

## **MONTANA LOTTERY COMMISSION MEETING MINUTES**

**2525 North Montana Avenue**

**Helena, Montana 59601**

**September 8, 2022 @ 9:08 – 11:24 a.m.**

### **COMMISSION MEMBERS**

Leo Prigge, Commission Chair

Tony Harbaugh, Commissioner

Steve Morris, Commissioner

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

Daniel Iverson, Content Manager

Logan Jackson, Sales Manager

Jay Boughn, Instant Product Manager

Chase Peaslee, Online Creative Services Manager

Kassie Kultgen, Quality Assurance Analyst Supervisor

Jolene Boyd, Quality Assurance Analyst

Ryan Cain, Region 6 Sales Rep.

### **DEPARTMENT OF ADMINISTRATION**

Don Harris, Chief Legal Counsel

### **INTRALOT**

Ben Kamerzel, Intralot General Manager

Samantha Harker, Marketing Coordinator

Sassion Beckman, Marketing Manager

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

Ronda Wiggers, Wiggers Consulting

### **MONTANA TAVERN ASSOCIATION**

John Iverson, Government Affairs Consultant

### **SCIENTIFIC GAMES**

Drew Scolaro, Regional Vice President of North American Sales

### **GAMING INDUSTRY ASSOCIATION OF MONTANA**

Shauna Helfert, Executive Director

**MIDO LOTTO**

Kevin Kramer, CEO

**MONTANA TAVERN TIMES**

Paul Tash, Editor and Publisher

**OTHER LOGGED ON ZOOM PARTICIPANTS**

Brendon S

Jason – MT GCI

Bsi566

**GENERAL BUSINESS**

**INTRODUCTION AND CALL TO ORDER (5:38 – 7:53):** Commissioner Prigge called the meeting to order at 9:08 a.m. and took roll call to ensure there was a quorum to conduct business. All Commissioners were present. The Lottery Director's and Lottery staff introduced themselves.

**INTRODUCTION OF NEW STAFF (7:54 – 8:41):** Director Sales announced there are no new employees. However, the Lottery currently has four vacant positions: a Customer Service Rep., Accounting Tech, Warehouse Tech., and Product Analyst.

**PUBLIC COMMENT: (8:42 – 20:47):** Public comment was received from John Iverson representing the Montana Tavern Association; Shauna Helfert, representing the Gaming Industry Association of Montana; and Ronda Wiggers, representing the Montana Machine Coin Operators Association. All three alleged the Lottery was in violation of statute and its administrative rules concerning on-line gaming when they licensed Jackpocket a courier service to sell Montana Lottery products online. Ronda Wiggers asked the Commission to add this issue on its agenda for further discussion and action at its next Commission meeting. A full transcript of their public comments may be found at the above time stamp.

**VOTE: REQUEST FOR LEGAL OPINION (20:48 – 32:40):** Commissioner Metropoulos made a motion to seek a legal opinion as to whether this retailer conforms or doesn't conform to Montana law. Commissioner Iverson seconded the motion. The Commission voted unanimously to seek a legal opinion from the Department of Administration, Chief Legal Counsel and requested it be provided to the Commission one week prior to the next meeting. Kevin Kramer, CEO of Mido Lotto offered public comment on how courier services operate in other states and offered to assist the Commission on this issue. A full transcript of the Commissions discussion and Kevin's public comments may be found at the above time stamp.

**VOTE – APPROVAL OF PRIOR MEETING MINUTES: (32:41 – 33:14):** 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 Morris seconded the motion. The motion carried. The Commission voted unanimously to approve the June 9, 2022, meeting minutes.

**ARMOND SERGEANT, FINANCE SERVICES DIRECTOR (33:15 – 46:15)**

**Legislative Audit Update:** Lottery completed its 2021 audit. During our exit meeting Lottery received one recommendation. In summary, Lottery receives a bill from Intralot each month based on GGR of what they have for online sales for Sports Bet. Lottery has a GGR for what was swept from retailers, we put them together and then what is owed between us, either way we would remit what is owed. This was my decision; I

considered this profit sharing. This was not a vendor fee; this was not based on a percentage. I reduced our revenue because it wasn't our income, it was Intralot's. The Auditors disagreed. State policy shows we should show gross income and then show it as a vendor fee. That was our only recommendation, we agreed and sent a response.

## **Financial Statements** **June 30, 2022**

### **Statement of Net Position – Page 2**

**Current Assets:** The total Current Assets of \$10,360,000 are \$2,235,000 higher than last year end. The main difference is our increase in our Net Receivables:

- Our Net Receivables have increased by \$2,931,000 compared to last year end. This is due to larger sweeps that are due to Sports Bet activity compared to last year. Lottery was starting to have a growing Mega Millions jackpot at the time and had booked a receivable from our vendor for Sports Bet.

**Non-Current Assets:** Total Non-Current Assets of \$1,186,000 have decreased by \$49,000 between this year and last year. The reason for this decrease is a decrease in our Multi-State Reserve Fund and a decrease in our capital assets. i.e., our vehicles.

- The Multi-State Reserve Fund decreased by \$16,000, which is adjustments MUSL makes on behalf of all lotteries. The capital asset account decreased by \$75,000, which was due to sending two vehicles and a trailer to surplus property to be sold.

**Current Liabilities:** Current Liabilities of \$10,503,000 have increased by \$2,214,000 between this year and last year. This difference is due to the increase in our Accounts Payable and our transfer obligations.

- There was an increase in our Accounts Payable of \$167,000 due to the timing of when bills are paid versus when year-end occurs. As always, the transfer obligations are related to our bottom line each quarter which increased by \$1,984,000.

**Non-Current Liabilities:** Non-Current Liabilities of \$3,249,000 is approximately \$653,000 lower than last year end. Most of the decrease was due to our pension liability.

- The net pension liability decreased by \$607,000 compared to last fiscal year. This is a calculation State Accounting makes on our behalf using actuarial information they receive from outside firms.

All the above increases and decreases result in total assets and deferred outflows of \$12.3 million, which is \$2,105,000 higher than last year at this time.

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

**Operating Revenues:** For the year ended June 30, 2022, operating revenue was \$116,053,000, which is an increase of \$3,725,000 compared to last year, or an increase of 3.3%. For the year ended: Powerball revenue increased by 18.4%; Montana Cash increased by 4.5%; Montana Millionaire increased by 38.9% (because of the increase in the number of tickets); Treasure Play increased by 10.1%; Lucky for Life increased by 35.3%; Big Sky Bonus increased by 7.7%; Lotto America increased by 5.4%; and Sports Bet increased by 4.9%. While: Scratch revenue decreased by 10.6% and Mega Millions revenue decreased by 34.4%.

**Direct Game Costs:** Direct game costs decreased approximately \$236,000, or a 0.2% decrease compared to the last year end, 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 \$21,699,000, which is approximately \$3,941,000 higher than last year at this time.

**Operating Expenses:** Overall Operating Expenses of \$4,777,000 have increased by approximately \$476,000 or 11.1% between this year and last. The variances are due to a combination of increases and decreases, but as far as the bigger changes, Lottery had an increase in its Advertising and Advertising Production, and its Supplies expense:

- Advertising and Advertising Production costs increased by \$85,000 compared to last year. This line item fluctuates each year, based on yearly needs, promotions, and high running jackpots.
- Supplies expense increased by \$173,000 compared to last year. There are several factors to this increase. One is a large purchase of bags/boxes that was needed and hadn't been ordered in years. Others are an increase in inventory due to no events etc.

**Total Non-Operating Revenue and Expenses:** Our overall non-operating revenue/expenses have increased by \$209,000. This is due to our sale of two vehicles and a trailer and the decrease in our pension expense compared to last year.

The combination of the 22.2% increase in net operating revenue and an 11.1% increase in total operating expenses resulted in a yearly transfer of \$16,811,000, which is \$3,511,000 higher than last year or a 26.4% increase. The percent of the transfers to revenue is 14.5% for the year ended compared to 11.8% for last year end.

