

## **MONTANA LOTTERY COMMISSION MEETING MINUTES**

**2525 North Montana Avenue**

**Helena, Montana 59601**

**March 9, 2023 @ 9:07 – 10:41 a.m.**

### **COMMISSION MEMBERS**

Leo Prigge, Commission Chair

Jon Metropoulos, Commissioner

Dwaine Iverson, Commissioner

Denise Blankenship, Commission Secretary

### **MONTANA LOTTERY STAFF**

Scott Sales, Lottery Director

Bryan Costigan, Security Director

Armond Sergeant, Finance Services Director

Anne Charpentier, Sales and Marketing Director

Phil Charpentier, IT Director

Mike Arnell, Network Administrator

Jay Boughn, Instant Product Manager

Chase Peaslee, Online Creative Services Manager

Logan Jackson, Sales Manager

Daniel Iverson, Content Manager

Johnathan Langenderfer, Customer Service Rep.

Kassie Kultgen, Quality Assurance Analyst Supervisor

Jolene Boyd, Quality Assurance Analyst

Ray Wedde, Warehouse Manager

Koe Phillips, Warehouse Inventory Technician

Debbie Sebens, Region 4 Sales Rep.

Ryan Caine, Region 6 Sales Rep.

Brian Pellen, Relief Sales Rep.

### **INTRALOT**

Ben Kamerzel, Intralot General Manager

Darla Oropeza, Regional Marketing Director

Sassion Beckman, Intralot Marketing Manager

Patrick Johnston, Project Manager

Michael Renney, Development Operations

James West, Business Analyst

### **MONTANA COIN MACHINE OPERATOR'S ASSOCIATION**

Ronda Wiggers, Wiggers Consulting

### **MONTANA TAVERN ASSOCIATION**

John Iverson, Government Affairs Consultant

### **SCIENTIFIC GAMES**

Drew Scolara, Regional Director

## **THE WENDT AGENCY**

Jennifer Fritz, Senior Account Manager

## **GAMING INDUSTRY ASSOCIATION OF MONTANA**

Shauna Helfert, Executive Director

## **MONTANA GAMBLING CONTROL DIVISION**

Jason Johnson, Compliance Manager

Matthew Eckdahl, Lab Technician

## **OTHER ZOOM PARTICIPANTS**

Greg Van Horssen, Attorney

## **GENERAL BUSINESS**

**INTRODUCTION AND CALL TO ORDER (0:00:12 – 0:00:35):** Director Sales called the meeting to order at 9:07 a.m. and took roll call to ensure there was a quorum to conduct business. Commissioners Prigge, Iverson and Metropoulos were present. Three Commissioners constitutes a quorum.

**INTRODUCTION OF NEW STAFF (0:00:37 – 0:01:59):** Director Sales introduced new staff to the Lottery. Johnathan Langenderfer was hired as the Lottery's new Customer Service Rep. on December 19, 2022. John previously worked for Town Pump for five years and ended his career there as a General Manager. John was born in Redding, CA and moved to Montana in 2001. He attended UM - Helena College and received an Associates of Arts degree in 2020. He has six sisters, two of whom will graduate high school this year. In his free time, he watches movies, visits family, and reads fictional novels. Koe Phillips was hired as the Lottery's new Warehouse Tech on January 3, 2023. Koe was born in Billings, MT. He moved to Helena in 2003 and has resided here since then. He graduated from Helena High School in 2019. He then attended Helena College to pursue a bachelor's degree in teaching. While in college he decided to look at different career opportunities. He has worked multiple jobs: as a Maintenance and Pool Boy at Broadwater Hot Springs and Fitness; Produce Clerk and Cashier at Van's Thriftway; and in the Lawn and Garden Department at Lowes, while searching for the organization that would lead him to his career job.

**VOTE – NEW COMMISSION CHAIR: (0:02:00 – 0:03:04)** Director Sales congratulated Commissioner Prigge on his reappointment to the board. Director Sales announced the board needed to elect a new Commission Chair. Commissioner Metropoulos made a motion that Commissioner Prigge be reappointed as Commission Chair. Commissioner Iverson seconded the motion. The motion carried. The Commission voted unanimously to reappoint Commissioner Prigge as Chair of the Commission.

**PUBLIC COMMENT: (0:03:06 – 0:04:09):** There was no public comment.

**VOTE – APPROVAL OF PRIOR MEETING MINUTES: (0:04:10 – 0:04:45):** Chairman Prigge asked if there were any objections, comments, or corrections to the prior meeting minutes? Commissioner Iverson made a motion to approve the minutes. Commissioner Metropoulos seconded the motion. The motion carried. The Commission voted unanimously to approve the December 8, 2022, meeting minutes.

**Financial Statements**  
**December 31, 2022**

Our financial audit is being concluded for fiscal year 2022 and there are no findings. There is one item they want changed in our notes.

**Statement of Net Position – Page 2**

**Current Assets:** Total Current Assets of \$16,596,000 are \$4,416,000 higher than last year at this time. The main differences are Lottery's increase in its Cash and Cash Equivalents and increase in Net Receivables:

- Cash and Cash Equivalents have increased by \$3,305,000 compared to last year at this time. This was due to the big jackpots of Powerball, Montana Cash and Mega Millions, plus the additional tickets for Montana Millionaire.
- Net Receivables increased by \$1,025,000, due to higher sales and the timing of weekly sweeps from sales agents.

**Non-Current Assets:** Total Non-Current Assets of \$2,119,000 have increased by \$915,000 between this year and last year. The reason for this increase is mainly an increase in Lottery's Intangible Assets.

- Intangible Assets increased by \$830,000 because of the new GASB 87 that requires us to record the intangible effect of leases on our statements, even though they are an operating expense, and are required to present the value of this lease in assets as present values.

**Current Liabilities:** Current Liabilities of \$16,821,000 have increased by \$4,510,000 between this year and last year. This difference is due to the increase in lease payables, prize payables, and transfer obligations.

- There was an increase in our lease payable of \$104,000 due to the new GASB, which was never recorded before.
- With higher sales, our prize liability increases. Lottery had an increase in prize liability of \$1,265,000, which is determined by winners in this state.
- The transfer obligations are related to our bottom line each quarter, which increased by \$3,456,000.

**Non-Current Liabilities:** Non-Current Liabilities of \$4,100,000 is approximately \$196,000 higher than last year at this time. Most of the increase was due to the new GASB reporting on the liability for the lease, with an offset of our pension liability.

- The lease liability increased by \$808,000 due to the new GASB.
- The net pension liability decreased by \$607,000 compared to the last fiscal quarter. This is a calculation state accounting makes on Lottery's behalf using actuarial information they receive from outside firms.

All the above increases and decreases result in total assets and deferred outflows of \$19.5 million, which is \$5,251,000 higher than last year at this time.

### **Statement of Revenues, Expenses and Changes in Net Position – Page 3**

**Operating Revenues:** For the six months ended December 31, 2022, operating revenue was \$81,896,000, which is an increase of \$21,205,000 compared to last year, or an increase of 34.9%. For the six months ended: Powerball increased 83.6%; Montana Cash increased 222.2%; Montana Millionaire increased by 12%; Mega Millions increased by 151.0%; Treasure Play increased by 8.1%; Lucky for Life increased by 2.1%; Lotto America increased by 66.1%; and Sports Bet increased by 24.6%. While: Scratch Revenue decreased by 1.8%; and Big Sky Bonus Revenue decreased by 3.4%.

