

**LOUISIANA LOTTERY CORPORATION
BOARD OF DIRECTORS MEETING
April 28, 2017**

Chairman Roy Robichaux called the meeting to order at 10:00 a.m. in the Board Conference Room located at the Louisiana Lottery Corporation Headquarters, 555 Laurel Street, Baton Rouge, Louisiana.

I. Attendance

- A. Members Present:** Chairman Roy Robichaux, Vice Chairman Blake McCaskill and Directors: J. T. Taylor, Heather Doss, Sean Wells, Butch Gautreaux, Larry Cager and Deputy State Treasurer Renee Ellender Roberie.
- B. Members Absent:** Directors: Verge Ausberry, Jr. and Lisa Reardon.
- C. Staff Present:** President/CEO, Rose Hudson, Senior Vice President/Secretary/ Treasurer, Karen Fournet and Senior Vice President/General Counsel, John Carruth.

II. Pledge of Allegiance

Chairman Roy Robichaux asked Vice Chairman Blake McCaskill to lead the Board of Directors and all attendees in our Pledge of Allegiance.

III. Approval of the Minutes of Prior Board Meeting

Chairman Robichaux began by asking if anyone had any questions or corrections to the minutes of the February 24, 2017 Board Meeting. Vice Chairman McCaskill **moved** to approve the February 24, 2017 Board Meeting Minutes and Director Doss **seconded** the motion. There being no objection, the minutes were **approved**. The meeting was then turned over to President Rose Hudson for the President's Report.

IV. President's Report

Ms. Hudson began by congratulating the Louisiana Lottery Corporation's Finance Team for receiving the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA) of the United States and Canada. The

Louisiana Lottery Corporation was recognized for its 2015 Retirement Annual Financial Report for the ninth consecutive year.

In continuing, Ms. Hudson recognized Quinn Dossett, Vice President of Marketing, and Jeff Jackson, Broadcaster Producer, for winning a Telly Award in the "Set Design" Category for the *SAINTS GOLD* scratch-off commercial.

Additionally, Ms. Hudson recognized Vice President Brian Darouse of Management Information Systems (MIS) for his team successfully completing its fourth renewal of its quality assurance best practices verification by the North American Association of State & Provincial Lotteries (NASPL). In 2006, The Louisiana Lottery Corporation became the very first lottery in the country to receive this industry verification and has successfully renewed its certification every two to three years since that time.

Ms. Hudson informed the Board of Directors of changes recently made to the Mega Millions Game. Beginning, October 28, 2017, the cost of the Mega Millions ticket will rise from \$1 to \$2. Other changes include the overall odds, matrix and prize tiers. The changes essentially make Mega Millions and Powerball identical games drawn on different nights. Without any meaningful differences in the two games, it may cause jackpot-shopping.

In addition, Ms. Hudson mentioned a proposal being discussed to modify the Powerball Game. The proposed changes would allow players to purchase a bonus draw option, which would include an extra drawing during the week. There are many unknowns and Ms. Hudson stated that she does not support the changes at this time. NASPL Lottery Directors have a meeting scheduled in June for further discussion and to vote on the concept.

Ms. Hudson informed the Board of Directors that the Louisiana Lottery Corporation is in the process of soliciting bids for a series of six Powerball commercials to highlight the number of millionaires made in Louisiana. If bids come in over \$100,000, Ms. Hudson advised the Board of Directors that she plans to inform them per the special procurement process.

In concluding, Ms. Hudson advised the Board of Directors that she testified before the Louisiana House Appropriations Committee on Tuesday, April 25, 2017. She added that this was the first time she has been asked to testify before the committee. She attended to answer questions from legislators on the Lottery's sales projections which are below last year after increasing annual projections for several years. Ms. Hudson relayed that she specifically noted the record Powerball Jackpot in 2016 and the unclaimed prize fund sweep as being the driving forces behind lottery sales declining. At this time, Ms. Hudson advised that she is waiting for confirmation on a date to testify on the budget before the Joint Legislative Committee on the Budget.

At this time, Ms. Hudson turned the floor over to Karen Fournet, Senior Vice President/Secretary/Treasurer, to present the financial report via Power Point Presentation.

Ms. Fournet began by analyzing monthly sales for fiscal years 2014-2017 for the first ten (10) months of each year. Sales in July started out strong at \$43.4 million with two (2) large multi-state jackpots, but dropped to \$33.5 million during August following the flood. Since that time, sales have climbed to \$36 million projected for April 2017.

Ms. Fournet reported that Powerball sales for the first ten (10) months of Fiscal Year 2017 are \$69.7 million, which is \$41.9 million less than this time last year. She advised that this decrease can be attributed to the sales spike leading up to the \$1.6 Billion jackpot in January 2016; however, it is also \$18.7 million lower than 2014 when we experienced similar jackpots which is a clear indication of jackpot fatigue.