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

This statement for the year ended June 30, 2022, shows:

- Total revenues are 103.95% of the budget.
- Total Direct Game Costs are at 104.42% of the budget, which are in direct relation to revenue.
- Total Operating Expenses are at 90.29% of the budget.
- Net Income (GAAP Basis) is 103.95% of the budget.

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

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

	<b>As of 6/30/22</b>	<b>As of 6/30/21</b>
Scratch	10.43%	10.15%
Powerball	35.25%	36.26%
Montana Cash	39.31%	26.42%
Montana Millionaire	25.68%	22.56%
Mega Millions	37.68%	35.82%
Treasure Play	12.31%	7.26%

Lucky for Life	27.91%	17.62%
Big Sky Bonus	14.42%	7.76%
Lotto America	34.48%	34.21%
Sports Bet	5.98%	1.30%

The following 28 pages contain notes to the financial statements.

**VOTE – APPROVAL OF QUARTERLY FINANCIAL STATEMENTS (46:15 – 48:21):** Chairman Prigge asked if there were any objections, comments, or corrections to the quarterly financial statements for June 30, 2022. Commissioner Iverson noted the handout on the header was for 2021. Commissioner Iverson requested an updated version of the “Statement of Revenue Expenses and Net Position” for 2022 be emailed to the Commission following the meeting. Commissioner Iverson made a motion to approve the financial statements. Commissioner Morris seconded the motion. The motion carried. The Commission voted unanimously to approve the June 30, 2022, financial statements. Questions and discussion from Commissioners regarding this presentation may be accessed on the recording at the above time stamp.

#### **BRYIAN COSTIGAN, SECURITY DIRECTOR (48:22 – 1:02:34)**

**Audits:** The Lottery participates in many audits throughout the year. There is a statewide Financial Compliance Audit. The agency audit with the Department of Administration and a specific audit for the Lottery itself. In addition, there are certain games which require a separate audit, such as, Lucky for Life. Finally, there is the IT Security Audit and Security Audit. The Lottery is continually responding to audits.

**GAME PARAMETER UPDATES FOR FOOTBALL:** Before the Commission today for their consideration and approval are the updated game parameters for Football noted below:

### **1.2 Football Wager Types:**

#### **1.2.19 Micro-Markets**

##### **Football Markets**

**Drive Bets:** “Drive bets” may include the below proposition In-Game wagers:

**Drive Result:** Bet on the result of the current drive. Potential available selections of this market are Touchdown, Field Goal Made, Punt, Turnover.

**Score This Drive:** Bet on the result of the current drive. Available selections of this market are Offensive Score, No Offensive Score.

**Drive Crosses 50 Yard line:** Bet on if the drive will cross the opponents 50-yard line. Available selections of this market are Yes, No.

**Drive Crosses 35 Yard line:** Bet on if the drive will cross the opponents 35-yard line. Available selections of this market are Yes, No.

**Drive Goes to Red Zone:** Bet on if the drive will cross the opponents 20-yard line. Available selections of this market are Yes, No.

## Explanation on the outcomes of special cases:

### Drive Result:

1. Touchdown = Passing Touchdown, Rushing Touchdown, Kick-Off Return for Touchdown.
2. Field Goal Made.
3. Punt.
4. Turnover = Interception, Fumble Loss, Turnover on Downs, Safety, Field Goal Miss, Blocked Punt, Blocked Field Goal.

## Explanation on the outcomes of special cases:

### Drives Ending Due to End of 1<sup>st</sup> Half, 2<sup>nd</sup> Half, Game or Overtime:

The unresulted “Drive Result” and “Score this Drive” wagers will be voided. The “Drive Crosses Yard line” wagers will be resulted based on whatever the last yard line of the drive is.

## Explanation on the outcomes of special cases:

### Crosses Yard Line Markets:

The ball must cross the stated yard line for “Yes” to be considered the winning selection. For example, if the drive ends exactly on the 35, “No” would be the winning selection for the “Crosses 35-yard line”.

If a drive crosses a yard line but yards are subsequently lost on a play that pushes the line of scrimmage back before the stated yard line, that Drive is still considered to have crossed the yard line.

**Situational Bets:** Situational bets may include the below propositions In-Game wagers offered at the relevant occurrences of the game:

**Situational Kickoff Touchback:** Bet on whether the kickoff will result in a touchback or not. Available selections are Yes, No.

**Situational Extra Point Make:** Bet on whether the team will make the extra point or not. Available selections are Yes, No.

**Situational Field Goal Make:** Bet on whether the team will make the field goal or not. Available selections are Yes, No.

**Situational Punt Return Fair Catch:** Bet on whether the punt return will result in a fair catch or not. Available selections are Yes, No.

**Situational Two Point Conversion Make:** Bet on whether the team’s 2-point conversion attempt will be successful or not. Available selections are Yes, No.

### Play Result Markets:

If there is a penalty on the play after the snap and the play stands (is not nullified), the respective markets will be resulted according to official statistics of the play prior to the penalty being assessed.

**Example:** 11-yard completed pass on 2nd & 8 at Own 27 with a personal foul - facemask penalty on the defense (15 yards is tacked on from the end of the play). The markets would result as the following:

**Team Play First Down:** Yes (the offense needed 8 yards for a first down, they got 11 from the completed pass).

**Team Play Touchdown:** No (the offense needed 73 yards for a touchdown).

**Team Play Attempt Type:** Pass.

**Team Play Attempt Type/First Down Script:** Pass | Yes.

**Example:** 3-yard rush on 2nd & 8 at Own 27 with a personal foul - facemask penalty on the defense (15 yards is tacked on from the end of the play). The markets would result as the following:

**Team Play First Down:** No (the offense needed 8 yards for a first down, they got 3 from the rush).

**Team Play Touchdown:** No (the offense needed 73 yards for a touchdown).

**Team Play Attempt Type:** Rush.

**Team Play Attempt Type/First Down Script:** Rush | No.

**VOTE – FOOTBALL GAME PARAMETERS (1:02:34 - 1:03:16):** Chairman Prigge asked if there was any further discussion or public comment on the proposed Football Game Parameters. There being none, Commissioner Morris made a motion to approve the game parameters. Commissioner Iverson seconded the motion. The motion carried. The Commission voted unanimously to approve the new Football Game Parameters. Questions, discussion, and public comment from John Iverson regarding Retailer ACH Accounts and this presentation may be accessed on the recording at the above time stamp.

**SCOTT SALES, LOTTERY DIRECTOR (1:03:17 – 1:17:47):**

**Director's Update:** From a financial standpoint the sixteen-million-dollar transfer to the general fund was close to a record if not one. I want to commend the staff once again on the hard work they do on a daily basis. They take their jobs extremely seriously. You will hear from both Director Charpentier's on their efforts over the last quarter. It's my belief things are going in the right direction. We've had some issues from time to time, we've had problems with the Kiosks with the machines that are in the Tavern owners' facilities. Lottery is on the verge of making some substantial changes that will make those machines more reliable. I want to give Phil's group a shout out on the amount of effort that has gone into this over a long period of time, it has been immense, and I want to acknowledge in public their hard work and dedication. I'm pleased where we are headed.

**Employment Challenges / Union Negotiations:** Some of the more challenging issues is keeping people employed at the Lottery. That's nothing unique to state government. There is 20 – 25% vacancies statewide. Next week Director Costigan and I will meet with the union to discuss wages. We made an offer to increase the vast majority of wages for our employees, we had some money left over in our personal services which was rejected by the union. Then they countered and we rejected that offer. That is an ongoing process and at a much higher level, at the state level, they are negotiating wages for the next couple years. The Governor's budget is completed and will be available the second week of November.

