Staff participated in conference call with CCGNJ Legislative Committee members regarding the now passed sports betting legislation.

Acting Executive Director White reported that there were several Speaker's Bureau Events completed in May. There are several events scheduled for June.

Acting Executive Director White noted that there were a few Public Promotional Events completed in May. The larger Promotional Events were the Hoboken Art & Music Festival in Hoboken on May 6 and the Belmar Seafood Festival in Belmar held from May 18 to 20. The Lottery has various Public Promotional Events planned for June. On June 9 the Lottery will be at the Wildwood Beer Festival in Wildwood and several concerts at the PNC Center in Holmdel.

Acting Executive Director White stated that there were 159 security investigations initiated during the month. There were 282 random field inspections conducted at retailer locations.

Acting Executive Director White reported that the Licensing unit received and processed 97 applications. There were 81 licenses issued.

Acting Executive Director White noted that due to the Division's efforts, along with the Department of Taxation Joint Investigation Project, there was a total of \$20,894.86 in arrearages collected in May. Year to date, the Lottery has collected \$230,897.36.

Acting Executive Director White stated that the IMS Department, New Jersey Lottery Security, and DORES met a second time to review Treasury's version of InfoShare's case management software that was developed in-house. Because of some key personnel departures and the length of time that has elapsed since the first InfoShare presentation, Lottery Security, IMS, and Administration & Compliance staff have arranged for another demonstration with DORES.

Acting Executive Director White reported that Lottery and DORES worked together to re-install and re-configure various BCS laptops to be ready for the Finance drill in June.

Acting Executive Director White stated that IGT installed a new UPS (uninterruptible power supply) in its Cranbury facility. The installation took place without issue.

Acting Executive Director White reported that the Validations staff received and sorted over 4,100 mailed claim forms during May and an additional 330 walk-in claims. During the month of May there were nearly 5,000 claims totaling \$23 million that were paid to winners including routine annuity installments

Acting Executive Director White noted that there were 21 claims that were processed and garnished because of current and previous matches totaling \$28,945.72.

Acting Executive Director White stated that since inception in 1992, the New Jersey Lottery has collected over \$8.25 million for child support arrearages, low income home energy assistance, food stamps, and overpayments of welfare, student loans and other SOIL programs.

Acting Executive Director White noted that the Retailer/Call Center Services Unit handled 6,665 incoming calls during the month.

Acting Executive Director White reported that the Warehouse unit received 2,831 packages and other special deliveries during the month.

Acting Executive Director White stated that the Facilities unit worked with Nexus to ensure that the facility was kept in good working order. Several preventive maintenance inspections and repairs were conducted.

Acting Executive Director White noted that Northstar's personnel count at the end of May totals 145 employees, which consists of 104 in Sales, 24 in Marketing and 17 in Administration.

Acting Executive Director White reported that the number of active retailers is 7,148.

Acting Executive Director White stated that Northstar had its Corporate Social Responsibility event, "Global Giving Day," on May 10 where Northstar and IGT staff participated.

Acting Executive Director White noted that Northstar's sales team continued to focus on the recruiting of new Quick Draw retailers, continued to run Quick Draw promotions, posted jackpots as a reminder to players and to drive penetration for May's new instant games. The Summer Long HMS Promo launched "Buy \$6 Mega Millions, get a bottle H2O for free." HMS is the retailer that has the concessions at all the rest areas on the Garden State Parkway and New Jersey Turnpike.

Acting Executive Director White acknowledged that this is Denise Coleman's last official meeting. She has assisted in running these meetings for a long time. She has over 38 years of state experience. She is retiring at the end of the month and on behalf of the Lottery, Acting Executive Director White wanted to wish Denise well in her retirement and thank her for all her contributions.

Denise Coleman thanked Acting Executive Director White.

Acting Executive Director White reported that this concludes the Director's Report.

Deputy Director Mazzoni asked if there were any questions or comments.

Treasurer's Designee Ajmani asked why the Director's report on page three states there are 958 retailers selling Quick Draw and the number of retailers under Northstar activities states that the number is 972.

Deputy Director Mazzoni stated that they are installing upwards of 40 to 50 a day so it probably depended on what day the data was pulled for this information. Northstar is installing in current full service retailers, who are now being offered the opportunity to add Quick Draw to their portfolio. Northstar is utilizing a third party vendor to do these installations. The vendor is doing them in large chunks so even within two or three days, depending upon what day the information is garnered, there could be a difference.

Treasurer's Designee Ajmani asked if at the next meeting we'll see this number be much higher.

Deputy Director Mazzoni stated that it should continue to rise as we are installing in more current retail locations.

