

NEW JERSEY STATE LOTTERY COMMISSION

PUBLIC MEETING, MARCH 28, 2017

Chairman Ragazzo called the Commission meeting into session at 10:00 AM in the Lottery Office located at One Lawrence Park Complex, Lawrenceville, New Jersey.

COMMISSION MEMBERS PRESENT

Frank Ragazzo, Chairman
Patrick Toscano, Vice Chairman (by phone)
Albert Alvarez, Commissioner (by phone)
Matt Spadaccini, Treasurer Designee (by phone)

Carole Hedinger, Executive Director
John Custodio, Deputy Executive Director
Robert Kelly, DAG
Thomas Huth, Gov. Auth. Unit (by phone)

VISITORS

Russ Knapp, Northstar
Bill Murray, Northstar
Foster Krupa, Northstar
Lou Cleary, Northstar
Sam Fromkin, Northstar
John Renner, Brushfire
Chris Havard, Ferrara
Nicole Lobkowitz, Ferrara
Kara Schirmer, Ferrara

STAFF

Regina Arcuri
Denise Coleman
Duane Daniels
Michael Decheser
Frances Edwards
Janetta Foy
Claudio Graziano
Megan Mazzoni
Charlene Mello
Richard Pagnani
Debbie Raub
Mary Ann Rivell
Margaret Square
John White
Melissa Williams

After the Pledge of Allegiance, Chairman Ragazzo announced that the Lottery was in compliance with the provisions of the Open Public Meetings Act, and that adequate notice of the meeting had been provided in the manner prescribed by law.

Chairman Ragazzo requested a motion to approve the minutes of the February 21, 2017 Commission Meeting. Vice Chairman Toscano made the motion, which was seconded by Treasurer Designee Matt Spadaccini. Chairman Ragazzo asked if there were any comments and there being none the motion carried.

DIRECTOR'S REPORT

Executive Director Hedinger stated that February 2017 sales almost equaled dollar for dollar the sales of February 2016, while remaining just about on budget for the month. However, last February had 29 days and there were 28 this year. With average sales of \$9 million a day, had we had that extra day this year, we would have had a better month. It may look like sales were flat, but actually we had a pretty decent February.

Executive Director Hedinger noted that we are almost on budget for the year. We are a little bit behind last year but we are still competing with that huge Powerball jackpot from January 2016. The year is shaping up very nicely.

Executive Director Hedinger reported that in Fiscal Year 2017 our profit from lotto games for the month was \$124 million, representing 41% of our profit. Our profit from instant games is running at 21%. Combined, we are holding a 30% margin of sales.

Executive Director Hedinger stated that receipts and deposits for the month were over \$234.6 million.

Executive Director Hedinger noted that there were 102 electronic fund transfer (EFT) failures totaling nearly \$327 thousand for the month. The Accounts Receivables Unit settled or closed 82% of EFT failures from January.

Executive Director Hedinger reported that at the end of February the cumulative outstanding accounts receivable balance is \$3.6 million. The total amount of bad debt reserve is \$2.6 million.

Executive Director Hedinger stated that the balance for all unclaimed prizes is more than \$16 million.

Executive Director Hedinger noted that the balance in the annuity investment accounts is \$142.7 million. There have been no changes in the S&P ratings since last month.

Executive Director Hedinger reported that the three top selling non-core games contributed \$32.8 million or 22% of sales for February.

Executive Director Hedinger stated that the Core and Family Games contributed \$85.6 million or 58% of sales.

Executive Director Hedinger noted that the four new instant games we introduced in February contributed \$16.4 million and represented 11% of sales.

Executive Director Hedinger reported that there was no instant game advertising for the month of February.

Executive Director Hedinger stated that we started Fireball, a new add-on game for Pick-3 and Pick-4, which has revitalized those very mature games. That began on February 27, but so far results for those two games are showing a pick up because of the Fireball feature.

Executive Director Hedinger noted that we began a second chance promotion for Powerball. There is a nationwide promotion whereby non-winning Powerball tickets can be entered in a second chance drawing for a chance to win a cruise where the whole ship is filled with Powerball winners from all over the country. There will be 77 people from New Jersey attending the cruise.

Executive Director Hedinger reported that we introduced two new Fast Play games in February and one Fast Play game ended.

Executive Director Hedinger stated that we had several high-tier winners in February. That is just an indication of how many \$1 and \$2 million dollar winners there are throughout the State.

Executive Director Hedinger noted that our social media remains very strong.

Executive Director Hedinger reported that the VIP Club increased its membership with 5,235 new registrations during the month. We now have 398,603 active members.

Executive Director Hedinger stated that since inception the Million Dollar Replay game has recorded 49,433,926 entries.

Executive Director Hedinger noted that next month she will report on the Million Dollar Replay event that was held on March 17. On our website, you can see our livestream recording of the event that took place at the War Memorial. It was extremely well attended and a great event.

Executive Director Hedinger reported that all drawings for the month of February were completed with no abnormalities.

Executive Director Hedinger stated that all of our pools were closed according to procedures with no abnormalities.

Executive Director Hedinger noted that we had a lot of media mentions during the month throughout the State. There were many press releases issued for various items. Our On-line Winner Awareness Content Management lists all the things that appeared in the media throughout the area featuring our winners.