**Game Changes:** I have two things that require a vote, one is the Powerball game parameters, the second is the Mega Million game parameters which were provided to you. Lottery belongs to a group called MUSL, which is the Multi-State Lottery Association. Lottery is one of 47 members. It is staffed by professionals who have been there a long period of time, both from a legal and financial standpoint. Lottery gets audited by MUSL from time to time. About once a year they go through the rules of the two big games Powerball and Mega Millions. Periodically they make changes to the rules for the parameters of the games to align themselves with what's going on out there and try to preempt any type of legal problems they might have and make the games more secure. If we were not to approve these game changes, we would be out of Powerball and Mega Millions.

These game rules have already been approved by MUSL. There was one dissenting vote when these changes were made among all the member states. Lottery is requesting Commission approval to move forward with these game rules.

**VOTE – POWERBALL GAME PARAMETERS: (1:17:48 – 1:18:08):** Chairman Prigge asked if there was any further discussion or public comment regarding the changes to the Powerball Game Parameters. After some discussion and public comment, Commissioner Iverson made a motion to approve the game parameters. Commissioner Metropoulos seconded the motion. The motion carried. The Commission voted unanimously to approve the new Powerball Game Parameters. Questions, discussion, and public comment from Ronda Wiggers and Kevin Kramer regarding both game parameters may be accessed on the recording at the above time stamp.

**VOTE – MEGA MILLIONS GAME PARAMETERS: (1:18:10 – 1:18:44):** Chairman Prigge asked if there was any further discussion or public comment regarding the changes to the Mega Millions Game Parameters. After some discussion, Commissioner Iverson made a motion to approve the game parameters. Commissioner Metropoulos seconded the motion. The motion carried. The Commission voted unanimously to approve the new Mega Millions Game Parameters. There was no public comment. Questions and discussion regarding this presentation may be accessed on the recording at the above time stamp.

**ANNE CHARPENTIER, SALES AND MARKETING DIRECTOR (1:18:47 – 1:30:34):**

**All Product Sales Performance Overview for FY 22:** Product sales for Fiscal Year 2022 compared to last fiscal year show a notable difference. The Powerball game had an 18% increase due to a large jackpot during the fall of last year. Lucky for Life had a game change in that fiscal year that made it a daily game. Additionally, there has been an increase in Treasure Play, which has been driven by the jackpots of the loaded progressive games. Montana Millionaire was a big success with a record six-day sell out which resulted in a significant increase in revenue. Overall, Lottery had total sales of \$117, 236,571, or a 1.7% increase over sales from fiscal year 21.

## FINAL FOR FISCAL YEAR 2022

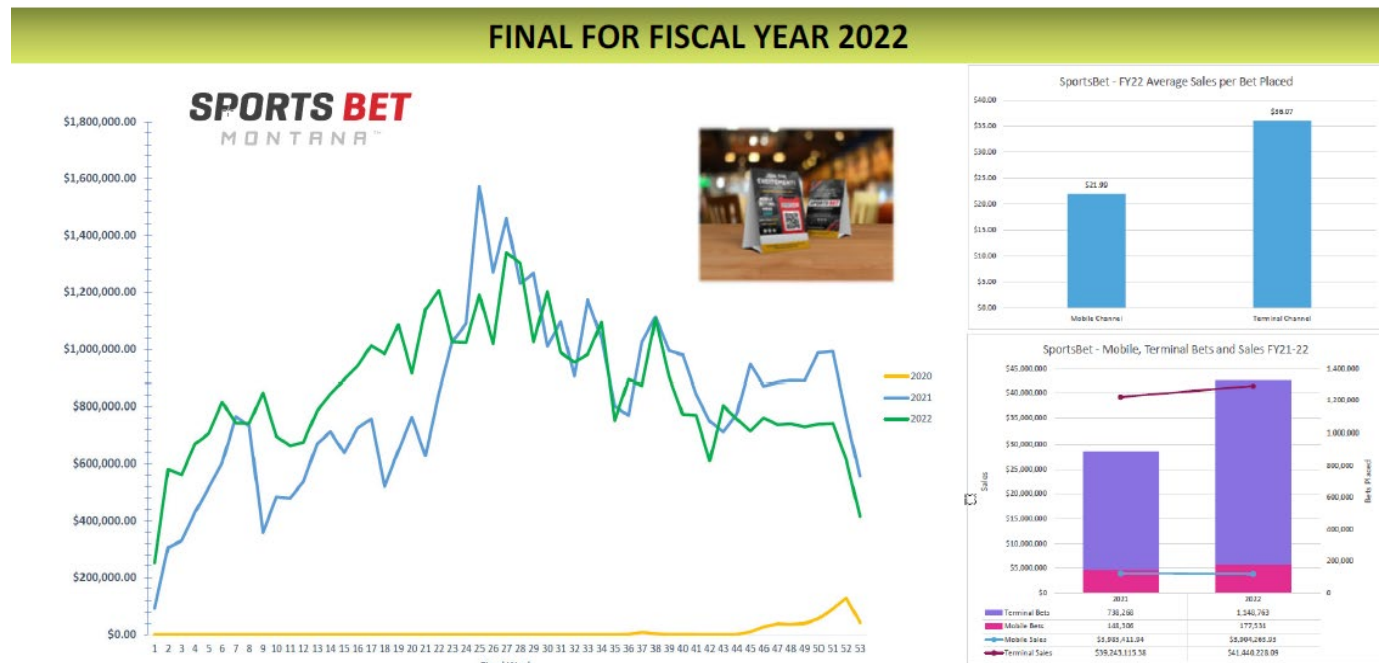
Total FY22 Sales				
Product	FY22	FY21	\$ Change	% Change
Powerball	\$12,371,004.00	\$10,435,889.00	\$1,935,115.00	18.5%
Mega Millions	\$5,023,249.00	\$7,612,237.00	-\$2,588,988.00	-34.0%
Lotto America	\$1,974,664.00	\$1,860,478.00	\$114,186.00	6.1%
Montana Cash	\$6,431,028.00	\$6,075,020.00	\$356,008.00	5.9%
Lucky For Life	\$3,716,614.00	\$2,755,484.00	\$961,130.00	34.9%
Big Sky Bonus	\$2,858,550.00	\$2,656,438.00	\$202,112.00	7.6%
Scratch	\$26,601,871.00	\$29,887,139.00	-\$3,285,268.00	-11.0%
Treasure Play	\$7,913,939.00	\$7,182,209.00	\$731,730.00	10.2%
Fantasy Racing	\$1,160.00	\$23,905.00	-\$22,745.00	-95.1%
Sports Bet Montana	\$45,344,492.02	\$43,226,527.32	\$2,117,964.70	4.9%
Montana Millionaire	\$5,000,000.00	\$3,600,000.00	\$1,400,000.00	38.9%
<b>Grand Total</b>	<b>\$117,236,571.02</b>	<b>\$115,315,326.32</b>	<b>\$1,921,244.70</b>	<b>1.7%</b>



**Percent of Total FY 22 Product:** This shows how each product performed compared to the projected figure established for the fiscal year. All but two products met their projected total, Lotto America, and Mega Millions. Both games struggled to have significant jackpots during the 52-week fiscal year which shows in their failure to meet projected sales. All other products made projections, and some exceeded expectations.



