

**LOUISIANA LOTTERY CORPORATION**  
**BOARD OF DIRECTORS MEETING**  
April 24, 2015

Chairman John Fitzpatrick called the meeting to order at 10:02 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 John Fitzpatrick, and Directors: Verge Ausberry, Jr., Heather Doss, J. T. Taylor, Lisa Reardon, Roy Robichaux, Blake McCaskill, Larry Katz and Ron Henson.
- B. **Members Absent:** Vice Chairman Kim Carver.
- 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 John Fitzpatrick asked Ms. Karen Fournet to lead the Board of Directors and all attendees in our Pledge of Allegiance.

**III. Approval of the Minutes of Prior Board Meeting**

Chairman Fitzpatrick began by asking if anyone had any questions or corrections to the minutes of the February 25, 2015 Board Meeting. Director Robichaux **moved** to approve the February 25, 2014 Board Meeting Minutes and Director McCaskill **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 addressing media reports of the "sale" of the Louisiana Lottery Corporation. She advised that she had not been approached by the State of Louisiana's Division of Administration regarding the securitization of the Lottery and that the Louisiana Lottery Corporation's Board would need to move forward with such a proposal under current law. Ms. Hudson added that the administration has said publically that although two financial houses had submitted securitization proposals, they did not intend to pursue them.

As a reminder, Ms. Hudson advised the Board of Directors that financial disclosures are due on Friday, May 15, 2015, in order to remain in compliance with the Louisiana State Ethics Law.

Ms. Hudson advised the Board of Directors that the 2015/2016 Budget was approved by the Joint Legislative Committee on the Budget. She further added that the budget did not contain pay raises as being consistent with no state worker pay raises.

Ms. Hudson addressed bills pertaining to the Louisiana Lottery Corporation which have been pre-filed for the current legislative session. She highlighted two bills as areas of concern: HB459 by Representative Helena Moreno and HB566 by Representative James Fannin.

HB459 would utilize \$2.5 million of the remaining balance of unclaimed prize funds each year and direct the money to a newly created New Orleans Public Safety Fund to be used for state police and law enforcement in the French Quarter.

HB566 would take \$5.9 million in unrestricted, unencumbered Louisiana Lottery Corporation funds and direct them to the Lottery Proceeds Fund. Ms. Hudson indicated the funds would essentially come from the Lottery's Prize Reserve and Litigation Fund. She stated that it is unclear the ultimate impact these bills would have on the Louisiana Lottery Corporation but that Ms. Fournet would work closely with the legislative staff in preparing fiscal notes.

Additionally, Ms. Hudson called the Board's attention to the Legislative Auditor's Performance Audit Report Summary which highlighted the use of the Louisiana Lottery Corporation's \$27 million unclaimed prize fund to help solve the State of Louisiana's current budget crisis. The report indicated an annual net loss to the State of Louisiana if it swept those funds without also reducing the 35 percent transfer mandate to 25 percent of revenue. She explained that this is because the Louisiana Lottery Corporation utilizes those funds to enhance prize payouts on scratch-off games which has resulted in increased sales as part of a 10-year strategic plan. Ms. Hudson also reminded the Board that under the current statute, the unclaimed prize fund is essentially our players' money.

Ms. Hudson also updated the Board on the July 13, 2015 trial of a former MUSL employee in conjunction with fraud charges involving his attempting to pass a winning ticket for Hot Lotto, a multi-state game administered by MUSL. The case has demanded much of her attention as current MUSL President.

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

Ms. Fournet began with a look at monthly Louisiana Lottery Corporation sales for the first ten (10) months of the fiscal year. She advised that we are very close to prior year totals but are down \$1.1 million --- explaining even though in 2014 there were five (5) jackpots above \$400 million and only one (1) so far this fiscal year.

Ms. Fournet informed the Board that Powerball's sales of \$74.6 million through the end of April are at their lowest levels in five (5) years. Jackpot levels are comparable to 2013, but sales are \$26 million lower than 2013. Ms. Fournet attributes this to jackpot fatigue, as players have come to expect consistently large jackpots. She stated that Powerball could undergo a matrix change as

early as October to compensate for the game's additional population which is causing the jackpots to be hit frequently. Ms. Fournet added that last year Mega Millions sales helped make up for slipping Powerball sales due to two large jackpots. Unfortunately, this is not the case this year with combined Powerball and Mega Millions sales being \$21 million lower than last year. Furthermore, Ms. Fournet stated that while Mega Millions is performing well with sales at \$26.8 million for the first ten (10) months of the fiscal year, the sales are \$7.5 million below last year at this time.

Ms. Fournet explained that Lotto sales are holding steady, just \$1.9 million behind last year at \$22.3 million. The combined Pick 3 and Pick 4 sales of \$78 million show continued growth and for the first time are greater than Powerball sales. This scenario demonstrates the importance of daily games in our product mix. Easy 5 with EZ Match sales are about \$500,000 below last year with some cannibalization effect as a result of changes in the Powerball and Mega Millions products.

Ms. Fournet advised that scratch-off sales continue to skyrocket averaging over \$16 million a month. She stated this phenomenal annual growth can be attributed to the additional prize money in the games. Fiscal year-to-date sales have grown from \$113.3 million in 2010 with a prize payout of 58.54 percent to the current \$168.6 million in 2015, having a prize payout of 62.75 percent. Additionally, Ms. Fournet noted that the Lottery's strategy of increasing prize payouts continues to have a positive effect on the Lottery's efforts to maximize state revenue.

Ms. Fournet reported overall fiscal year-to-date sales total of \$379.3 million through April is just \$1.1 million lower than this time last year. However, sales are still performing \$25.3 million better than budget due to scratch-off sales.

Looking at General and Administrative Expenses, Ms. Fournet reported that the Louisiana Lottery Corporation is doing \$1.5 million better than budget through the end of March 2015.

In concluding, Ms. Fournet noted the Louisiana Lottery Corporation has transferred \$133.3 million to the State of Louisiana through April 2015, which is \$8.8 million ahead of budget.

A copy of the financial presentation is attached.

## **V. Board Committee Reports**

**Personnel Committee** – No report at this time.

**Finance Committee** – No report at this time.

**Bylaws Committee** – No report at this time.

## **VI. Other Business**

There was no other business to discuss at this time.

## VII. Announcements

The next meeting of the Louisiana Lottery Board of Directors is scheduled for Friday, June 26, 2015 to be held in the Board of Directors Conference Room of the Louisiana Lottery Corporation Headquarters located at 555 Laurel Street, Baton Rouge, Louisiana. The Board of Directors will go into Executive Session during this board meeting.

## VIII. Adjournment

There being no further business, Chairman Fitzpatrick invited a motion to adjourn the meeting. Director Taylor made a **motion** to adjourn the meeting and Director Ausberry **seconded** the motion. There being no objection, the motion was **approved** and Chairman Fitzpatrick adjourned the meeting at 10:35 a.m.

Date Approved: June 26, 2015.

Wendy Reeves  
Wendy Reeves  
Executive Administrative Assistant

Roy Robichaux  
Roy Robichaux  
Secretary to the Board of Directors

John Fitzpatrick  
John Fitzpatrick  
Chairman of the Board of Directors