**Direct Game Costs:** Direct Game Costs increased approximately \$14,042,000, or a 28.0% increase compared to the last six months ended, which is in direct relation to sales and increases and decreases in ticket and prize cost. The increase in operating revenues and the decrease in direct game costs resulted in Net Operating Revenue of \$17,658,000, which is approximately \$7,162,000 higher than last year at this time.

**Operating Expenses:** Overall Operating Expenses of \$2,381,000 have increased by approximately \$139 or 0.0% increase between these six months and last. The variances are due to a combination of increases and decreases. Lottery had an increase in its personnel services, and a decrease in its supplies and materials:

- Personnel Services have increased by \$88,000 due to normal increases in pay, filled positions, new positions created and normal increase in benefits and pensions.
- Supplies and Materials decreased by \$95,000 compared to last year. This is due to the large purchase of bags and boxes that were bought last year to replenish the warehouse.

**Total Non-Operating Revenue and Expenses:** Lottery's overall non-operating revenue/expenses have decreased by \$4,211. This is due to the sale of vehicles last year and the rate of return on investments.

**Quarterly Transfer:** The combination of the 68.2% increase in net operating revenue and an 0.0% increase in total operating expenses resulted in a quarterly transfer of \$8,717,000, which is \$3,456,000 higher than last year's second quarter or a 65.7% increase. The percentage of the transfers to revenue is 18.7% for the six months ended compared to 13.4% for the last six months end.

### **Statement of Revenues, Expenditures, and Changes in Net Position and Reconciliation of Budget and Actual – Page 4**

This statement for the six months ended December 31, 2022, shows:

- Total Revenues are 70.71% of the budget.
- Total Direct Game Costs are 69.39% of the budget, which are in direct relation to revenue.
- Total Operating Expenses are 48.61% of the budget.
- Net Income (GAAP Basis) is 84.13% of the budget.

### **Analysis of Revenues and Expenses by Product – Page 5**

This statement shows the revenue, game costs, operating expenses, net income, and the profit as a percentage of revenue for each game. The profit as a percentage of revenue at the bottom of the schedule shows:

	<b><u>As of 12/31/22</u></b>	<b><u>As of 12/31/21</u></b>
Scratch	15.67%	11.34%
Powerball	35.37%	35.08%
Montana Cash	30.75%	28.04%
Montana Millionaire	27.56%	26.07%
Mega Millions	35.86%	40.05%
Treasure Play	13.35%	7.66%
Lucky for Life	25.74%	21.00%
Big Sky Bonus	15.08%	15.17%
Lotto America	35.38%	35.03%
Sports Bet	6.31%	4.02%

**VOTE – APPROVAL OF QUARTERLY FINANCIAL STATEMENTS (0:16:38 – 0:17:05)** Chairman Prigge asked if there were any objections, comments, or corrections to the quarterly financial statements for December 31, 2022. After some discussion, Commissioner Iverson made a motion to approve the financial statements. Commissioner Metropoulos seconded the motion. The motion carried. The Commission voted unanimously to approve the December 31, 2022, financial statements. Questions and discussion from Commissioners regarding this presentation may be accessed on the recording at the above time stamp.

**PHIL CHARPENTIER, IT DIRECTOR (0:17:07 – 0:21:18):** This quarter Lottery has tested and deployed several maintenance related software updates in the field to improve the sports betting terminal; enhancements to the DreamTouch terminals; as well as enhancements for the Photon clerk-run terminals. Lottery has also tested and deployed updates for the accounting department, fixing known issues they have been working on for some time. Lottery has also been working on a project to improve website interaction for Player Club members, integrating the website with the Granicus - GovDelivery email functionality. This will enhance and improve Lottery's ability to send email notifications to Player Club members, that integration is ongoing. This past quarter, Lottery participated in the two-year onsite Multi-State Lottery Association Rule 2 – Compliance review. Lottery is now responding to a few questions MUSL has from that review. At the last meeting, I noted the production environment backup and restore to the test environment was taking place. That process was completed last quarter with success, and Lottery is planning a second backup/restore in the coming months.

Last Friday, Bryan, Phil, Scott, and Lottery's ISSO met with the Legislative Security Audit team for the entrance meeting of our two-year Legislative Security Audit. Next quarter, Lottery is testing and will be deploying a new Sports Bet Montana UI/UX. UI/UX is User Interface / User experience. This will be deployed to the Sports Bet Kiosks first, followed by the mobile applications, and finally to the sportsbetmontana.com website. This is a refreshed look and feel of the Sports Bet Montana playing screens. Long term Sports Bet Montana projects also involve the kiosks and deposit solutions mentioned in the prior meeting. Next week, Lottery staff is visiting and participating in a GLI Scratch Audit Printer Evaluation and Workshop, at Scientific Games in Alpharetta, Georgia. This combined SGI printer evaluation is not new, and we have participated in these combined multi-state audits in the past. However, this time GLI is also offering a Workshop for all Lotteries to learn all about scratch. It's a good opportunity to expose staff to the world of security of Scratch tickets. Since both IT and Security staff will attend this workshop, they will also take the opportunity to visit the Intralot Corporate Office located in Duluth, Georgia, to conduct the biennial onsite review and walk-through with key Intralot staff there.

**BEN KAMERZEL, INTRALOT GENERAL MANAGER (0:21:20 – 0:25:46):** There are currently no transfers, new hires, promotions, or retirements. Open Positions include a Web Developer, which is currently advertised, and they are actively recruiting. Other than the web developer, they are fully staffed. Intralot's supply chain, parts acquisition continues to be a challenge, with this most recently shifting to secondary suppliers. Intralot is ordering earlier based on anticipated delayed deliveries. For added worker safety, Intralot has recently implemented two-person kiosk drops and removals; interior moves are still single person. There is a pending delivery of a new in-house fire suppression monitoring system for Lottery production and Sports Betting secondary. Intralot is gearing up for its biannual SOC-1 Audit for Sports Wagering and Lottery in July. Currently there are 490 Active Sports Betting Terminals and 125 DUO TVs in the Sports Bet Network. There are 379 active Treasure Play Terminals; 49 active Dream Touch; 55 active WinStations; 620 active Photons, Printers and Genions; for a total of 1,718 active devices in the field. The present inventory stock of terminals includes Sports Terminals – 82; DUO/TV – 152; Treasure Play – 31; Dream Touch – 8; WinStation – 1; and Photons/Printers/Genions – 150. Effective February 15, 2023, Nikolaos Nikolakopoulos replaced CEO Byron Booth of Intralot Inc. Mr. Nikolakopoulos has worked at Intralot since 2007 and recently served as Deputy CEO of Intralot SA since 2019. Mr. Booth will remain a member of the Board of Directors at Intralot Inc. and advisor to Management.

**ANNE CHARPENTIER, SALES AND MARKETING DIRECTOR (0:25:48 – 1:01:05):**

**FY 2023 Sales Performance Overview:** All games are performing very well as we approach the end of the third quarter. The jackpots experienced this year have been remarkable and she wonders how the next fiscal year will compare.

Powerball had a significant increase. Especially with a large jackpot that reached \$747 million, which ended in February. This was the second largest jackpot run for Powerball this year, which is very unusual for the game.

Mega Millions also had unprecedented mega jackpots this year. The most recent being the \$1.35 billion dollar jackpot in January. Those sales resulted in tremendous increases in sales for that game with over \$9 million in sales to date.