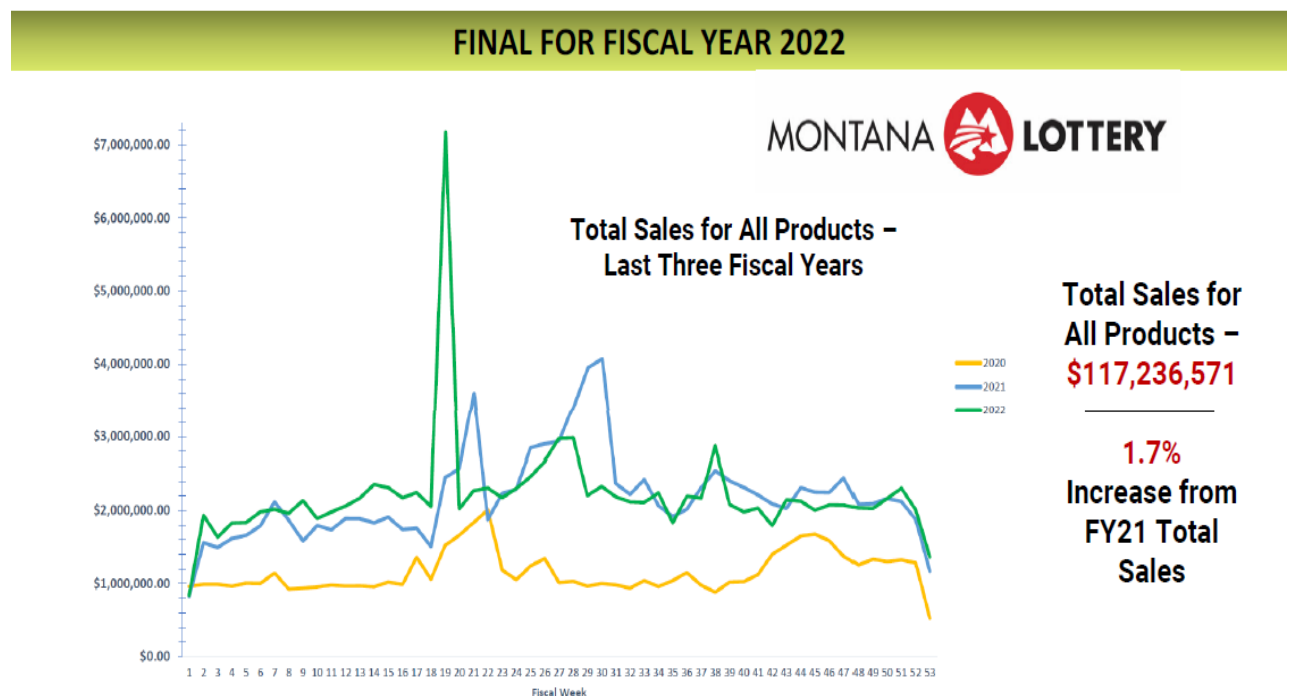
**Total FY 22 Sales for Sports Bet:** The first chart compares fiscal years 20, 21 and 22 for Sports Bet Montana. There is not a lot of difference between 21 and 22. After a normalizing of the event schedules there's a pattern of sales emerging. Football season is the largest revenue generator. March Madness is a close second. The chart on the top right shows the average bet placed in FY 22. The terminal average bet exceeded the mobile bet amount by \$14 per bet. The chart below shows sports bet wagers by FY, the bets placed, and numbers by device.



**Total Average Sales by Terminal Type:** This shows the total average sales by terminal type of Lottery self-service terminals, not clerk activated terminals. By looking at how Lotto and Scratch products perform in these specific terminal types it helps us market products better in these machines. The two bottom charts, show the DreamTouch and WinStation, in grocery stores and a few larger convenience stores across the state. The digital, dynamic screen on the DreamTouch draws the player in and contributes to higher sales.



**Total Sales for All Products:** It was a record year in sales for the Montana Lottery. Lottery's hard work has resulted in \$117 million in sales, which is a 1.7% increase over last year's record year.



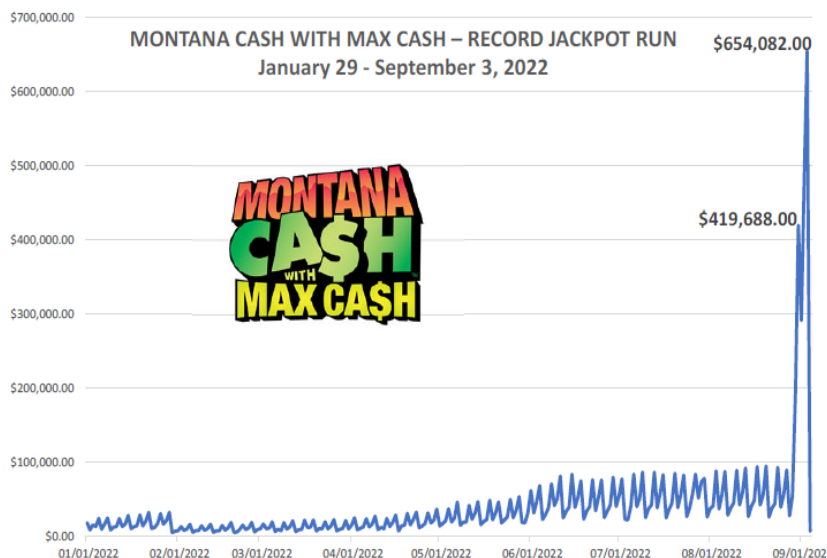
**Current FY Sales:** Current fiscal year sales shows, our billion-dollar jackpot for Mega Millions resulted in over \$3.8 in sales this year. Another large increase just below Lotto America, which struggled in FY 22 has a growing jackpot now. Montana only games, Montana Cash just had a record jackpot and sales period. Other products are down (Treasure Play and Sports Bet Montana), but with more patrons frequenting the bars and casinos as the weather changes, and football season kicks off we will see increased play on these machines.

## FISCAL YEAR 2023

FY23 Product Sales To-Date				
Product	FY23	FY22	\$ Change	% Change
Powerball	\$1,560,194.00	\$1,371,525.00	\$188,669.00	13.8%
Mega Millions	\$3,825,030.00	\$763,575.00	\$3,061,455.00	400.9%
Lotto America	\$380,070.00	\$262,681.00	\$117,389.00	44.7%
Montana Cash	\$2,812,506.00	\$644,931.00	\$2,167,575.00	336.1%
Lucky For Life	\$535,810.00	\$486,654.00	\$49,156.00	10.1%
Big Sky Bonus	\$315,462.00	\$496,388.00	-\$180,926.00	-36.4%
Scratch	\$3,715,280.00	\$3,854,687.00	-\$139,407.00	-3.6%
Treasure Play	\$847,200.00	\$1,087,087.00	-\$239,887.00	-22.1%
Sports Bet Montana	\$3,914,114.00	\$5,067,545.56	-\$1,153,431.56	-22.8%
Montana Millionaire	\$0.00	\$0.00	\$0.00	
Grand Total	\$17,905,666.00	\$14,035,073.56	\$3,870,592.44	27.6%

**Montana Cash with Max Cash Jackpot Run:** On September 3, Montana Cash largest jackpot was hit by three lucky winners. The jackpot had been growing since January of this year. Chase Peaslee, Lottery's Product Manager will do further analysis on the game. But initially Lottery made over \$8.9 million in sales on this game's jackpot run since January and paid out \$4.3 million in prizes.

