

**North Carolina Education Lottery
Commission Meeting
Teleconference Call**

Meeting Minutes
Tuesday, June 23, 2020

Commissioners in Attendance:

Courtney Crowder, Chairman
Nick Picerno
Jody Tyson
Chris Shew
Morgan Beam
Randy Jones
Pam Whitaker
Jason Roth
Brad Adcock

Staff in Attendance:

Mark Michalko	Randy Spielman
Hayden Bauguess	Mike Suggs
Bill Jourdain	Tony Chung
Quan Kirk	Joe Cosgriff
Frank Suarez	Joe Norman
Terri Avery	Marbet Cuthbert
David Nelms	Annette Taylor
George Walker	Billy Traurig
Reggie Barnes	

Participant on Call:

Benjamin T. Spangler, Assistant Attorney General,
Department of Justice

Kelly Chambers, Deputy Attorney General, Department
of Justice

Amanda Winters, Problem Gambling Administrator,
Department of Health and Human Services

The North Carolina Education Lottery meeting was held on Tuesday, June 23, 2020 at 10:00 a.m. via teleconference call.

Chairman Courtney Crowder opened the meeting and greeted all Commissioners and meeting attendees.

Attendees recited the Pledge of Allegiance.

Approval of Minutes

Chairman Crowder asked Commissioners to review minutes from the April 7, 2020 meeting. A motion was made by Commissioner Pam Whitaker to approve the minutes. The motion was seconded by Commissioner Chris Shew. The minutes were accepted and approved as presented.

NC Problem Gambling Update

Amanda Winters, Problem Gambling Administrator, Department of Health and Human Services presented highlights of the North Carolina Problem Gambling Program.

The program provides:

- 24/7 Helpline – providing referrals and crisis services through text, chat, motivational messaging and distance treatment options.
- Treatment - In-person treatment at no cost to gamblers and affected others
- Prevention – mini-grants utilize evidence-based programming with youth and young adults
- Training – In person and distance-based training for clinicians and other providers across the state.

Youth Prevention:

- 42 grants awarded
- 54 new professionals trained
- 3,680 students exposed to curriculum
- 32,974 estimated reached via outreach

Colleges and Universities

- 15 Grants awarded
- 65,222 reached through college initiatives
- 17 Outreach Presentations at Colleges and Universities
- 20,000 reached by PGAM Social Media Messaging at UNC-G
- 1,800 students screened at Appalachian State

Trainings

- Sports Gambling Summit - 170 participants
- 8 Sure Bet workshops in 5 different locations - 225 participants
- 6 Webinars - 74 webinar participants

24/7 Helpline and Treatment

- Treatment – 318 Referrals / 52 Treatment providers
- 3,890 calls - 595 clinical calls
- Call 2 Change - 192 Referrals / 56 Cases
- 164 Text Subscriptions
- 189 Text/Chat Conversations – 113 Text / 76 Chat

Help line calls top 5 counties

- Wake
- Mecklenburg
- Guilford
- Durham
- New Hanover/Buncombe

Demographics

- 46.2% - Female
- 53.8% - Male
- 46.4% - Caucasian
- 45.8% - African-American
- 2.7% - Hispanic
- 2.47% - Other

Game of Choice

- 33% - Lottery
- 29% - Sweepstakes
- 19% Casino

Referral Source for all calls

- 26.6% - Internet
- 23.3% - Lottery/Scratch Ticket
- 10.2% - NC Problem Gambling Website
- 9.5% - Cherokee Casino
- 7.6% - Relative/Friend
- 8.4% - Other Media

Problem Gambling Impact

- 96.8% - Personal Life
- 85.5 % Financial

Quality Assurance

- 86% of survey participants would recommend the helpline
- 100% of survey participants found treatment beneficial

Committee Reports

Finance and Audit Committee

Finance Update

Bill Jourdain, Deputy Executive Director of Finance, Administration and Security, presented a financial update to Commissioners:

- Financial update through May 2020
 - Total earnings transferred since the inception of the Lottery - \$7.24 billion.
 - The current balance in the Lottery reserve is approximately \$55.6 million (the minimum balance required in the reserve is \$35 million).
 - NCEL was advised that Senate Bill 814 proposed transferring \$10 million to the UNC Board of Governors Institutional Program leaving the reserve balance at \$45.6 million.
- Mark Michalko, Executive Director, explained that the NCEL performed well during the pandemic because players have a lack of options, such as other forms of entertainment, to spend their discretionary funding. It was also noted this situation is occurring nationwide. The numbers have started to level off and the NCEL is trending at the normal level of performance. For budgetary purposes, Mr. Jourdain will remain conservative with the projections. A full report will be presented to the Commission and Legislature in September 2020.