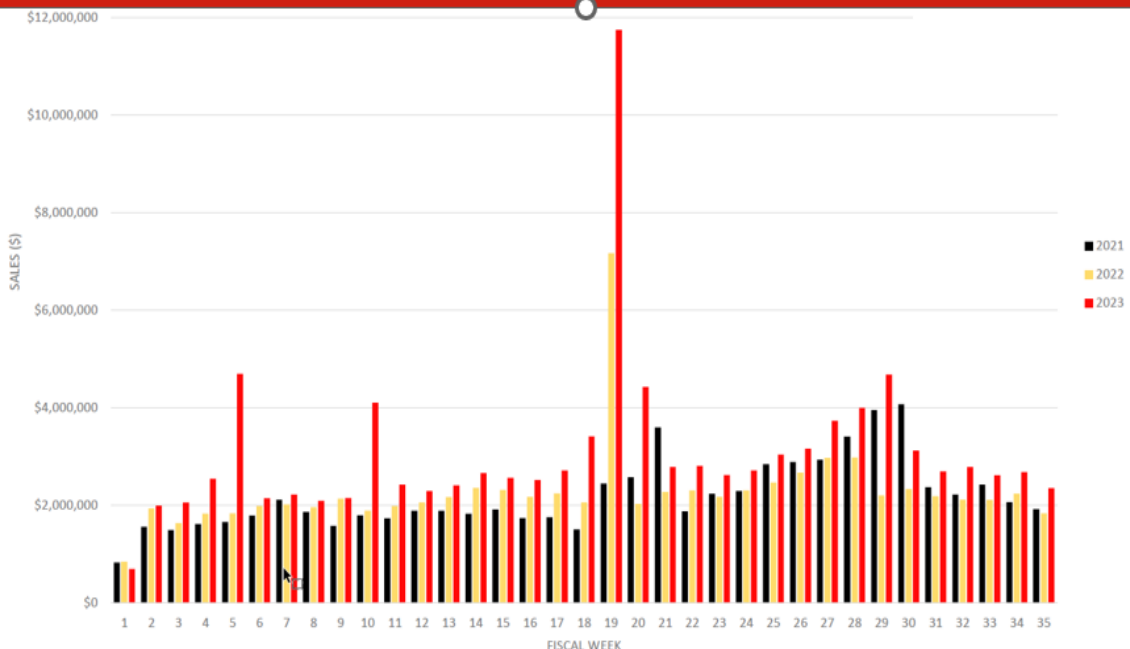
Montana Cash had a record jackpot in September, contributing to its sales success. Montana Cash had another jackpot run recently, which ended on February 8. A Helena player won \$1.135 million dollars on its second highest jackpot ever. Overall, Lottery is pleased with the year's performance and expects a stellar show by all products in June.

## FISCAL YEAR 2023 AS OF WEEK 35

FY23 Product Sales To-Date				
Product	FY23	FY22	\$ Change	% Change
Powerball	\$14,763,464.00	\$8,672,159.00	\$6,091,305.00	70.2%
Mega Millions	\$9,366,850.00	\$3,498,821.00	\$5,868,029.00	167.7%
Lotto America	\$1,924,308.00	\$1,182,025.00	\$742,283.00	62.8%
Montana Cash	\$8,363,632.00	\$3,084,863.00	\$5,278,769.00	171.1%
Lucky For Life	\$2,529,102.00	\$2,444,154.00	\$84,948.00	3.5%
Big Sky Bonus	\$1,990,644.00	\$1,965,866.00	\$24,778.00	1.3%
Treasure Play	\$5,404,655.00	\$4,773,913.00	\$630,742.00	13.2%
Scratch	\$17,662,885.00	\$17,486,201.00	\$176,684.00	1.0%
Sports Bet Montana	\$40,096,058.77	\$31,662,158.53	\$8,433,900.24	26.6%
Montana Millionaire	\$5,600,000.00	\$5,000,000.00	\$600,000.00	12.0%
<b>Grand Total</b>	<b>\$107,701,601.00</b>	<b>\$79,770,160.53</b>	<b>\$27,931,440.47</b>	<b>35.0%</b>

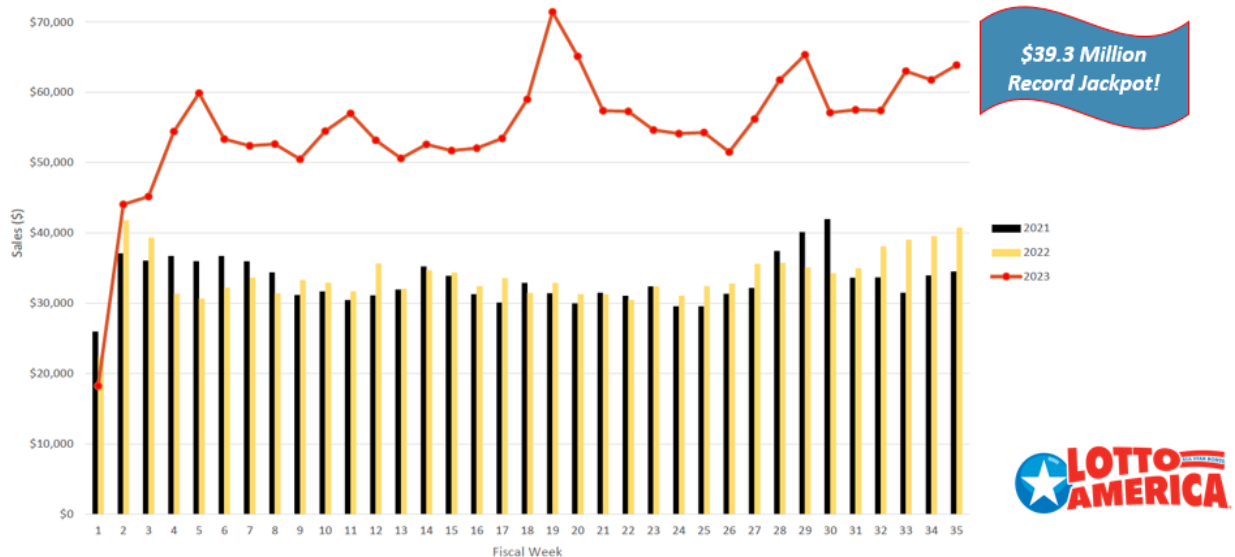
This chart compares the last three fiscal years total sales for all products up to week 35. Fiscal year 23 is outperforming the previous years. The larger jackpots and increased betting with the sports wagering product is what is driving these growths.