## FISCAL YEAR 2023

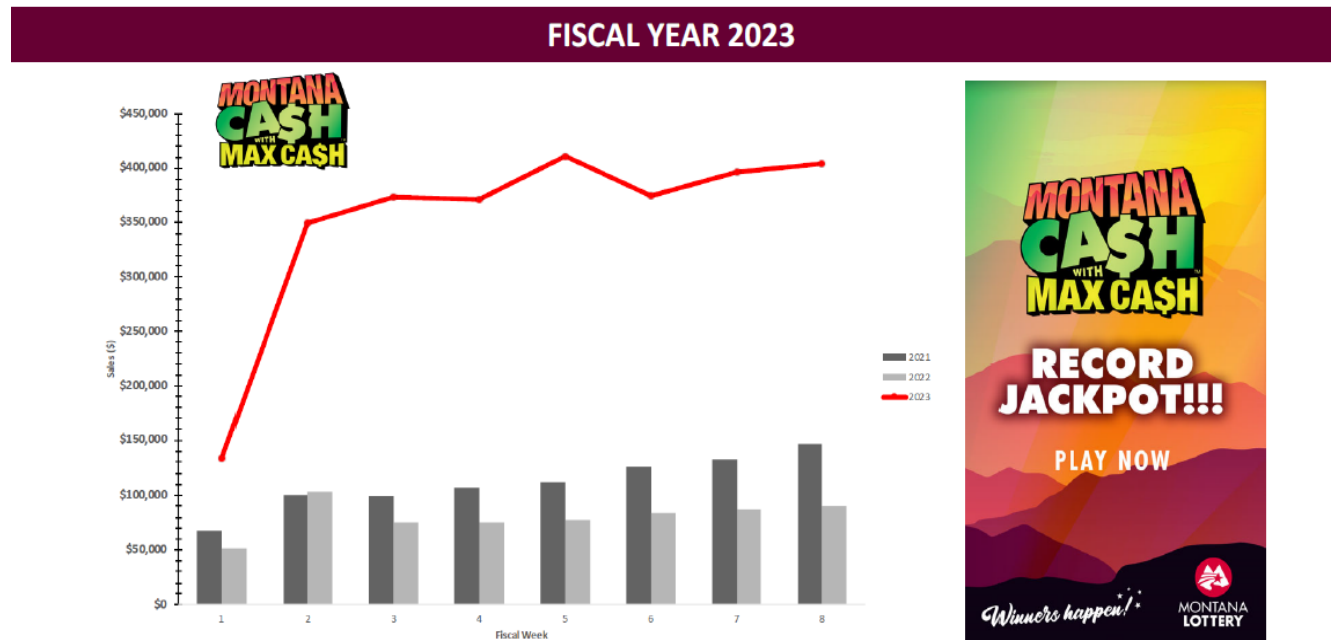


**Total sales during the  
jackpot run:**  
\$ 8,958,160

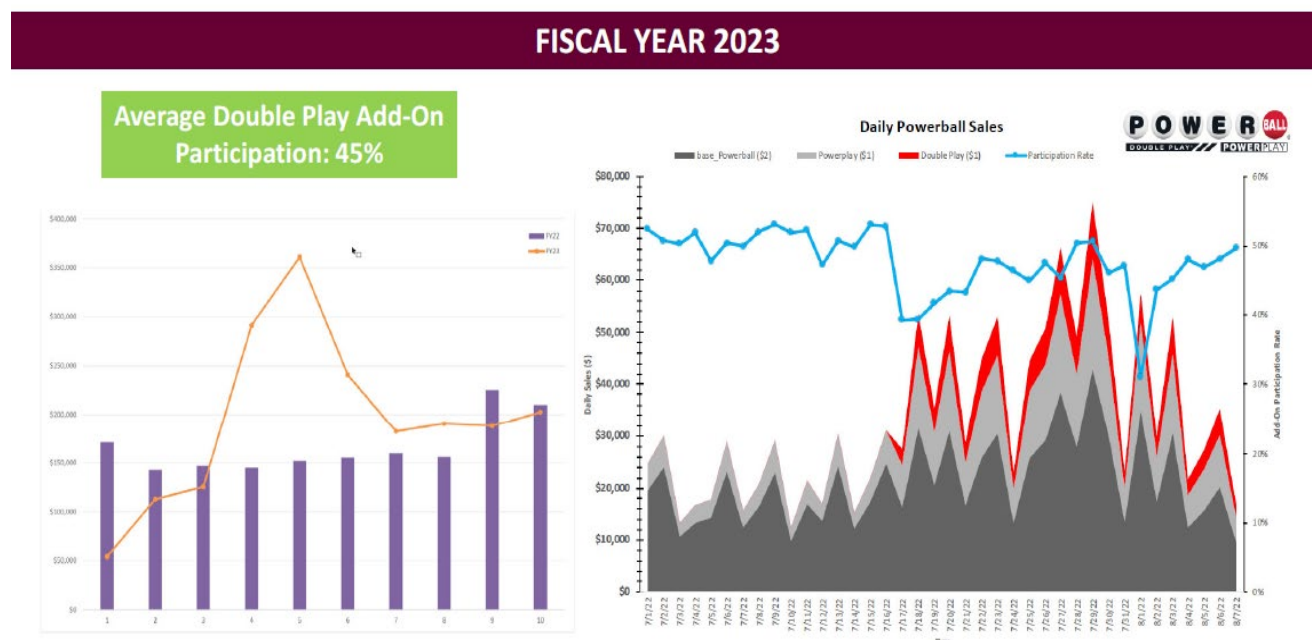
**TOTAL JP Won 9/3:**  
\$2,877,565

- 1 MTC/MX Winner - \$959,188.66 - Holiday #730, Great Falls
- 2 MTC/MX Winners - \$959,188.66 - Worden's Market, Missoula

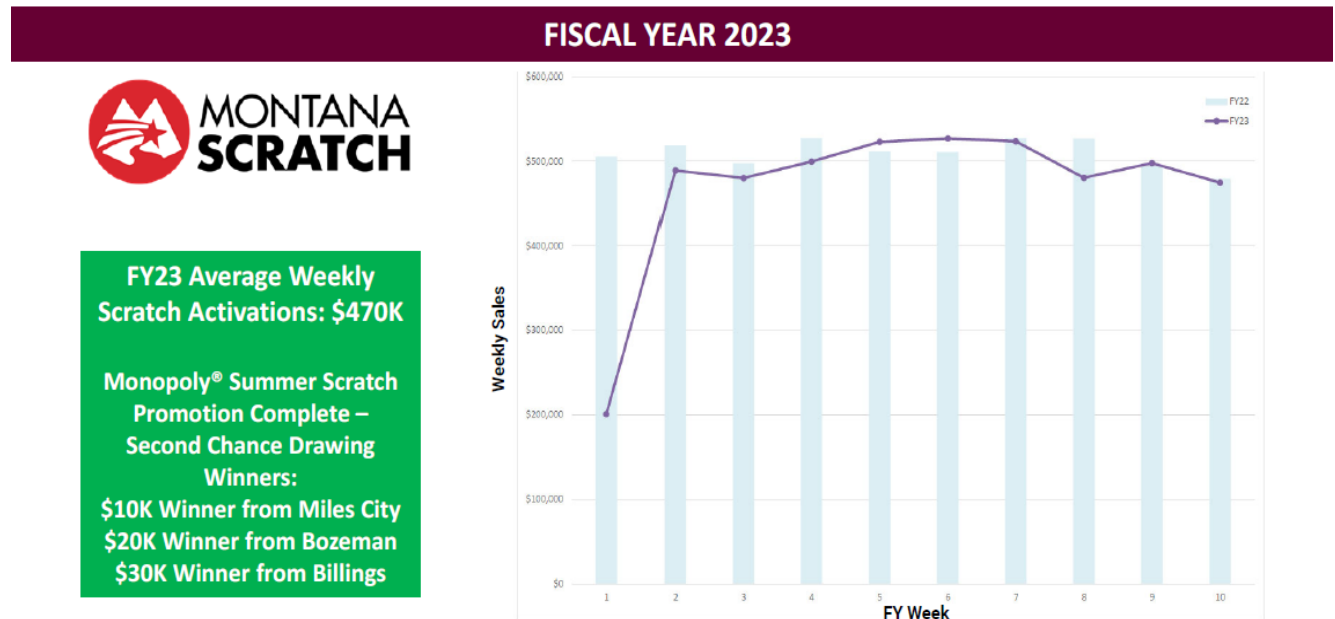
**Montana Cash Comparison Sales:** This chart compares this year's fiscal sales to the past two fiscal years during the same time frame. More analysis is needed, and plan during FY 23, to look at possible game enhancements for Montana Cash next year. The recent jackpot run helps Lottery understand the potential for this game, how we would like to see it perform and to ensure its sustainability.



