

**LOUISIANA LOTTERY CORPORATION
BOARD OF DIRECTORS MEETING
October 23, 2020**

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

I. Attendance

- A. Members Present:** Chairman Blake McCaskill; Directors: Larry Cager, Sheridan Shamburg, Whalen Gibbs, Jr., Roman Banks, Cynthia Hedge-Morrell, Anna Jones, Carmen Jones, and Sean Wells.
- B. Members Absent:** Louisiana Deputy State Treasurer Rachel Kincaid.
- C. Staff Present:** President/CEO, Rose Hudson, Senior Vice President/Secretary/Treasurer, Karen Fournet, Senior Vice President/General Counsel, John Carruth and Director Products, Susan Clayton.

II. Pledge of Allegiance

Chairman Blake McCaskill asked Rose Hudson to lead the Board of Directors and all attendees in our Pledge of Allegiance.

III. Approval of the Minutes of Prior Board Meeting

Chairman McCaskill began by asking if anyone had any questions or corrections to the minutes of the June 26, 2020 Board Meeting. Director Banks **moved** to approve the June 28, 2020 Board Meeting Minutes and Director Wells **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

Mr. Hudson began by providing the board with a brief update on the Lottery's current response to the COVID-19 health crisis. Currently, the Lottery remains closed to the public and is paying claims at offices by appointment only. She said that although adjustments have been made to minimize the risk of exposure within the Lottery organization – including working from home and utilizing Microsoft Teams for collaboration, meetings and digital/telephonic communications – the Lottery has experienced a couple of confirmed cases at its offices. The Lottery will continue to monitor and follow guidance from the Centers for Disease Control and make further adjustments, as needed, continuing to proceed with caution.

She then gave the board an overview of the Lottery's response to hurricanes Laura and Delta. She said that a handful of staff members experienced damage to their homes due to these storms. She mentioned that Lottery staff members took up donations for two employees who

experienced severe damage, and they were very appreciative. In addition, roughly 68 retailers remain offline and unable to sell tickets due to the storms; this number is down from 300 originally impacted. It is estimated that the storms caused a loss of about \$1 million in sales. The Lottery is tracking the recovery efforts of these retailers to determine best course of action in the interim.

Ms. Hudson then notified the board that former Lottery Vice President of Human Resources Kenyetta Sewell recently left the organization and returned to work for the State of Louisiana. Rose said that she has taken on this role since her departure. She told the board that the pandemic has made recruitment difficult, but she will soon begin interviewing candidates in order to fill this important position.

She told the board that the Lottery's annual open enrollment period is set for Nov. 9-20, and there have been increases in costs associated with the coverages offered. Vendors will conduct an online seminar for employees on Oct. 27 to review changes to the benefit plans.

She then shared that over the last couple of months, Lottery staff have been participating in conference calls with the Multi-State Lottery Association (MUSL) to discuss ideas for changes to the Powerball game in order to improve sales and player participation. Sales have been down markedly due to the pandemic and low advertised jackpots. The group decided to add an additional drawing on Monday nights beginning in the summer of 2021. Another change that would take Powerball international and bring Australia on board is currently being considered. Rose will remain engaged in these discussions with MUSL and keep the board updated on any new developments.

Ms. Hudson then informed the board that this year's NASPL conference, DeskCon, is being held virtually from Oct. 26-30. She encouraged all members to participate in some of the sessions to help further their understanding of the Lottery industry.

Lastly, she informed the board that the strategic planning process that began earlier this year will continue in November. During upcoming planning sessions, the executive team will focus on strategic planning for the next two years since the pandemic has changed the way business is conducted. The results of the sessions will be shared with the board.

The meeting was then turned over to Senior VP, Secretary/Treasurer Karen Fournet.

Mrs. Fournet began by analyzing total monthly sales for fiscal years 2017-2021.

Monthly sales started out strong this year due in part to diminishing gaming options, which were closed or had limited in capacity due to the pandemic. July sales topped \$50 million and are projected to reach \$43.5 million to end October.

Powerball fiscal-year sales through the end of October are projected to be \$16.3 million, which is \$3.3 million less than last year. This represents the lowest four-month start since the Lottery began offering the game in 1995. The decline in sales is due to a long span of low advertised jackpots as well as changes made by MUSL to eliminating guaranteed starting jackpots and increases between drawings, which were necessitated by declining participation during the

pandemic-related stay-at-home orders. Karen illustrated the effect of these changes on draw sales at the beginning of jackpot runs, which have fallen from a high of \$1.3 million in November 2018 to a low of \$704,000 in April of 2020.

Mega Millions continues to experience a similar story with sales projected to end October at \$9.8 million, which is \$2.3 million lower than last year. The highest jackpot during this fiscal year was \$124 million. Karen noted, however, that sales are still higher than in 2013.

Sales for these two multistate games are driven almost exclusively by the jackpot size. To illustrate the effect, Karen plotted the occurrence of jackpots of \$400 million or more. In 2019, there were six; in 2020 there were two; and in 2021 there have been none.

Combined Powerball and Mega Millions sales through October are projected to reach \$26.1 million, down \$5.6 million from last year and at their lowest total since the Lottery began offering Mega Millions in 2012.

Lotto fiscal year sales through October are at \$6.8 million, which is \$700,000 less than this time last year. Changes to boost player interest in the game went into effect Aug. 5. The changes were designed so the Lotto jackpot could reach \$1 million more quickly and frequently, which will help increase sales.

