

## NEW JERSEY STATE LOTTERY COMMISSION

### PUBLIC MEETING JULY 20, 2023

Chairman D'Anton called the Commission meeting into session at 10:00 a.m.

#### COMMISSION MEMBERS

Robert D'Anton, Chairman  
Ian Leonard, Vice Chairman (by phone)  
Marilyn Blazovsky, Commissioner  
Munr Kazmir, Commissioner  
Michael Kanef, Treasurer's Designee  
Gary Terwilliger, Division of Investment Designee

James A. Carey, Jr., Executive Director  
Marc J. Marseglia, Deputy Executive Director  
Robert E. Kelly, Deputy Attorney General  
Roza Dabaghyan, Deputy Attorney General  
(by phone)  
Jamera Sirmans, Governor's Auth. Unit (by phone)

#### STAFF

Nikki Apeadu (by phone)  
Missy Gillespie (by phone)  
Jerry Guarino (by phone)  
Dean Ialacci (by phone)  
Joseph Jean  
Kelly Laird  
Jason Lee (by phone)  
Ellen O'Malley  
Rick Pagnani (by phone)  
Steve Palmieri (by phone)  
Debbie Raub  
Mary Ann Rivell (by phone)  
John White

#### VISITORS

Adam Perlow, Northstar  
Erica Helms, Northstar (by phone)  
Sam Fromkin, Northstar (by phone)  
Kristen Connelly, Northstar  
Foster Krupa, Northstar

Executive Director Carey took roll call.

After the Pledge of Allegiance, Chairman D'Anton 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 D'Anton requested a motion to approve the minutes of the June 27, 2023 Commission meeting. Chairman D'Anton asked if there are any questions or comments. Hearing no questions, Chairman D'Anton requested a motion to approve the minutes of the June 27, 2023 Commission meeting. Treasurer's Designee Kanef made the motion to approve the minutes of the June 27, 2023 Commission meeting. Commissioner Kazmir seconded the motion. Chairman D'Anton called for a vote and all the Commissioners voted yes. The motion carried.

#### DIRECTOR'S REPORT

Executive Director Carey stated that Powerball had a \$1 billion jackpot the previous night. The jackpot was won by a lucky player in California. During FY23, average daily sales collectively for Powerball and Mega Millions were about \$1.6 million per day. On Tuesday, total sales for Powerball and Mega Millions collectively were over \$6 million. With Mega Millions exceeding \$700 million and Powerball's jackpot exceeding \$1 billion, the Lottery was off to a great start for the year.

Executive Director Carey stated that three employees of the Division of State Lottery were attending the North American Association of State and Provincial Lotteries (NASPL) Professional Development Seminar in Denver. Ryan Schaffer, Deputy Director of Administration and Compliance, Charlene Mello, Assistant Deputy Director of Finance and Esther Werstler, Supervisor of Operations were attending the meeting. Director Carey explained that the Professional Development Seminar is an important event for professional development for learning what colleagues in the lottery industry are doing.

Executive Director Carey stated that the fiscal year closed on June 30. The New Jersey Lottery had record setting sales and a record setting contribution.

Executive Director Carey reviewed the Lottery's June's results and activities. Highlights were:

All games total sales were: \$291.8 million  
Lotto games total sales were: \$45.4 million  
Daily machine games total sales were: \$83.8 million  
Scratch-Off tickets total sales were: \$162.4 million

Executive Director Carey stated that Pick-6 had sales of \$7.7 million compared to \$8.3 million the prior year, which was a decrease of 6.9%.

Executive Director Carey stated that CASH4LIFE had sales of \$4.9 million compared to \$4.6 million the prior year, which was an increase of 7.1%.

Executive Director Carey stated that Mega Millions had sales of \$14.4 million compared to \$12.6 million the prior year, which was an increase of 14.3%.

Executive Director Carey stated that Powerball had sales of \$18.2 million compared to \$17.6 million the prior year, which was an increase of 3.6%.

Executive Director Carey stated that Pick-3 had sales of \$32.8 million compared to \$34.6 million the prior year, which was a decrease of 5.2%.

Executive Director Carey stated that Pick-4 had sales of \$20.1 million compared to \$21.9 million the prior year, which was a decrease of 7.9%.

Executive Director Carey stated that Jersey Cash 5 had sales of \$12.4 million compared to \$10.7 million the prior year, which was an increase of 16.5%.

Executive Director Carey stated that Cash Pop had sales of \$5.2 million compared to \$3.8 million the prior year, which was an increase of 35.1%.

Executive Director Carey stated that Quick Draw had sales of \$8 million compared to \$9.1 million the prior year, which was a decrease of 12.6%.