## FISCAL YEAR 2021 - 2023 SALES COMPARISON THRU WEEK 35



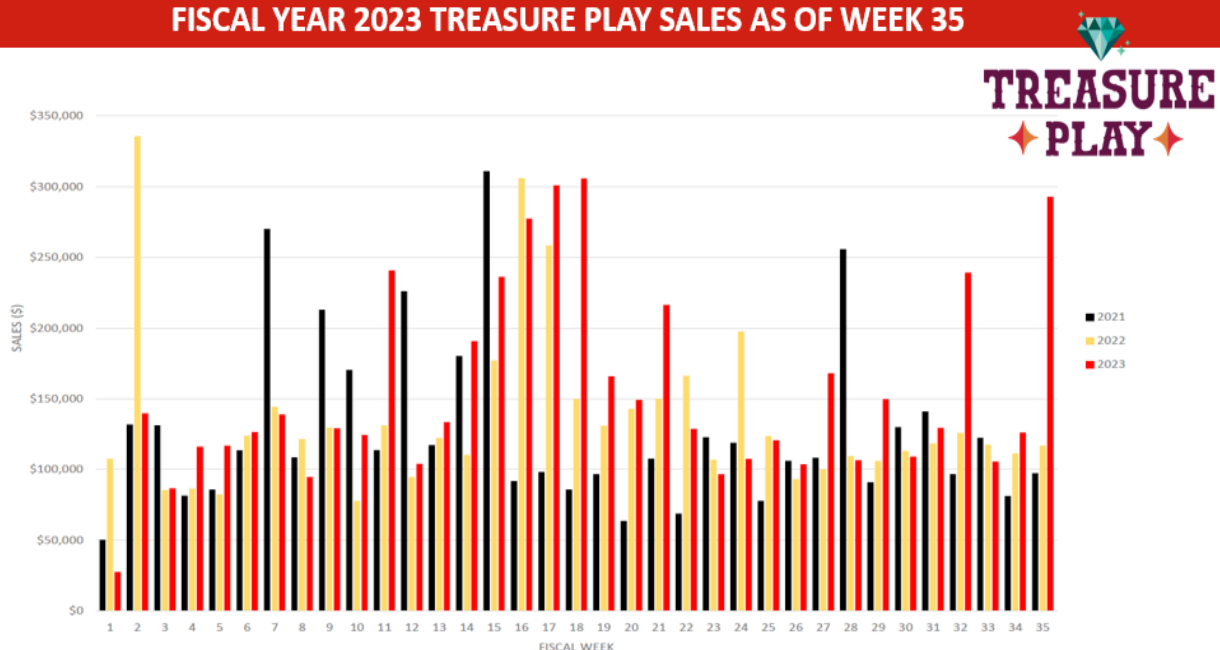
This chart shows the recent activity of Lotto America, which is experiencing its record setting jackpot of \$39.3 million dollars. The red line is indicating the sales for the game for this fiscal year, and Lottery is experiencing a 62% increase in sales from the same timeframe last year.

### FISCAL YEAR 2023 LOTTO AMERICA WEEKLY SALES AS OF WEEK 35



This chart depicts Treasure Play sales through week 35. Treasure Play is driven primarily by progressive game jackpots in bars and casinos. In fiscal year 23, as the previous chart indicated, Lottery is seeing a 13.2% increase in Treasure Play sales as compared to the similar timeframe last year.

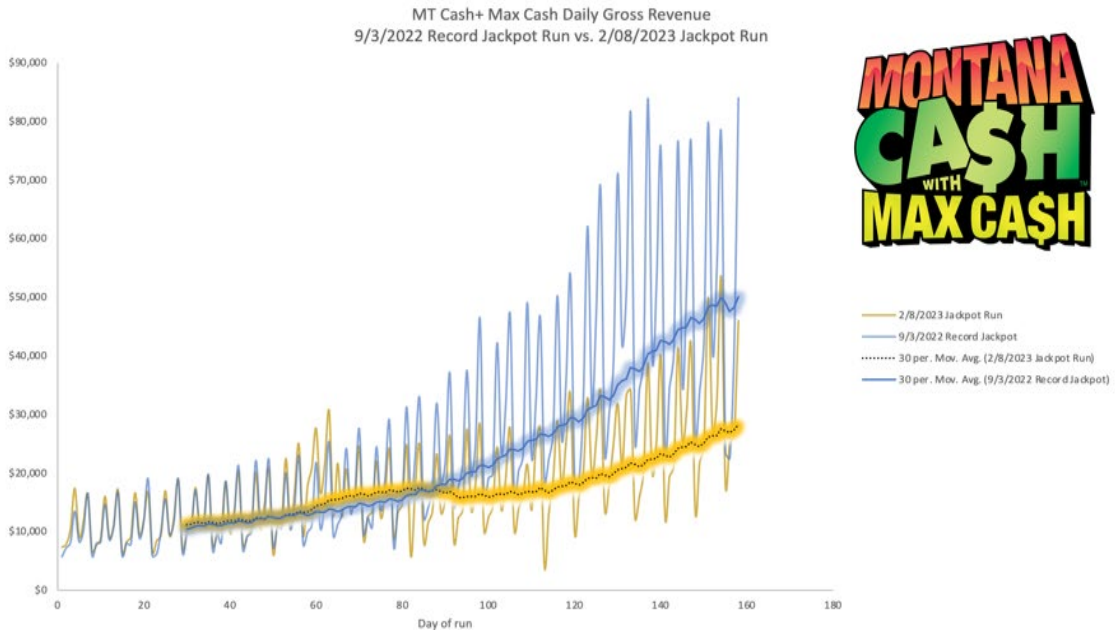
### FISCAL YEAR 2023 TREASURE PLAY SALES AS OF WEEK 35





**Jackpots:** In September last year, Montana Cash with Max Cash had a record jackpot of \$2.87 million dollars. Shortly after, within the same fiscal year, the game had its second-largest jackpot, which was hit on February 8, 2023, at \$1.14 million dollars. This was the first time this has ever occurred in this game.

## MONTANA CASH WITH MAX CASH JACKPOT FIRST 158 DAYS



The yellow row at the bottom of this chart shows the first 158 days of each of these two jackpot runs to see how customers played. The second jackpot saw a 39% reduction in ticket sales in those first 158 days. The industry has coined this occurrence as “jackpot fatigue.” This is when players incorrectly perceive record jackpot levels as the new norm and withhold purchasing until higher jackpot levels are achieved. Ways to combat this is to use targeting advertising campaigns that focus on game benefits and new player acquisition at lower jackpot levels.

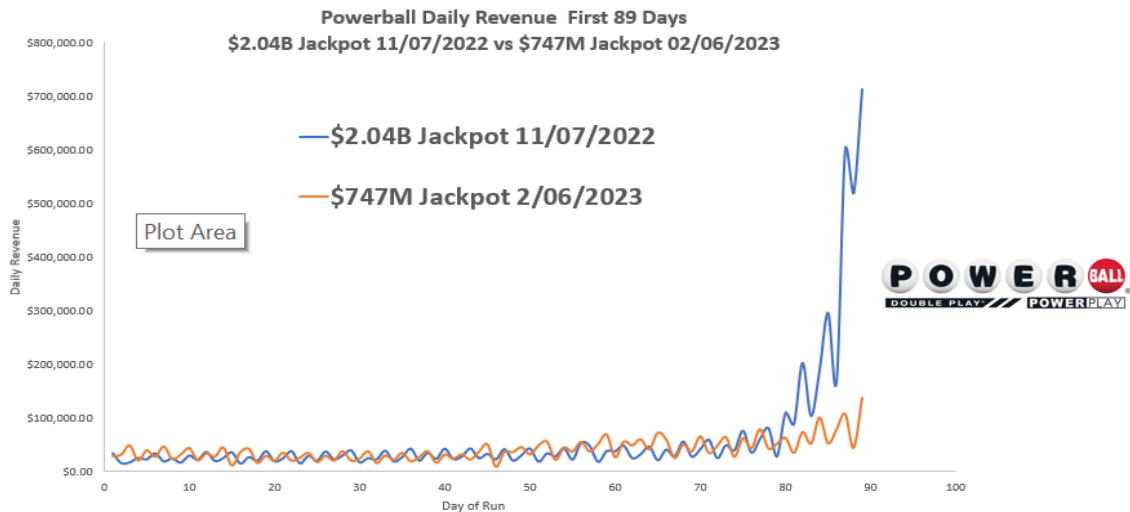
## MONTANA CASH WITH MAX CASH JACKPOT FIRST 158 DAYS



	Total Jackpot Run Length	MTC+MAX Jackpot Amt. on day 158	Gross Revenue on 158 days	Max Cash Percentage of Participation
Sept. 3, 2022 Record Jackpot	216	\$1,403,966.05	\$3,945,503	66.72%
Feb. 8, 2023 Jackpot	158	\$1,135,839.00	\$2,832,806	63.78%
	Percent Change (for first 158 days only)	-24%	-39%	-5%