Executive Director Hedinger reported that we continue to monitor legislation that may affect us. The Courier Bill was recently signed and we are working on developing and gathering information in order to write the regulations for Courier operations in New Jersey. This will be an ongoing process that will take several months to gather the information. While at the conference in New York, most all of the Lotteries in the country asked about the Courier Bill. All eyes are on New Jersey on what we do with those regulations. In some States, those kinds of services are banned. It's not something that is being eagerly awaited throughout the other states. We are taking care to be sure that the regulations that we write are complete and contain all of the information we need to safeguard the public with this new third party interaction that we are going to have. All the other states are very interested in how this works out for us.

Executive Director Hedinger stated that in February our Responsible Play Program made arrangements for the March awareness campaign for Problem Gambling Awareness Month. We had the press conference here at Lottery Headquarters on March 2.

Executive Director Hedinger noted that there were several Speaker's Bureau Events completed in February.

Executive Director Hedinger reported that there were a very large number of Public Promotional Events completed in February and there are many scheduled for March.

Executive Director Hedinger stated that there were 158 security investigations initiated during the month.

Executive Director Hedinger noted that 189 random field inspections were conducted at retailer locations.

Executive Director Hedinger reported that the Licensing staff received and processed 61 applications and 64 licenses were issued.

Executive Director Hedinger noted that at the end of February, there were 7,904 licenses issued.

Executive Director Hedinger stated that in our IMS unit our databases and file servers are now being backed up successfully by the Office of Information and Technology (OIT) so we are increasing the security of all of our data and our access to it.

Executive Director Hedinger reported that the Validations staff received and sorted 3,964 claim forms during the month of February with an additional 358 walk-in claims. They entered 4,654 claims into the system and 4,965 were edited. During the month, 4,988 claims totaling over \$19 million were paid to winners, including annuity payments.

Executive Director Hedinger stated that there were 24 Social Security number matches in February. Eighteen claims were processed and garnished because of current and previous matches. Five claims were released from previous matches.

Executive Director Hedinger noted that the Retailer/Call Center Services Unit handled 6,174 incoming calls during the month. They made 135 outgoing calls to retailers. They handled 2,475 winner claim status calls during the month of February with 261 answered at the front desk.

Executive Director Hedinger stated that the operation of the Warehouse and Facilities units were all normal.

Executive Director Hedinger reported that this concludes the Director's Report.

Chairman Ragazzo asked if there were any questions or comments.

Chairman Ragazzo requested a motion to approve the Director's Report. Vice Chairman Toscano made the motion which was seconded by Commissioner Alvarez.

NEW BUSINESS

Executive Director Hedinger certified that consideration for each game included, but was not limited to, intended target market, product family, seasonal factors, launch plans, overall market strategy, sales goals, prior experience, current market trends and market place demands. Additionally, as part of our overall responsible gaming initiatives, these games have been reviewed to identify any problematic elements that could present a risk to vulnerable problem gamblers.

Chairman Ragazzo requested a motion to approve the instant ticket game rules for "Double \$\$" and "Liberty Bills." Vice Chairman Toscano made the motion which was seconded by Commissioner Alvarez. Chairman Ragazzo asked if there were any comments and there being none the motion carried.

Chairman Ragazzo requested a motion to approve an amendment to the "Spring 50's" instant ticket game rules. Vice Chairman Toscano made the motion which was seconded by Commissioner Alvarez. Chairman Ragazzo asked if there were any comments and there being none the motion carried.

Chairman Ragazzo requested a motion to approve the on-line game rules for "FAST PLAY." The games rules for approval are "Freedom \$50's" and "Diamond Dollars." Vice Chairman Toscano made the motion which was seconded by Commissioner Alvarez. Chairman Ragazzo asked if there were any comments and there being none the motion carried.

Executive Director Hedinger reported to the Commissioners that the New Jersey Lottery will soon be adding a Quick Draw game to its product line-up. Quick Draw is more commonly known as Keno. It is a lottery game, much like other lottery games, where players select up to 10 numbers from a range of 80 and then we select 20 numbers in a drawing. Players match their selections against the drawn numbers to see if they won. The difference between Quick Draw and our other draw games is that it is played every five minutes and is located usually in social settings. We started researching these games back in the 90's. We will be the 20th state to offer a Quick Draw type game once it starts. The Commission approved Quick Draw game rules in 2007. We are reviewing and updating those rules that we will bring to next month's meeting. There needs to be some rule changes to bring them up to date with our current technology and retail environment. We anticipate that we will launch this in August. At launch it will be rolled out to about 400 existing and new lottery retailers. Northstar is canvassing the ranks of our retailers now for the appropriate locations. We expect that in FY 18 there will be about \$20 million in new revenue from these games. We'll have more information next month when we bring in the revised rules.

PUBLIC COMMENT

There was no Public Comment.

EXECUTIVE SESSION

There was no Executive Session.

ADJOURNMENT

Chairman Ragazzo adjourned the meeting.

I HEREBY CERTIFY that the foregoing is a true and correct copy of the minutes of the New Jersey Lottery Commission meeting held on March 28, 2017.

IN WITNESS WHEREOF, I hereby set my hand on

the 18th day of April, 2017.

Carole Hedinger
Carole Hedinger
Executive Director