Sales of Easy 5 and ezmatch are holding steady at \$3.8 million, which is the same as last year.

Fiscal year Pick 3 and Pick 4 sales, currently at \$47.9 million, have continued to experience fantastic growth, running \$13.1 million more than last year's totals through October. These daily games continue to be the star in the Lottery's draw-game portfolio, with Pick 3 bringing in \$200,000 each day – a higher average now than Powerball! Karen believes some of the recent growth could be due to the preference of the daily games' play style by casino players during the pandemic.

Scratch-off sales are up considerably through the end of October at \$100.6 million, an increase of \$29 million over last year with average prize payouts of 64.99%. Karen noted that scratch-off sales experienced a huge surge since March with COVID-19 limiting other gambling options for players. July's scratch-off sales of \$28.5 million were the highest since the first two months of the Lottery existence and were \$10 million more than July of last year.

For fiscal year 2021, the Lottery intends to maintain an overall payout of 64.99% on its scratch-off tickets, up from 63.1% last year. The increase is due to the Lottery's transfer mandate of 35% being lowered to 25% by the 2020 legislature. Games at each price point will offer a slightly higher payout percentage to achieve the overall percent increase in winner payouts. The Lottery plans to continue to adjust the strategy as needed to maximize sales and overall state transfers. Karen also demonstrated the new payout's stabilizing effect on the unclaimed prize pool. We are currently utilizing \$11.9 million in unclaimed prizes to fund our prize expense, while \$11.8 million is expected to be replenished by current unclaimed prizes.

Mrs. Fournet reported overall fiscal year 2020 sales through the end of October of \$185.3 million, a whopping \$35.8 million higher than last year and \$35 million more than budget due to strong instant game performance and the continued growth of Pick 3 and Pick 4.

General and administrative expenses through the end of September are running \$800,000 under budget at \$4.2 million.

Lastly, she reported that transfers to the state treasury through the end of June are projected at \$62.5 million, which is \$9.7 million better than budget.

Mrs. Fournet then turned the meeting over to Lottery Director of Products Susan Clayton for a presentation on the Lottery's plans to begin offering additional games starting next year.

Mrs. Clayton began by telling the board that the Lottery immediately began having discussions with its vendors about ways to maximize opportunities brought forth by changes to the Lottery's transfer mandate. The change is helping the organization to boost sales (and overall state transfers) by increasing the prize payout in the games that are offered to players.

She then showed the board a presentation on the options the Lottery has decided on and told them that if they approve, we will move forward with presenting the plan to the legislature for their approval.

The plan involves introducing the Lottery's players to Fast Play and adding a new daily numbers game that will be called Pick 5.

Fast Play is a type of instant-win, terminal-generated game with price points of \$1, \$2, \$3, \$5, and \$10. Fast Play games will include both traditional and progressive jackpot games across most of the price points with an estimated payout of approximately 68%. With these games, players can win prizes ranging from \$1 to \$100,000, depending on which price point ticket was purchased. The Lottery's goal is to launch the first set of five Fast Play games during the fourth quarter of this fiscal year and another 16-20 games during fiscal year 2022. Games will be evaluated quarterly based on sales.

Pick 5 will be a game similar to Pick 3 and Pick 4 currently offered with payouts of 50% and top prizes of \$50,000. The goal is to launch this game during the summer of 2021, if approved by the legislature. The Lottery's marketing staff would launch this game as part of a "Pick Family of Daily Games" in order to familiarize players with the new game.

The Lottery projects that Fast Play games will generate approximately \$12.6 million in sales during fiscal year 2022 and another \$21.9 million during fiscal years 2023 and 2024. Pick 5 is projected to generate an additional \$1.7 million in sales in fiscal year 2022, rising to an additional \$7.9 million in fiscal year 2023 and \$9.2 million in fiscal year 2024. The Lottery projects that both new player offerings will generate an additional \$4.7 million in transfers to the Lottery Proceeds Fund in fiscal year 2022 and an additional \$9.5 million in fiscal years 2023 and 2024.

Mrs. Clayton then turned the meeting back over to Ms. Hudson who sought approval from the board to move forward with the plan.

Chairman McCaskill began by asking if anyone had any questions regarding the Fast Play game. There being no questions, Director Banks **moved** to approve the Lottery to proceed with the process of the Fast Play game and Director Wells **seconded** the motion. There being no objection, it was **approved**.

Chairman McCaskill began by asking if anyone had any questions regarding the Pick 5 game. There being no questions, Director Banks **moved** to approve the Lottery to proceed with the process of the Pick 5 game and Director Gibbs **seconded** the motion. There being no objection, it was **approved**.

V. Other Business

Chairman McCaskill informed the board that the personnel committee had spoke to Ms. Karleen Green with Phelps Dunbar to draw up a contract for the President and CEO of the Louisiana Lottery. This contract was given to the board during the meeting and was tabled for more discussion at the December board meeting.

VII. Announcements

The next meeting of the Louisiana Lottery Board of Directors is scheduled for Wednesday, December 16, 2020, 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 McCaskill invited a **motion** to adjourn the meeting. Director Banks made a **motion** to adjourn the meeting and Director Wells **seconded** the motion. There being no objection, the motion was **approved**, and Chairman McCaskill adjourned the meeting at 11:12 a.m.

Date Approved: 12-16-20



Jill Kitchens
Executive Administrative Assistant



Sheridan Shamburg
Vice-Chair of the Board of Directors



Blake McCaskill
Chairman of the Board of Directors