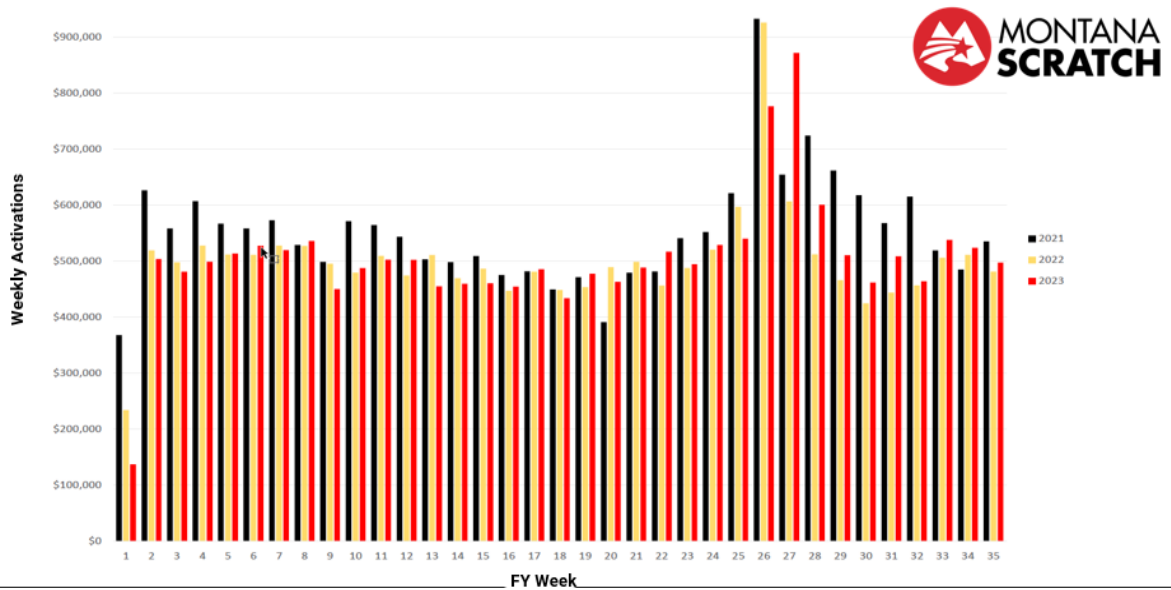
This unfortunately also occurred in Powerball. Despite great sales, there is still evidence of “jackpot fatigue” occurring. The first 89 days of each run yielded a very different sales story. The \$746 million dollar jackpot run, the orange line on the chart generated \$3.69 million dollars, which was 34% lower than the previous \$2.04 billion dollar record jackpot run during its first 89 days. Some mitigation of this effect can be achieved by tweaking products to make them fresher, advertise at peak jackpot moments, and highlight jackpot amounts in terms of real dollars.

### POWERBALL JACKPOT REVENUE FIRST 89 DAYS



**Scratch Product Update:** The scratch product is doing very well and there is an increase in sales due to the holiday campaign during December. This chart shows about a 1% increase in sales over FY22 sales activity.

### FISCAL YEAR 2023 SCRATCH WEEKLY SALES AS OF WEEK 35



**Summer Promotion:** Lottery is also getting ready for our summer scratch promotion. This summer will be the Chevy Silverado ticket. The top prize will be a “Silverado Trail Boss Truck” of the winner’s choosing from a dealership in Montana. Also available is a \$75,000 top prize. Lottery will also run second chance drawings throughout the summer through our players club in June, July, and August. Lottery will have a \$10,000 dollar drawing called “Trail Bucks Cash” to help promote sales of this ticket throughout the summer.



### SILVERADO® SUMMER GAME!

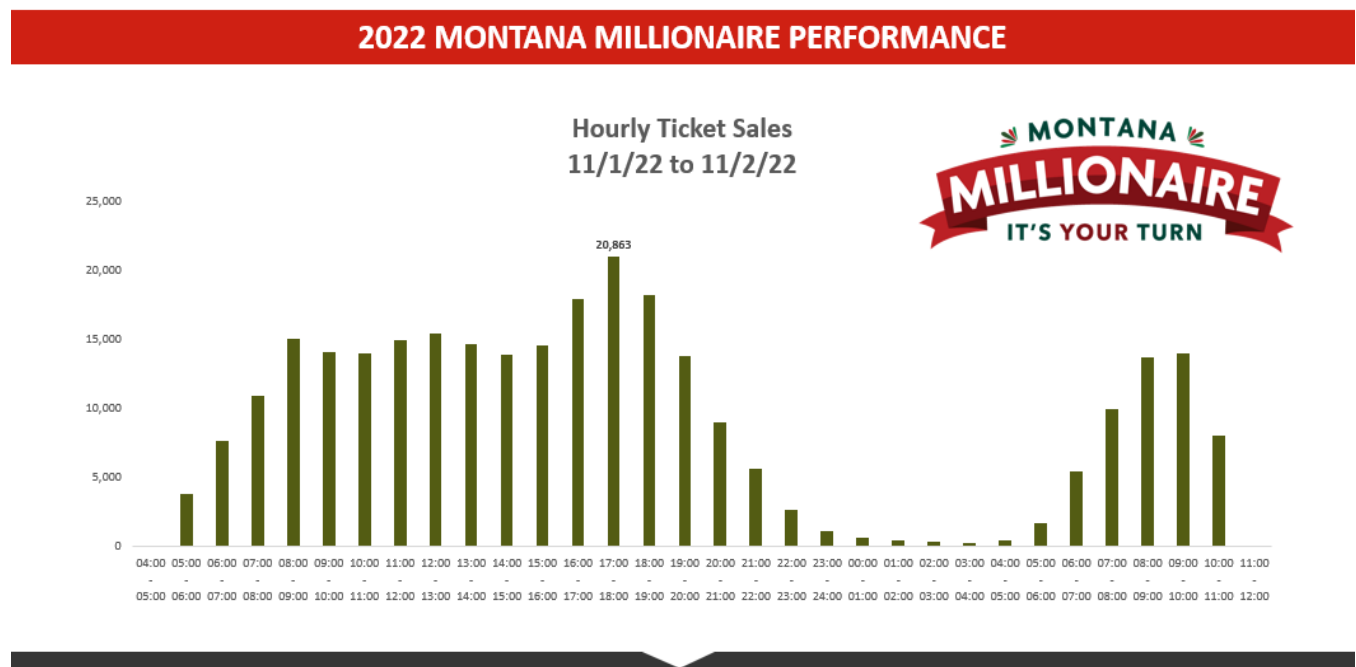
- **Top prize - one Chevrolet Silverado Trail Boss truck**
  - Instant win in the game
- **Top cash prize - one at \$75,000**
  - Instant win in the game
- **Launches May 3rd, 2023**
- **Three (3) Player’s Club second chance drawings**
  - June - \$10,000
  - July - \$10,000
  - August - \$10,000
  - 10,000th of them at \$10,000 each. Drawings time frames, end of June, July and August
- **Supported by a media campaign**








**Montana Millionaire 2022:** The 2022 Montana Millionaire game outperformed our expectations last year. The game sold out 280,000 tickets in 29 hours.