Executive Director Carey stated that Fast Play had sales of \$5.1 million compared to \$3.1 million the prior year, which was an increase of 63.8%.

Executive Director Carey stated that the monthly contribution was \$87 million compared to \$89.9 million the prior year, which was a decrease of 3.3%.

Executive Director Carey then reviewed the results for Fiscal Year 2023. He stated that All Games total sales in FY23 were \$3.7 billion compared to \$3.6 billion the prior year, which was an increase of 2.6%, and a record for New Jersey. The prior record was FY21 when the Lottery had \$3.683 billion in sales.

Executive Director Carey stated that fiscal year to date the contribution was \$1.128 billion compared to \$1.074 billion the prior year, which was an increase of 5%. The contribution is also a record. The prior record for contribution was \$1.111 billion in FY22, and which is the final audited contribution number. He explained that the contribution calculation is not complete and we expect it to increase when the audit is completed. Unclaimed prizes and end of the year accounting almost always result in a slight increase to the contribution. The end of year accounting will also determine how much Northstar will be paid in incentive. He stated that Northstar met its targets and has earned an incentive payment this year.

Executive Director Carey stated that New Jersey only games, particularly Pick-3 and Pick-4, were down significantly. Part of the reason they were down was because sales exploded for those games during the pandemic. There has been a long-term decline in the sales of the sales of those games. Even with record breaking sales, record breaking profit, he explained that we know that there is work that has to be done at the New Jersey Lottery. We have to keep working hard to get new players, to keep our existing players engaged and keep the Lottery successful.

Executive Director Carey stated that fiscal year to date Pick-6 had total sales of \$65.1 million compared to \$62.8 million the prior year, which was an increase of 3.7%. Pick-6 underwent some changes and the long-term decline in that game, which was doing \$500 million a year in sales in the 1990's, has been stemmed. Those \$500 million a year in sales have been replaced by Powerball and Mega Millions sales. Pick-6 was slowly trickling down and the changes to the game seem to have stabilized it. The current jackpot is \$19 million. That is the highest jackpot that Pick-6 has had since 2018 when it there was a \$30 million jackpot.

Executive Director Carey stated that fiscal year to date CASH4LIFE had total sales of \$62.4 million compared to \$58.8 million the prior year, which was an increase of 6.1%.

Executive Director Carey stated that fiscal year to date Mega Millions had total sales of \$293.6 million compared to \$147.2 million the prior year, which was an increase of 99.4%.

Executive Director Carey stated that fiscal year to date Powerball had total sales of \$308.6 million compared to \$241 million the prior year, which was an increase of 28.1%.

Executive Director Carey stated that fiscal year to date Pick-3 had total sales of \$398.1 million compared to \$432.3 million the prior year, which was a decrease of 7.9%.

Executive Director Carey stated that fiscal year to date Pick-4 had total sales of \$250.8 million compared to \$274.8 million the prior year, which was a decrease of 8.7%.

Executive Director Carey stated that fiscal year to date Jersey Cash 5 had total sales of \$137.1 million compared to \$157.4 million the prior year, which was a decrease of 12.9%.

Executive Director Carey stated that fiscal year to date Cash Pop had total sales of \$58.6 million compared to \$46.1 million the prior year, which was an increase of 27%.

Executive Director Carey stated that fiscal year to date Quick Draw had total sales of \$101 million compared to \$111.9 million the prior year, which was a decrease of 9.7%.

Executive Director Carey stated that fiscal year to date Fast Play had total sales of \$49.1 million compared to \$39 million the prior year, which was an increase of 25.8%.

Executive Director Carey stated that fiscal year to date Scratch-off tickets had total sales of \$2.002 billion compared to \$2.059 billion the prior year, which was a decrease of 2.8%. This was the third year in a row that sales exceeded \$2 billion a year. He added that it was concerning that sales are down 2.8%.

Executive Director Carey stated that fiscal year to date for All Games had total sales \$3.726 billion compared to \$3.634 billion the prior year, which was an increase of 2.6%.

Executive Director Carey stated that net proceeds for the fiscal year represent 30.27% of sales.

Executive Director Carey stated that fiscal year profits from lotto games were \$301.1 million or 41.2% of sales. Fiscal year profits from daily games were \$378.9 million or 38% of sales. Fiscal year profits from Scratch-Offs games were \$434.9 million or 21.7% of sales.

Executive Director Carey stated that the top three selling non-core games for June were "Power 50X," which generated \$10.4 million in sales, "50,000 Loaded," which generated \$7.8 million in sales and "Power 20X," which generated \$7.4 million in sales.