**Powerball July Game Changes:** In July Lottery made big changes to the Powerball game. The Power Play feature became part of the base price and provided players the option of adding a Double Play add-on for an additional \$1. It has only been a short time since the implementation of the game changes but participation levels for the add-on have been very favorable. Powerball sales are jackpot driven, but sales at lower jackpot levels are exceeding sales trends. The average participation level in the add-on is now approximately 45%.




**Scratch Product Update:** Scratch is doing well although slightly down from last year. Scratch sales are still being compared to the higher-than-normal pandemic sales experienced in FY21 and part in 22. Scratch products are more of an impulse buy and more susceptible to economic shifts, like increased gas and food prices. Even with these challenges, the product is performing at a high level and the holiday season is approaching.



**JAY BOUGHN, SCRATCH PRODUCT MANAGER (1:30:35 – 1:42:16):**

**Proposed Scratch Game:** During the June commission meeting it was decided to temporarily hold off on producing an additional \$10 game and two \$20 games that were part of the original overall 50 game approval process. Based on the discussion with the commissioners and the analysis conducted, Lottery will reduce the payout percentages on these three games by approximately 2% from their current average payouts as shown in the chart below. Lottery is now seeking approval to move forward with the production of the additional \$10 game and two \$20 games.

## Pending Commission Approval



New adjusted payout percentages on \$10 and \$20 games					
Price Point	Play Style	Ticket Quantity	Payout Range (%)		Overall Odds Range (1 in -)
\$10.00	Non-Extended	160,000	72 - 74		3.20 - 3.80
\$10.00	Non-Extended	160,000	72 - 74		3.20 - 3.80
\$10.00	Non-Extended	160,000	Ave. was 73.78% - Approximately adjust to 71.5		3.20 - 3.80
<b>3 - \$10 games in total</b>					
\$20.00	Non-Extended	160,000	Ave. was 75.8% - Approximately adjust to 73.8%		2.80 - 3.40
\$20.00	Non-Extended	160,000	Ave. was 75.8% - Approximately adjust to 73.8%		2.80 - 3.40
<b>2 - \$20 games in total</b>					



**VOTE – APPROVAL OF ADDITIONAL \$10.00 SCRATCH GAME (1:42:18 – 1:43:16):** Chairman Prigge asked if there was any further discussion or public comment on the proposed \$10.00 scratch game. There being none, Commissioner Iverson made a motion to approve the additional \$10 game. Commissioner Metropoulos seconded the motion. The motion carried. The Commission voted unanimously to approve the \$10 game with the reduced 2% payout. There was no public comment. For a full transcript of the discussion regarding the approval of the \$10.00 scratch game please see the above time stamp.

**VOTE – APPROVAL OF TWO ADDITIONAL \$20.00 SCRATCH GAMES (1:43:17 – 1:59:23):** Chairman Prigge asked if there was any further discussion or public comment on the proposed \$20.00 scratch games. Commissioner Morris made a motion to approve the two additional \$20 games. Commissioner Harbaugh seconded the motion. Commissioner Metropoulos asked for additional discussion and more explanation on the amount of return for the \$20.00 games. After some discussion, the motion ultimately carried. The Commission voted unanimously to approve two additional \$20 scratch games with the reduced 2% payout. There was no public comment. For a full transcript of the discussion regarding the approval of the \$20.00 games please see the above time stamp.

**ANNE CHARPENTIER, SALES AND MARKETING DIRECTOR (1:59:38 – 2:05:33):**

**Sports Wagering Update:** Looking at how all the sports markets are performing by device, since the start of the product in March 2020, Lottery has 91 % of its total wagers being placed through the machine and the remainder being placed through account play or mobile devices. The sport with the most wagered is basketball with over \$28 million overall, with football expected to reach if not exceed those sales this season.

*As of 3/30/2022*

Sport	Mobile	PCT	Retail	PCT	Total
Football	\$2,736,138	11.7%	\$20,562,337	88.3%	\$23,298,475
Basketball	\$2,682,476	9.5%	\$25,634,788	90.5%	\$28,317,264
Baseball	\$1,020,541	7.0%	\$13,499,799	93.0%	\$14,520,340
Hockey	\$332,973	9.0%	\$3,371,680	91.0%	\$3,704,653
Golf	\$268,056	19.0%	\$1,140,832	81.0%	\$1,408,889
Specials	\$236,412	14.6%	\$1,384,889	85.4%	\$1,621,301
MMA	\$157,633	11.0%	\$1,270,423	89.0%	\$1,428,057
Soccer	\$154,696	1.8%	\$8,296,704	98.2%	\$8,451,400
Tennis	\$41,002	2.3%	\$1,753,359	97.7%	\$1,794,361
NASCAR	\$38,460	10.7%	\$320,537	89.3%	\$358,997
Boxing	\$4,552	4.0%	\$109,614	96.0%	\$114,167
Athletics	\$2,977	52.7%	\$2,677	47.3%	\$5,654
Formula	\$2,890	11.0%	\$23,389	89.0%	\$26,280
Indycar	\$708	18.5%	\$3,129	81.5%	\$3,837
Rugby	\$664	5.5%	\$11,356	94.5%	\$12,020
Olympics	\$364	7.8%	\$4,284	92.2%	\$4,648
Handball	\$309	84.1%	\$58	15.9%	\$368
Beach Volley	\$271	70.6%	\$113	29.4%	\$384
Volleyball	\$251	67.0%	\$123	33.0%	\$375
Other	\$1,090	5.9%	\$17,381	94.1%	\$18,471
Total	\$7,682,466	9%	\$77,407,475	91%	\$85,089,941

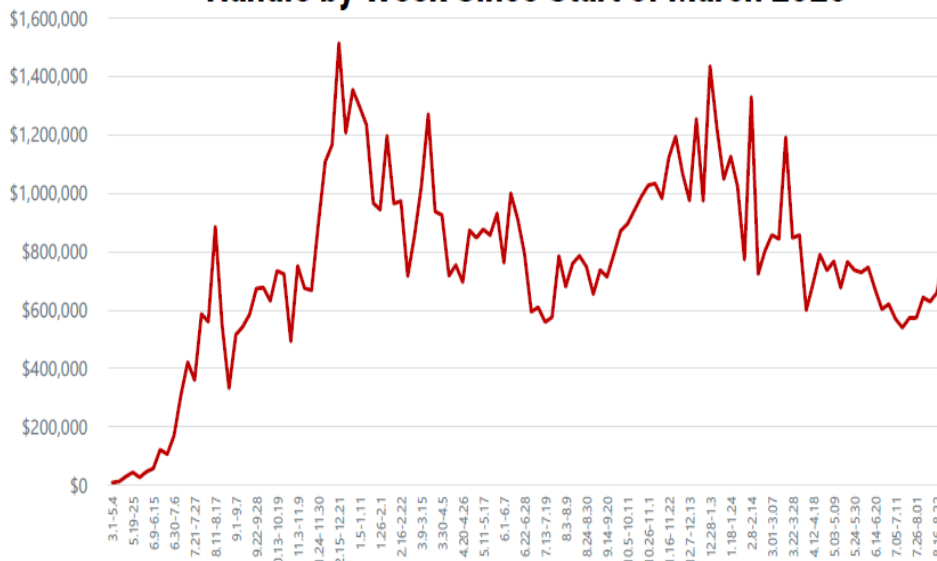


**Handle By Week:** The handle by week chart shows those times since the start of Sports Bet where sales have performed well and where events have been less available or popular with bettors. Lottery has seen an increase in betting recently, which is due to baseball and football bets increasing.