A motion was made by Commissioner Jones to amend the agenda to move the updated FY21 budget presentation and approval until the conclusion of all committee reports. The motion was seconded by Commissioner Tyson.

Internal Audit Updates

Mike Suggs, Director of Internal Audit, gave Commissioners an update on completed internal audits:

- Audit of Retailer Contracting
- Audit of Corporate Social Responsibility & Responsible Gaming
- Investigation: Finance Allegations
 - Billy Traurig, Chief Legal Officer, informed Commissioners that a letter had been sent to the complainant to inform him that the allegations had been investigated and closed.
 - Commissioner Beam asked that any form of communications being sent on their behalf be reviewed and approved by the full Commission before being sent out.
- NCEL Security Audit Report from Bulletproof

Minority Business Outreach Plan

Annette Taylor, Minority Business and Community Affairs Manager, presented updates to the Minority Business Plan. Changes are necessary to incorporate the new role and targeted outreach. The revision to the Minority Business Plan includes:

- Description of the Lottery's commitment to a dedicated role for outreach to minority businesses and engagement with industry associations.
- Defined community affairs efforts.

Targeted outreach to veterans (beyond the disabled persons distinction) to promote diversity in workforce and business. Veteran business owners are a protected class under SBA but the NCEL does not receive HUB credits for contracting with businesses owned by veterans.

A motion was made by Commissioner Tyson to accept and approve the proposed changes as presented. The motion was seconded by Commissioner Picerno. The motion passed.

Attorney General Cooperative Agreement

Mr. Traurig presented further information regarding the Attorney General's Cooperative Agreement. Effective January 2019, an Attorney was assigned to NCEL and the Banking Commission. The agreement stated NCEL would be responsible for one-half of the Attorney's salary (\$59,100). Commissioners asked that the contract be reviewed in an effort to determine if NCEL should continue with the cooperative agreement. Mr. Traurig gave the following options to Commissioners if they decided to terminate the agreement:

1. Continue the relationship, as is, to allow for more review of the contract (recommended).
2. Send notice of termination by December 31, 2020 for termination on June 30, 2021
3. Send six months' notice to terminate contract on December 31, 2020
4. Send notice of immediate termination of contract (not recommended).

It was also discussed that a notice of termination could be sent for termination by December 31, 2020 with the ability to begin negotiations immediately. If the parties does not come to an agreement, the contract would be terminated on December 31, 2020.

Kelly Chambers, Deputy Attorney General for the North Carolina Department of Justice (NCDOJ), stated that she is willing to work with the Commission to clarify all concerns to their satisfaction. If necessary, amendments can be made to the current contract.

Commissioners would like the following issues be addressed in the amended contract:

- Specific legal services provided and tracking of hours spent on NCEL matters
- If the current Assistant Attorney General leaves, who will be responsible for new attorney salary?
- How NCEL can improve the relationship with DOJ and receive more value from the contract?

A motion was made by Commissioner Jones to allow Mr. Traurig and Deputy Attorney General Chambers to re-negotiate the current contract and present the negotiated terms to the full Commission for review and discussion during the September meeting. The motion was seconded by Commissioner Adcock. Commissioner Adcock clarified that the motion be deemed a substitute motion from the committee motion and takes precedence. Commissioner Tyson wanted to reiterate that the contract will be approved by the full Commission. The motion passed.

Revenue Generating Committee

Committee Chairman Brad Adcock reported that the committee had one action item during their meeting. The committee recommended to review the advertising budget during the 2021 budget discussion of the full commission meeting for discussion and approval.

Brand Management Update

Frank Suarez, Deputy Executive Director of Brand Management and Communications gave an update on the 4th Quarter FY20 (April – June):

- COVID-19 Communication Efforts
 - Ongoing communication with players regarding COVID-19 began in April with website updates, blog posts, social media posts, email and customer service phone lines
 - COVID-19 related communications included claims centers closing, Powerball changes, Mega Millions changes, Lucke-Rewards drawing postponements, stay at home claims process and claims centers re-opening.
- April Scratch-Offs
 - Launched 4 New Games
 - Loose Change
 - Triple Dynamite
 - 007
 - \$50 or \$100

- No advertising
- Online Play
 - Online Play advertised in lieu of advertising for retail products
 - Offer of \$5 credit with first time deposit
 - Online video advertising April 10 –May 10
 - Digital display advertising April 24 –May 10
- May Scratch-Offs
 - Launched 4 new games
 - Diamond Dazzler
 - Money Bag Slingo
 - \$200,000 Triple Play
 - Red Hot Riches
 - No advertising in May. Added Red Hot Riches to June.
- June Scratch-Offs
 - Launched 4 new games
 - Fast Bucks
 - Junior Big ‘Ol Bucks
 - Bonus Bucks
 - Millionaire Bucks
 - TV and radio June 2 -21
- Keno advertising rehit with TV and radio June 8-28