**Montana Millionaire 2023:** The following charts depict the proposed game changes for 2023.

## 2023 PROPOSED GAME DESIGN

### LAST YEAR'S GAME DESIGN

Ticket Price:	\$20.00
Total Tickets Available:	280,000
Ticket Price:	\$20.00
Additional Tickets for 2022	30,000
Total Revenue	\$5,600,000
Profit	\$2,355,000
Payout	57.95%
Prize Cost	\$3,245,000

### PROPOSED 2023 GAME DESIGN

Ticket Price:	\$20.00
Total Tickets Available:	380,000
Ticket Price:	\$20.00
Additional Tickets for 2023	100,000
Total Revenue	\$7,600,000
Profit	\$3,225,000
Payout	57.57%
Prize Cost	\$4,375,000



## 2023 PROPOSED GAME DESIGN

### LAST YEAR'S GAME DESIGN

	Odds	Number of Winners	Cash Prizes	Prize Cost	Prize % Of Sales
Grand Prize	140,000	2	\$1,000,000	\$2,000,000	35.71%
High Tier Prize	280,000	1	\$100,000	\$100,000	1.79%
Instant Win Prize #2	156	1,800	\$500	\$900,000	16.07%
Instant Win Prize #1	233	1,200	\$100	\$120,000	2.14%
11/25/22 Black Friday Early Bird Drawing Prize	Depends on amount of entries	1	\$100,000	\$100,000	1.79%
12/16/22 Second Early Bird Drawing Prize	Depends on amount of entries	1	\$25,000	\$25,000	0.45%
Overall Odds:	93.2	3,005	Total:	\$3,245,000	57.95%

### PROPOSED 2023 GAME DESIGN

	Odds	Number of Winners	Cash Prizes	Prize Cost	Prize % Of Sales
Grand Prize	126,666.7	3	\$1,000,000	\$3,000,000	39.47%
Instant Win Prize #2	181.0	2,100	\$500	\$1,050,000	13.82%
Instant Win Prize #1	190.0	2,000	\$100	\$200,000	2.63%
12/26/26 #2 Early Bird Drawing Prize	Depends on amount of entries	1	\$100,000	\$100,000	1.32%
11/24/23 #1 Early Bird Drawing Prize	Depends on amount of entries	1	\$25,000	\$25,000	0.33%
Overall Odds:	92.6	4,105	Total:	\$4,375,000	57.57%



## 2023 PROPOSED GAME DESIGN – FOR COMMISSION CONSIDERATION

<b>Montana Lottery</b> <b>2023 Montana Millionaire</b>					
<b>Ticket Price:</b>	\$20.00				
<b>Total Tickets available:</b>	380,000				
<b>Ticket Price:</b>	\$20.00				
<b>Additional Tickets for 2023</b>	100,000				
<b>Total Revenue</b>	\$7,600,000				
<b>Profit</b>	\$3,225,000				
<b>Prize Cost</b>	\$4,375,000				
<b>Payout</b>	57.57%				
	<b>Odds</b>	<b>Number of Winners</b>	<b>Cash Prizes</b>	<b>Prize Cost</b>	<b>Prize % Of Sales</b>
<b>Grand Prize</b>	126,666.7	3	\$1,000,000	\$3,000,000	39.47%
<b>Instant Win Prize #2</b>	181.0	2100	\$500	\$1,050,000	13.82%
<b>Instant Win Prize #1</b>	190.0	2000	\$100	\$200,000	2.63%
<b>12/26/26 #2 Early Bird Drawing Prize</b>	Depends on amount of entries	1	\$100,000	\$100,000	1.32%
<b>11/24/23 #1 Early Bird Drawing Prize</b>	Depends on amount of entries	1	\$25,000	\$25,000	0.33%
<b>Overall Odds:</b>	92.6	4105	<b>Total:</b>	<b>\$4,375,000</b>	<b>57.57%</b>

### Highlights for 2023

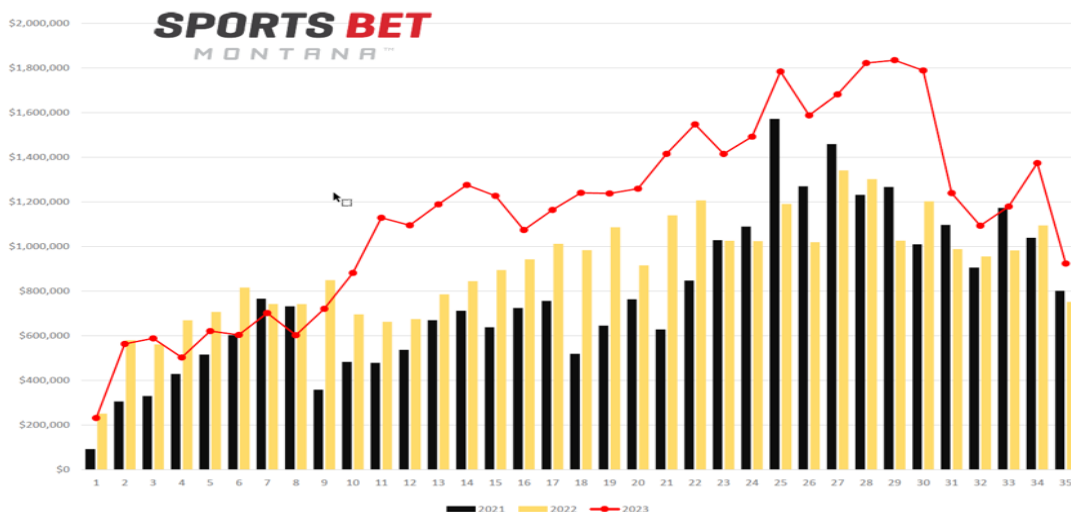
- Three (3) \$1 Million dollar prizes to be given away at the final drawing
- 100,000 more tickets added to the pool of available tickets; 380,000 total
- More instant win prizes of \$100 and \$500 to be given away at time of ticket purchase
- Overall odds and payout percentage kept the same as years' past



**VOTE – APPROVAL OF MONTANA MILLIONAIRE GAME DESIGN: (0:54:25 – 0:55:38):** Chairman Prigge asked if there were any objections or comments regarding the proposed Montana Millionaire game changes for 2023. After some discussion, Commissioner Metropoulos made a motion to approve the game changes. Commissioner Iverson seconded the motion. The motion carried. The Commission voted unanimously to approve the proposed Montana Millionaire game changes for 2023. Questions and discussion from Commissioners regarding this presentation may be accessed on the recording at the above time stamp.

**Sports Wagering Update:** This chart depicts Sports Wagering for three fiscal years. On Saturday, March 11, Lottery will have sold this product for three years. Sports Bet Montana (SBM) continues to grow as seen by the red graph line for 2023. SBM sales are \$8.4 million or 26% above last year at this same time last year, totaling \$40 million dollars in week 35.

## FY2021 – 2023 SBM SALES THROUGH WEEK 35 COMPARISON



This chart shows how all the sports markets are performing by device. Since the start of the product in March of 2020, 91% of total wagers are being placed through the machine and the remainder are placed through account play, or mobile devices. The sport with the most wagered is Football with over \$33 million overall, with Basketball following at \$30.8 million.