As of 8/29/2022



### Handle by Week Since Start of March 2020



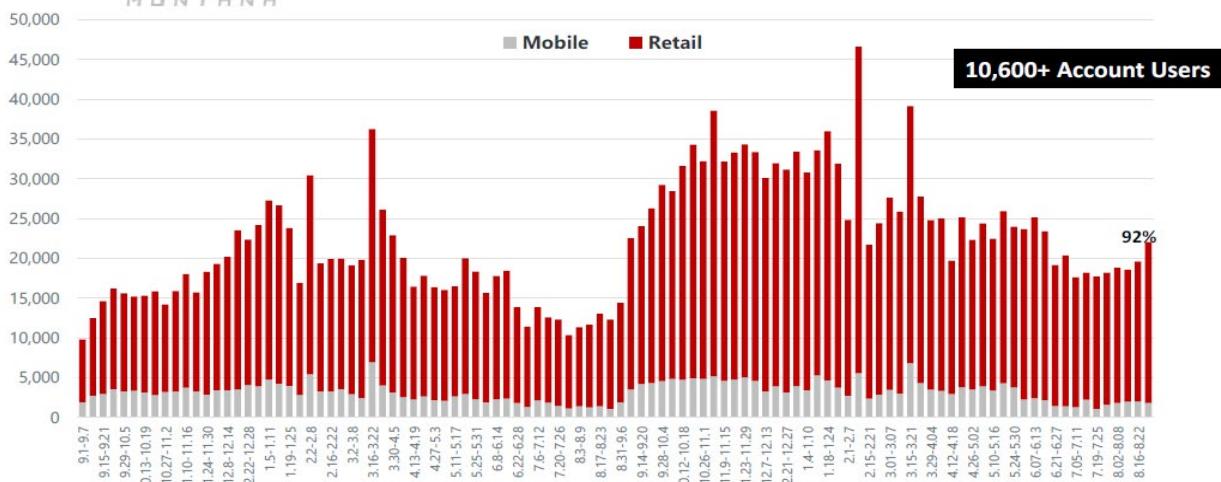
**Total SBM  
Sales for  
FY2022:  
\$45,344,492**

**4.9%  
Increase from  
FY21 Sales**

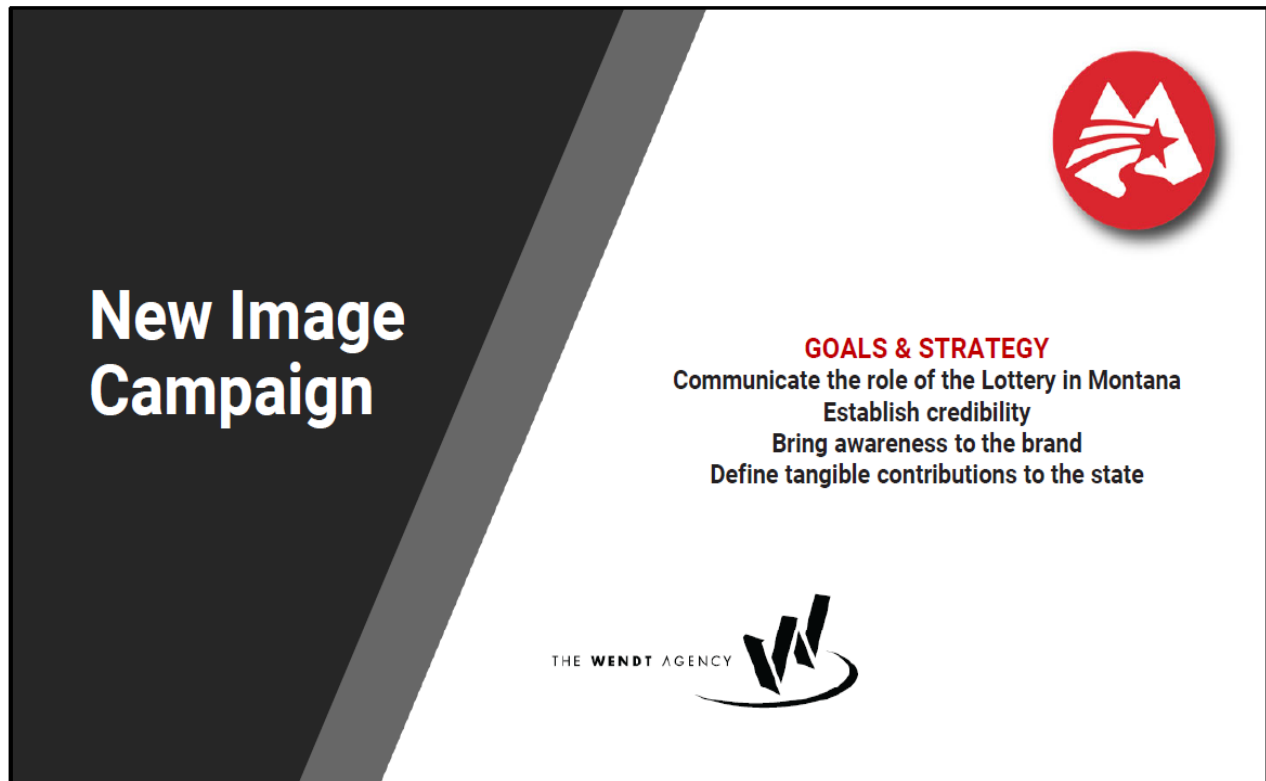
**Mobile vs. Retail:** Lottery now has 473 locations across the state selling Sports Bet Montana and more coming each week. The mobile only pilot program, which our sales reps have been working with locations to recruit, has resulted in installing full terminal locations instead of just mobile-only locations. So, the mobile only pilot program will be extended as we recruit locations that want the mobile-only product and will provide additional information at our next meeting. Lottery continues to grow its account player base with over 10,600 accounts to date.



### Mobile vs. Retail



**New Image Campaign:** The marketing department has been working closely with our advertising partner, the Wendt Agency on developing an image campaign for the Lottery. Lottery's strategy was to communicate how the Lottery fits in the Montana landscape, reinforce our credibility with the public, build brand awareness, and educate the public on how we contribute to the state or define where the money goes. To do that we touch on the ticket journey which includes, the player, the sales agent, the lottery employee, and scholarship recipient. Anne then played the Lottery's new image campaign television advertisement for the Commissioners.