Ms. Fournet stated that Mega Millions sales for the first ten (10) months of Fiscal Year 2017 are \$23.9 Million which is \$1.5 Million more than last year. This can be attributed to the \$540 million jackpot in August.

In continuing, Ms. Fournet advised that combined Powerball and Mega Millions sales through the first ten (10) months of Fiscal Year 2017 are \$93.9 million which is \$40.1 million behind last year and at their lowest level in six (6) fiscal years. Nevertheless, the sales are higher than when we offered the Powerball Game alone.

Ms. Fournet explained the proposed changes to the Mega Millions Game scheduled to launch on October 28, 2017. The new Mega Millions Game would change from a \$1 ticket to a \$2 ticket and have overall odds of winning at 24 to 1 with the odds of winning the top prize at 302.6 million to 1 making this game very similar to the current Powerball Game. Ms. Fournet stated that it will be very interesting to see the changes in the players' spending patterns between the two games. The size of the jackpot will be the main difference driving sales.

Ms. Fournet reported that Lotto sales are fairly solid at \$21.7 Million but are down \$4.3 Million from this time last year due to lower jackpots. She explained that Fiscal Year 2016 saw a jackpot of over \$3 Million, which had not happened in six (6) years. Ms. Fournet stated that Lotto sales may be impacted by the changes to the Mega Millions Game.

Ms. Fournet informed that sales of Pick 3 and Pick 4 are holding steady at \$82.6 Million through April 2017. These games continue to be the most stable games in the Louisiana Lottery Corporation's product mix. Pick 3 is relatively flat while Pick 4 is seeing some growth as Pick 3 players have migrated to that game. In looking at today's values, these games represent a \$10 million total increase since 2012.

In continuing, Scratch-off sales of \$171.6 Million are a bit sluggish and are down \$8 Million from last year. Scratch-off game performance this year has slowed substantially due to a number of factors, including the economic toll of the decline of the oil and gas industry, particularly in South Louisiana and having to manage prize payouts with a lower unclaimed prize pool. Ms. Fournet illustrated this by comparing scratch-off sales per price point in 2003 versus 2016. In 2003, total instant sales were \$102.5 Million with over 80 percent of sales coming from \$1 and \$2 games. Conversely in 2016, sales climbed to \$212 million with 50 percent of sales coming from \$5 and \$10 games because of their higher prize payout percentages.

Ms. Fournet also compared instant sales loss by region through March 31, 2017 which demonstrated the economic impact of the oil and gas industry with Lafayette accounting for 26 percent of the loss and New Orleans accounting for 40.6 percent.

Ms. Fournet reported overall fiscal year-to-date sales of \$378.5 Million through April which is \$52.1 Million lower than last year. Projected sales for the end of Fiscal Year 2017 are currently at \$3.2 Million under budget.

Ms. Fournet stated that general and administrative expenses are running \$1 Million under budget at \$14.2 Million through the end of March 2017, which is good news as it is very important to manage expenses with sales down.

In conclusion, Ms. Fournet advised that Louisiana Lottery Corporation transfers are projected to be \$132.4 Million through April 2017 which is \$1.6 Million short of budget. The Louisiana Revenue Estimating Conference is aware of this decline and Ms. Fournet is hopeful that the Louisiana Lottery Corporation will be able to make up the shortfall before the end of the fiscal year.

A copy of the financial presentation is attached.

Before turning the meeting over to Chairman Robichaux, Ms. Hudson took a moment to introduce the Louisiana Lottery Corporation's new Communications Specialist, BreAnne Frye.

V. Board Committee Reports

Personnel Committee – Personnel Committee – Personnel Committee Chairman Blake McCaskill advised that there was no Personnel Committee Report at this time.

Finance Committee – Chairman Robichaux advised that there was no Finance Committee Report at this time.

Bylaws Committee – Bylaws Committee Chairman Roy Robichaux advised that there was no report at this time.

VI. Other Business

Chairman Robichaux advised the Board that Committee Appointments will be on the agenda for the next Louisiana Lottery Corporation Board of Directors Meeting.

VII. Announcements

The next meeting of the Louisiana Lottery Board of Directors is scheduled for Friday, June 23, 2017 to be held in the Board of Directors Conference Room of the Louisiana Lottery Corporation Headquarters located at 555 Laurel Street, Baton Rouge, Louisiana.


VIII. Adjournment

There being no further business, Chairman Robichaux invited a motion to adjourn the meeting. Director Taylor made a **motion** to adjourn the meeting and Vice Chairman McCaskill **seconded** the motion. There being no objection, the motion was **approved** and Chairman Robichaux adjourned the meeting at 10:36 a.m.

Date Approved: 6/23/2017



Wendy Reeves
Executive Administrative Assistant



Lisa Reardon *Blake McCaskill*
Secretary to the Board of Directors



Roy Robichaux
Chairman of the Board of Directors

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