### SPORTS BET MONTANA SALES BY SPORT BY DEVICE

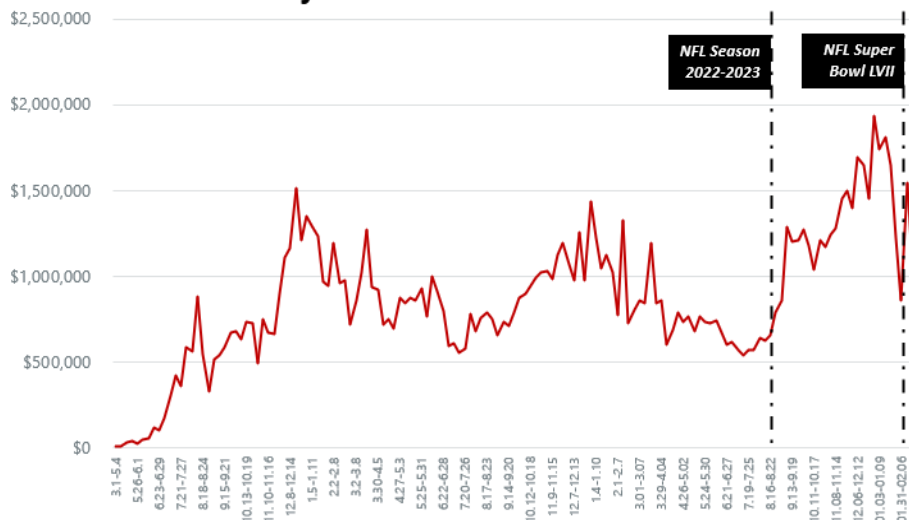
Sport	Mobile	PCT	Machine	PCT	Total
Football	\$4,353,672	10.6%	\$36,551,362	89.4%	\$40,905,034
Basketball	\$3,279,318	8.3%	\$36,171,859	91.7%	\$39,451,177
Baseball	\$1,499,277	6.4%	\$21,882,928	93.6%	\$23,382,204
Hockey	\$504,637	9.4%	\$4,874,645	90.6%	\$5,379,281
Golf	\$318,609	13.3%	\$2,071,748	86.7%	\$2,390,357
Specials	\$316,237	17.5%	\$1,487,696	82.5%	\$1,803,933
Soccer	\$239,247	2.5%	\$9,487,552	97.5%	\$9,726,799
MMA	\$198,661	9.7%	\$1,845,329	90.3%	\$2,043,990
Tennis	\$66,586	2.7%	\$2,384,977	97.3%	\$2,451,562
NASCAR	\$46,609	9.9%	\$426,223	90.1%	\$472,831
Boxing	\$5,869	3.6%	\$157,566	96.4%	\$163,435
Formula 1	\$4,728	8.8%	\$49,119	91.2%	\$53,847
Athletics	\$2,977	48.6%	\$3,154	51.4%	\$6,131
Indycar	\$767	4.8%	\$15,166	95.2%	\$15,933
Rugby	\$758	18.4%	\$3,371	81.6%	\$4,129
Olympics	\$364	7.8%	\$4,284	92.2%	\$4,648
Aussie rules	\$315	3.7%	\$8,230	96.3%	\$8,545
Handball	\$309	84.1%	\$58	15.9%	\$368
Beach Volley	\$271	70.6%	\$113	29.4%	\$384
Other	\$1,249	8.9%	\$12,843	91.1%	\$14,092
<b>Total</b>	<b>\$10,840,459</b>	<b>8.5%</b>	<b>\$117,438,223</b>	<b>91.5%</b>	<b>\$128,278,681</b>



The handle by week chart shows those times since the start of Sports Bet Montana where sales have performed very well and where events have been less available or popular with bettors. The increased betting has been due to popular Football betting, both collegiate and professional. The Super Bowl numbers on the right side of the screen demonstrate the excellent performance of game betting.

As of 2/27/2023

### Handle by Week Since Start of March 2020



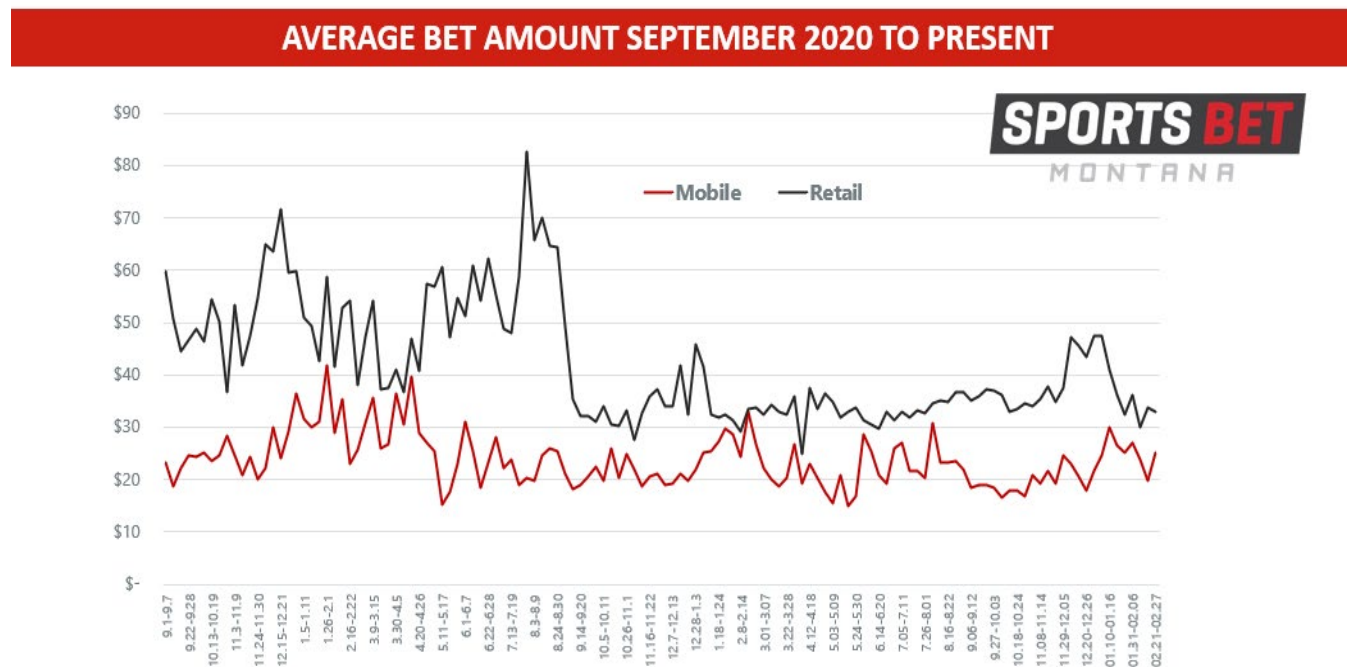
**Total SBM  
Sales for  
FY2023:  
\$40,096,059**

### Super Bowl 2023 Jan. 23 – Feb 12

Game	2023	2022
Handle	\$751,423	\$589,682
No of Wagers	2023	2022
Retail	20,208	17,451
Mobile	3,138	2,668
<b>Total wagers</b>	<b>23,346</b>	<b>20,119</b>



This chart illustrates the average bet amount from September 2020 to the present of total wagers being placed through the machine with the remainder being placed through account play, or mobile devices. Currently there are over 14 thousand account holders using the mobile app and more coming on every day.



#### **BRYIAN COSTIGAN, SECURITY DIRECTOR (1:01:14 – 1:10:10)**

**Audits:** It's a never-ending audit season at the Lottery. The Lottery's financial audit is almost done, just in time to start another one. The Security and IT Department staff, Phil, Bryan, and the Lottery's Information Security Officer also work very closely together on audits.

**Warehouse – Building Damage:** The Lottery has experienced some interesting incidents with our contracted snowplow drivers damaging its facilities. As the photos show below, the most serious event was when a snowplow driver backed into the building. Of concern was it started to pull the overhang away from the wall of the building. The Warehouse Manager installed a temporary support and worked with the building owner and contractor when they came to replace it. The benefit of this incident was Scott met the building owner as Bryan was on vacation in Hawaii when this occurred.