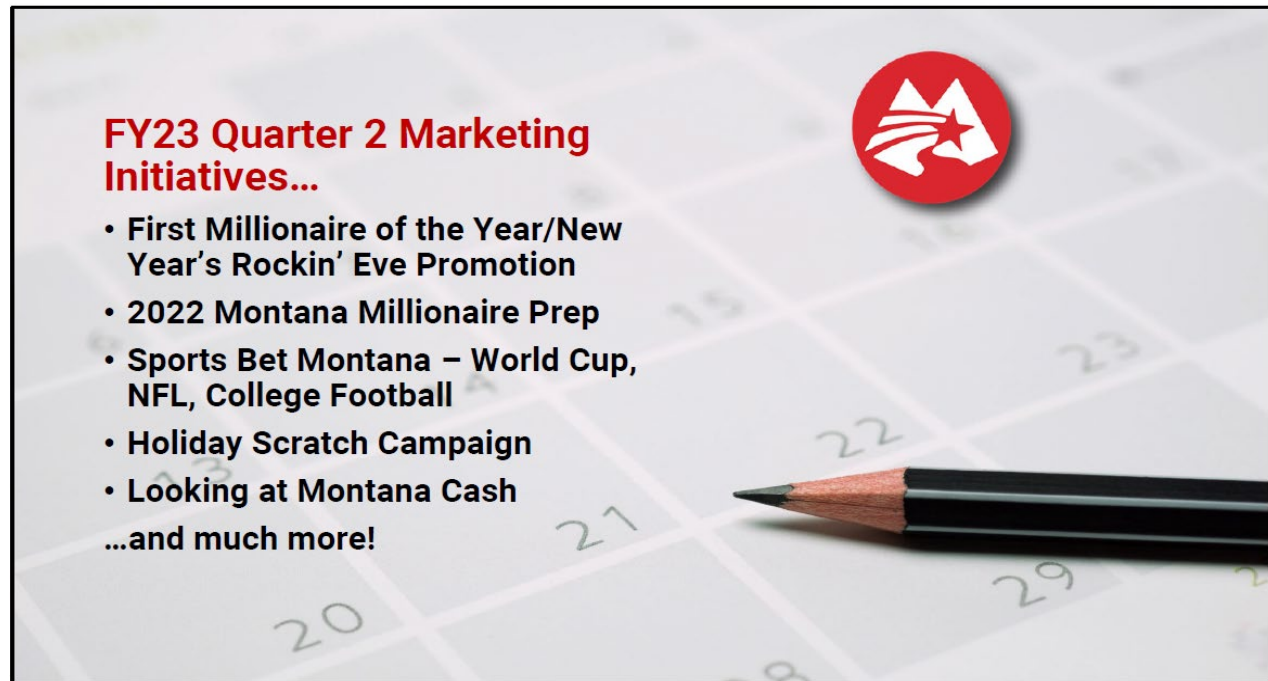


**Powerball NYRE Promotion:** In October, one lucky Montana Powerball player will win an all-expense paid trip for two to New York city for a chance to become the first millionaire of 2023 on a TV broadcast live from New York's Time Square. Every Powerball ticket sold between September 14 and October 7 will include a Bonus Play web code which can be submitted to the Player's Club to enter this exclusive Second Chance drawing. Powerball tickets including Double Play or multiple plays will receive additional entries. Players may submit web codes either by scanning them with the Montana Lottery mobile app or by entering them into the Player's Club. The second chance drawing winner will be selected on October 7.

**Montana Millionaire Update:** Montana's seasonal raffle game returns at 5:30 a.m., November 1, with two \$1,000,000 grand prizes and only 280,000 tickets. Early bird prizes were increased, and more instant wins were added (1,800 - \$500 and 1,200 - \$100). Sales continue until all tickets have been sold. Last year's game sold out in six days. The first early bird drawing for \$100,000 will be held on November 25. The second early bird drawing for \$25,000 will be held on December 16. The grand prize of two one-million dollars and \$100,000 draws will be held December 25 – January 1.



**Marketing Initiatives:** Next quarter the Marketing Department will focus on the following marketing initiatives:



**FY23 Quarter 2 Marketing Initiatives...**

- **First Millionaire of the Year/New Year's Rockin' Eve Promotion**
- **2022 Montana Millionaire Prep**
- **Sports Bet Montana – World Cup, NFL, College Football**
- **Holiday Scratch Campaign**
- **Looking at Montana Cash**
- **...and much more!**

**PHIL CHARPENTIER, IT DIRECTOR (2:05:36 – 2:13:55):** On July 17<sup>th</sup> Lottery deployed a software release that included a change to Lotto America, increasing the drawings from two to three times a week. This aligns Lotto America with the Powerball drawings. This release also included the update to Powerball to make the Power Play option mandatory, and added a new feature called Double Play. Players can opt in for an additional \$1 per play, per draw; to include their ticket in another separate drawing held immediately following the Powerball draw, for a chance at more prizes using their same ticket. This quarter Lottery also worked with Intralot to closely examine the Sports Betting communication errors plaguing sales agents in the field. All were available to discuss these issues commonly referred to as the “white screen” and “terminal unresponsive” issue. Intralot has been meeting daily since Lottery’s first examination and are receiving weekly updates on their progress. The goal is to eliminate these issues, specifically the perception and stigma surrounding these issues, ensuring Intralot can proactively monitor terminal health. The latest resolutions are being thoroughly tested now, barring any stoppers, will be deployed to production tomorrow morning. This is the first step in this process and even though Lottery believes it will eliminate these two issues, there are more updates to come. Lottery is confident these changes will improve the player and sales agent experience with these Kiosks. More information will be provided at the next commission meeting. In the meantime, Lottery has been preparing for the start of NFL Football season with new promotions tested and scheduled to commence. The Lottery Operating System has also been reviewed to ensure it is current with Operating System patches and security updates. All systems needing OS updates are in the process of being upgraded now, and this effort will be completed within the next quarter. Next quarter Lottery will be testing the software updates needed to support the Montana Millionaire season, scheduled to start on November 1<sup>st</sup>. Shortly afterwards, another release will be deployed with a previously approved Treasure Play game waiting for a testing window since 20-21. Once this game is tested and deployed to production, Marketing can schedule it as needed. Prior to these releases Lottery also has a production system backup and restore scheduled to keep its user acceptance testing environment current with production software. The backup was performed last night and is being restored onto the test environment now. Within a few weeks Lottery will be toggling back its production configuration to the original, where the Intralot Duluth office central system will become primary again, and the Helena systems will be the backup.

Additionally, the Sports Betting environment will be toggled back to Billings as the primary, and Helena as the backup. Both environments will remain this way for six months until Lottery schedules the next switch over. This will be a semi-annual switch-over process. Lottery is also scheduled to conduct its semi-annual site visit with Intralot at their Duluth headquarters in late September. Lottery will meet with key staff working on its project to discuss past performance and ongoing expectations for the services provided by Intralot. Lottery will also perform a physical security walk-through of the facility. Lottery has conducted these remotely in the past, but believe face-to-face review and walkthrough ensures Lottery continues to be the focal point with our vendor. For a full transcript of the discussion regarding the IT Report please see the above time stamp.

**BEN KAMERZEL, INTRALOT GENERAL MANAGER – VENDOR REPORT (2:14:00 -2:20:26):**

**Staffing:** Intralot's Events Ambassador, Sassion Denherder has been promoted to Marketing Manager. Helena Customer Service Tech, Doug Lippert has been promoted to Bench Technician. Helena Customer Service Tech, James West was promoted to Lottery Business Analyst. Helena Customer Service Tech, Michael Renney has been promoted to Junior Development in Operations. Intralot has one Helena Customer Service Tech in background. Open and advertised positions include: a Web Developer, Helena Customer Service Tech, Missoula Customer Service Tech, and Events Ambassador.

**Comms Investigations:** Intralot continues ongoing comms investigation of its Sports Bet cellular network for communications degradation. The Cellular reception is everchanging; some of the issues include the following: Weather (snow, rain, smoke, and ash); Site Structural Changes (remodels, metal roofing/siding; Foliage – leaves; Cellular provider – tower configuration/software (5G); Saturation (sports, concerts, tourist season); and Faulty Electrical Wiring (supply). Troubleshooting tools used include the Wilson Cellular Network Scanner (validates cellular network performance) and Net Cloud Application (measures signal/network quality, diagnostic data, remote reboot, and speed test). And finally, Resolution (cellular providers – Verizon, AT&T; cellular signal boosters; internal/external antennas and cellular modem firmware).

**Equipment:** There are currently 474 active Sports Betting Terminals in the field and 113 DUO TV's. There are 391 active Treasure Play Terminals. Intralot's present stock of Terminals/Duo/TV's include: 106 – Sports Terminals; 176 – DUO / TV; 13 – Treasure Play; 9 – DreamTouch; 1 – WinStation and 159 – Photons/Printers/Genions. There are a total of 1,707 active devices in the field.

**Corporate News:** Wyoming will launch Keno and will go live in the middle of September. Intralot is also working on a Sports Bet solution for Ohio, but nothing has been signed yet.

**NEXT REGULAR MEETING DATE (2:20:38 – 2:21:00):** Director Sales proposed the next regular Commission Meeting be held on Thursday, December 8, 2022. Bryan will instruct Denise to canvas the Commission 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.

**OTHER PUBLIC COMMENT:** There was none.

**ADJOURNMENT (2:21:05 – 2:21:13):** Chairman Prigge asked for a motion to adjourn the meeting. There being no further business, Commissioner Iverson made a motion to adjourn. Commissioner Metropoulos seconded the motion. The meeting adjourned at 11:24 a.m.