Product Development Update

Randy Spielman, Deputy Executive Director of Product Development & Digital Gaming, gave an update for the 4th Quarter FY20 (April – June):

- Scratch-off Sales Steady Growth
 - Only one month year over year decline (April)
 - May was a record setting month - \$221.5M
 - Average growth before April was 6.4%
 - Currently on track to become a Top 10 US Lottery for Scratch-off sales
- Portfolio Growth Drivers (Ranking by Game)
 1. Scratch-offs (\$115,588,754)
 2. Pick 3 (\$37,745,741)
 3. Keno (\$20,935,975)
 4. Pick 4 (\$19,494,735)
 5. Cash 5 (\$2,281,702)
 6. Lucky for Life (-\$456,766)
 7. Powerball (-\$54,870,027)
 8. Mega Millions (-\$65,754,632)
- Online Play Growth
 - Past 8 weeks Online Play sales are +195% over the previous year
 - Added 20,000 First Time Depositors (FTDs) in the past 8 weeks
 - 15.7% of Game Sale coming from Online Play (Powerball, Mega Millions, Cash 5 & Lucky for Life)

Sales Update

Terri Avery, Deputy Executive Director of Sales, gave updates from the Sales department:

- Sales team was grounded in March and began doing phone services for retail clients.
- Sales team returned to the field on May 11, 2020.
 - 6996 active retailers; 54 inactive due to COVID-19 restrictions (bars/restaurants).
 - 50 retailers permanently lost due to closings related to COVID restrictions
- Sales team are continuing to recruit for Keno

- 150 new retailers
- 3% growth in ticket activations with new games
- Claims centers have re-opened
 - Over 50,000 claims processed to date

Discussion

- Commissioner Tyson asked if the NCEL received the revised quote from SCiQ System Pilot. Mr. Spielman responded that he did receive a revised quote and he is currently reviewing and evaluating SGI's revised proposal. Staff would like to present the findings during the next committee meetings.

Operations and Personnel Committee

Committee Chairman Shew reported that proposed positions for graphic designer and sales representatives were discussed during the committee meeting. It was recommended during the meeting that positions be presented and discussed with the full commission during the budget discussion for approval.

Budget Discussion

Bill Jourdain, Deputy Executive Director of Finance, Administration and Security, presented the FY 2021 proposed budget to Commissioners.

Discussion

After much discussion and clarifications to several budget line items:

A motion was made by Commissioner Picerno to approve the budget as presented with a reduction to the advertising budget from \$29 million to \$28 million. The motion was seconded by Commissioner Beam. The motion failed with a vote of 4 (yes) to 5 (no).

A motion was made by Commissioner Picerno to approve the FY2021 budget as presented with the amendment to reduce the marketing budget to six million dollars (\$6m). The motion was seconded by Commissioner Roth. The motion passed with a vote of 5 yeases to 4 noes.

Executive Director's Report

- **Contracts over \$90,000** – Mark Michalko asked Commissioners to review the document provided in their packets. There were no questions or concerns.
- **Legislative Update** – Hayden Bauguess, Director of Government Affairs, gave an update of legislative activities:
 - Senate Bill 814 has passed n both chambers and was ratified by the Governor.
 - The General Assembly of North Carolina enacts: Section 1. (a) – Notwithstanding G.S. 18C-164, by August 15, 2020, the Office of State Budget and Management shall transfer the sum of \$10 million in nonrecurring funds from the cash balance in the Education Lottery Reserve Fund (Budget Code: 23004: Fund Code: 2C01) to UNC Board of Governors – Instructional Programs (Budget Code 16011).
 - Both chambers expect to adjourn by June 25, 2020.

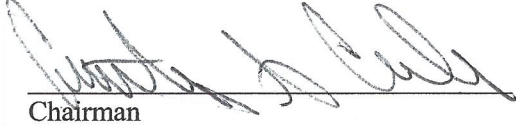
Closed Session

Chairman Crowder informed Commissioners that they would need to enter into closed session pursuant to USGS 143-318.11(b), to prevent the disclosure of information that is considered confidential pursuant to NC laws. The purpose of the closed session is to review information resulting from Senate Bill 574. A motion was made by Commissioner Tyson to enter into closed session. The motion was seconded by Commissioner Whitaker. Commissioners entered into closed session at 3:20pm.

Chairman Crowder reconvened the open session of the Commission meeting at 3:45pm.

Other Business

With all Commissioners returning from the closed session and no other business to discuss, Commissioner Tyson made a motion to adjourn. The motion was seconded by Commissioner Jones. The meeting was adjourned at 3:47pm.


Chairman


Date