**Camera Security:** Lottery was able to get clear real-time footage of the damage sustained to the building because the Lottery has a decent camera system. Lottery is always looking to improve its security system. The lottery had several cameras this year essentially age out. The cameras get old, deteriorate, and eventually don't work. The quality of the cameras was deteriorating, and Lottery had to replace them. Lottery has upgraded several cameras, one outside and several within the warehouse, which have a wider angle and a higher resolution. This is an ongoing project at the Lottery. Approximately once a year Lottery upgrades their cameras, it's part of the maintenance and security within the Lottery.





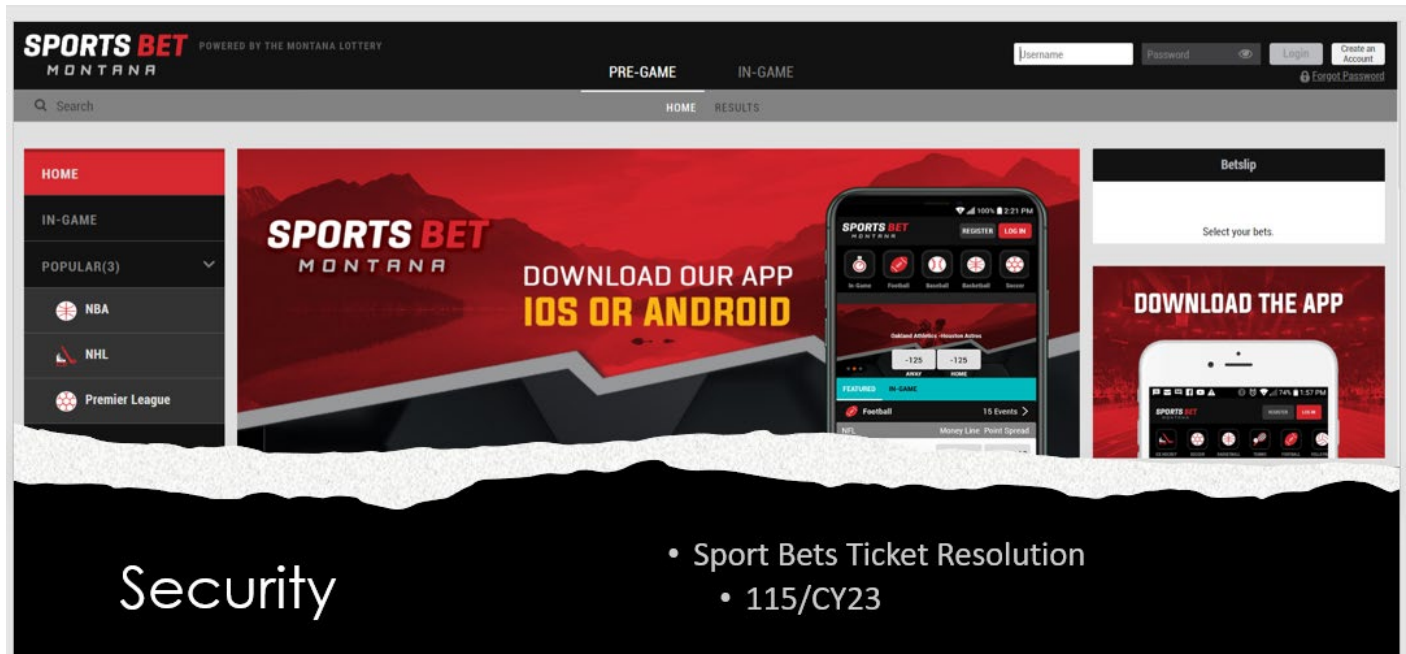
**Security Site Visit:** A member of Lottery security staff will travel to Duluth, Georgia to conduct an onsite visit at Intralot Headquarters. Lottery has a responsibility to ensure the Lottery remains secure. Since Intralot is the Lottery's main contractor they do a lot of our work and have access to all our systems in Duluth. Security and IT staff travel twice a year to conduct site surveys. During the site survey Lottery is looking at several things, such as building access. Do they have the proper controls in place? Who can get in? Are visitors escorted? Also, internal access controls to certain areas within the building are reviewed. Operations for Intralot are in the building and it is a controlled access area. Lottery will review that with them as well. Lottery will also review emergency operations with them, such as backup generators. They have video and Lottery will review the video recordings, determine how long recordings are and how long they keep those videos. As well as, if Lottery can access the videos from Helena. Currently, Bryan can review the cameras at Intralot from his office computer. Finally, Lottery will review the staff at Intralot when they are there. Occasionally Intralot will hire someone working on a different project then switch them to a Montana project and not notify the Lottery. The Lottery must make sure it properly clears those people. In the past, Lottery has had instances where they asked them to remove someone from their project.



**Scratch Ticket Training:** The second part of that visit will be to Scientific Games International (SGI), which is Lottery's scratch ticket vendor. This visit will be done in conjunction with the Intralot visit. This will give the security individual a better understanding of the scratch product line. During Bryan's visit he recalls learning about the built-in security features of the scratch product and how they operate at SGI. Lottery will also do an audit of a specific game, which will be done by an independent auditor, to find out if there are any possibilities for improvement.



**Sports Bet Montana:** Security has been working on ticket resolutions since the game's inception. Security is cataloging all ticket resolutions. These are mostly simple resolutions of tickets when players have issues. If they are handled by Intralot or internally immediately, it's not an issue. But Lottery has had a series of tickets that have been escalated to security, either because the ticket is partially destroyed, or the ticket has been stolen. For the calendar year 2023 security handled 115. Most have been simple resolutions. But there are others that take more time and energy to resolve. This demonstrates the increased workload Lottery anticipated for security when it developed Sports Bet.



**SCOTT SALES, LOTTERY DIRECTOR (1:10:14 – 1:31:20)** Before I get into the legislative update, I want to compliment staff again on the hard work and dedication they've exhibited over my tenure here at the Lottery. I think it's really paying some great dividends. We had a record year in FY 22 and will have a record year in FY 23 regardless of what happens in the second half of the year. It will be very interesting to see how 2024 turns out with the results that have been garnered in the last couple years. They do work hard, and I do want to acknowledge that.

#### Legislative Update:

- SB102** Generally, revise laws related to sports wagering sales agents' commissions.  
Signed by the Governor.
- SB133** Generally revise laws related to parimutuel wagering.  
Transmitted to the House.
- SB168** Revise Lottery laws relating to sales agent commissions.  
Transmitted to the House.
- SB474** Generally revise laws pertaining to sports betting.  
Referred to Senate Business & Labor for another hearing.
- HB2** Is the General Appropriation bill.
- HB273** Generally revise laws relating to the director of the State Lottery.  
Transmitted to the Senate.
- HB 434** Revise gambling laws related to sports wagering.  
Probably dead.

**HB480**           Revise laws relating to State Lottery investigation and enforcement.  
Transmitted to Senate.

**LC 0763**           Will place a Sunset on HB704 from the 2021 legislative session.

Questions and discussion from Commissioners regarding this presentation may be accessed on the recording at the above time stamp.

**OTHER PUBLIC COMMENT: (1:31:22 – 1:31:48)** There was none.

**NEXT REGULAR MEETING DATE (1:31:50 -1:33:13):** Director Sales proposed the next regular commission meeting be held on Thursday, June 15, 2023. Bryan will instruct Denise to canvas the Commissioners closer to the date to confirm there is a quorum. The commission meeting was recorded using Zoom. Pursuant to Section 2-3-212, MCA, the audio recording is designated as the official record of the meeting. A copy of the recording may be obtained upon request.

**ADJOURNMENT (1:33:36 – 1:34:00):** There being no further business, Chairman Prigge asked for a motion to adjourn the meeting. Commissioner Iverson made a motion to adjourn. Commissioner Metropoulos seconded the motion. The meeting adjourned at 10:41 a.m.