Acting Executive Director White stated that Quick Draw is now being deployed to more of the previously existing retailers.

Deputy Director Mazzoni stated that these are retailers who already have a long sales history with Lottery and the Division started with its top performing retailers and is offering it to more in the network who are able to accommodate having the monitor in their location.

Deputy Director Mazzoni requested a motion to approve the Director's Report. Vice Chairman Toscano made the motion which was seconded by Commissioner McDonough.

NEW BUSINESS

Acting Executive Director White 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.

Deputy Director Mazzoni requested a motion to approve the amended Official game rules for Quick Draw. Vice Chairman Toscano made the motion which was seconded by Commissioner D'Anton. Deputy Director Mazzoni asked if there were any comments and there being none the motion carried.

Deputy Director Mazzoni requested a motion to approve the Addendum to the Official Quick Draw game rules for Bullseye. Vice Chairman Toscano made the motion which was seconded by Commissioner D'Anton. Deputy Director Mazzoni asked if there were any comments and there being none the motion carried.

Deputy Director Mazzoni asked if there were any comments or questions regarding the Adoption for Proposed Amendments to: N.J.A.C. 17:20-1.1, 1.2, 1.3, 1.4, 2.1, 3.1, 4.1, 4.3, 4.4, 4.5, 4.6, 4.9, 4.10, 4.11, 5.1 through 5.6, 6.1 through 6.6, 7.1, 7.4, 7.12, 9.1, 10.1, 10.2, and 10.3 and Proposed new rules: N.J.A.C. 17:20-4.12 and 12.

Commissioner McDonough stated that he noticed that there were close to 100 comments and a long document summarizing those comments and responses. Is there anything in there that should be paid attention to or anything controversial?

Acting Executive Director White stated that the biggest concern to respondents is the bonding. This clearly generated the most interest in the public comment period. The New Jersey Lottery's justification for that was that these are third parties that could adversely impact the Lottery's integrity and the Division established that amount based on the minimum jackpot for Powerball and Mega Millions. The conventional wisdom was that this threshold would help the Lottery maintain its integrity with this new law.

Commissioner McDonough thanked Acting Executive Director White.

Deputy Director Mazzoni stated that the New Jersey Lottery will be the first in the nation to have registered courier services on behalf of the Lottery. The Division paid careful attention to the details that it incorporated into the regulations with the understanding that as these businesses begin to function it will have to see how the regulations work in the real world.

Acting Executive Director White stated that the other lotteries around the nation are very interested because they think the standards of the New Jersey Lottery are very rigorous and they're looking to implement similar regulations equally strong in their own jurisdictions as their states move in that direction.

Deputy Director Mazzoni stated that the vote today is to adopt and then this will be reviewed by the Office of Administrative Law and published in the register so that the comments and Lottery's responses are publically available.

Deputy Director Mazzoni requested a motion to approve the Adoption for Proposed Amendments to: N.J.A.C. 17:20-1.1, 1.2, 1.3, 1.4, 2.1, 3.1, 4.1, 4.3, 4.4, 4.5, 4.6, 4.9, 4.10, 4.11, 5.1 through 5.6, 6.1 through 6.6, 7.1, 7.4, 7.12, 9.1, 10.1, 10.2, and 10.3 and Proposed new rules: N.J.A.C. 17:20-4.12 and 12. . Vice Chairman Toscano made the motion which was seconded by Commissioner McDonough. Deputy Director Mazzoni asked if there were any additional comments and there being none the motion carried.

Treasurer's Designee Ajmani stated that she wanted to acknowledge Deputy Director Megan Mazzoni and Jennifer Keyes-Maloney for their hard work on getting these regulations in place, making them robust and doing the right thing for the State.

Deputy Director Mazzoni thanked Treasurer's Designee Ajmani and credited the good team she had here working on it.

EXECUTIVE SESSION

There was no Executive Session.

PUBLIC COMMENT

There was no Public Comment.

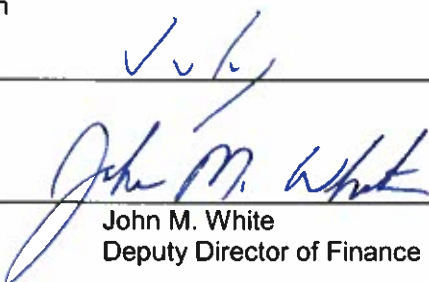
ADJOURNMENT

Deputy Director Mazzoni asked for a motion to adjourn the Public meeting. Vice Chairman Toscano made the motion which was seconded by Commissioner McDonough. 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 June 19, 2018.

IN WITNESS WHEREOF, I hereby set my hand on

the 27 day of July, 2018.



John M. White
Deputy Director of Finance