Executive Director Carey stated that there were a few high tier winners throughout the state in June. On June 2, Jersey Cash 5 had three \$234,629 winners of a \$703,887 jackpot. One ticket was sold in Burlington County, one ticket was sold in Passaic County and one ticket was sold in Cape May County. On June 8, CASH4LIFE had one \$1,000 A Week for Life winner in Bergen County. On June 8, Jersey Cash 5 had a \$576,897 winner sold in Bergen County. On June 14, Jersey Cash 5 had a \$550,046 winner sold by Jackpocket. On June 24, Jersey Cash 5 had one \$1,355,441 winner in Passaic County.

Executive Director Carey stated that on the evening of June 22, 2023, one of the chambers of the Pick-3 machine did not release the ball set during the live draw. Staff had to manual pull the lever to release the ball set and the draw was able to proceed in a normal manner. The manufacturer was contacted and repairs were completed prior to the mid-day draw on June 23. This matter was discussed at the June meeting as well.

Executive Director Carey stated on the evening of June 28, 2023, following drawings, the winning number for the Pick-3 drawing was displayed incorrectly on the Livestream winning numbers graphic for approximately 30 seconds before being corrected.

Executive Director Carey stated that all other drawings for the month of June were completed with no abnormalities.

Executive Director Carey stated that all on-line game pools were closed according to procedures with no abnormalities, except the CASH4LIFE draw on the evening of June 6, 2023, which was delayed because of a pool closing and balancing issue in another state. The issue was resolved in the middle of the night and the results were finalized in the morning. All Powerball and Mega Millions Drawings were verified and processed with no abnormalities. The Internal Control System (ICS) was processed for each drawing without any imbalances. All appropriate winning number information was broadcast correctly to all media contacts. All in-house staff received appropriate information via email.

Executive Director Carey stated that the Validations staff received and sorted 4,056 mailed claim forms during the month. The number of claims received in the drop box was 280. There were 210 claims hand delivered. Staff entered 3,072 claims into the claims payment system. During the month of June there were 3,634 claims paid totaling \$11.6 million in winnings were paid.

Executive Director Carey stated that there is a possibility of a UPS strike, and he asked Adam Perlow, Vice President and Chief Operating Officer of Northstar to address that first as part of his report. Mr. Perlow stated that there is a pending UPS strike at the end of this month that may affect Lottery as well as the rest of the US economy. To mitigate the impact of a strike, extra paper stock was being delivered in July to retailers. Additionally, Northstar started sending additional books of Scratch-Off tickets to the retailers. A new game launch was planned for August 7 and was moved up. Tickets will be shipped on July 26 so retailers can activate them and put them on display on July 27. Finally, if there is a strike, Northstar is preparing to use Lottery Sales Reps (LSRs) for deliveries.

Executive Director Carey added that while it would be difficult to do, and it is a big change in what LSRs normally do, we are in a good position with Northstar's sales force. We will be able to use them effectively to get supplies to the retailer network.

Mr. Perlow congratulated the Lottery on a fantastic year. There were 20 promotions and product changes that we made in partnership with the Lottery this past year. He thanked the Lottery for its cooperation. We have a great working relationship and are able to get a lot of things done as a result of that great working relationship. Mr. Perlow asked if there were any questions.

Executive Director Carey thanked and congratulated the Division of Lottery, Northstar and the Commissioners for our record selling year. The Lottery will be issuing a press release and will note that the Lottery is a very important part of the fiscal health of the State of New Jersey. To have a record setting year, to have consistently record setting years, is something we are very proud. He thanked and congratulated Mr. Perlow, who has been putting in a lot of effort into improving the relationship with Northstar and the Division of State Lottery and making sure that the New Jersey Lottery continues to be something that other lotteries look to.

Executive Director Carey concluded the Director's report.

Chairman D'Anton asked if there are any questions or comments.

Commissioner Blazovsky stated that we talked last month, and it is in the minutes, about the Lottery getting back to the Commissioners about security. The Commissioners raised the question and Executive Director Carey stated that he was going to get it to them. She added that in this month's information, of the over 4,500 claims that the Lottery entered; there is still about 1,000 or 1,500 that have

not been entered into the system and edited. She asked what the plan was. She stated that punctuates the importance of having a plan to change the process for validations. Executive Director Carey responded that the Lottery is working on numerous things regarding payment of winner claims. We are working to change a little bit of the culture, all of the processes and all the procedures and update them to modern processes. Esther Werstler, the Lottery's Supervisor of Operations, is onboard. Her primary focus, even though she oversees claims, the phone center, the facility and the warehouse operations, has been working on claims. The Lottery is making wholesale changes there. Making a timeline for wholesale changes is a little tough right now. The Lottery will be able to have one for the Commissioners eventually but we are not quite ready to do that. He asked Mr. Marseglia to address some of the specifics.

Deputy Executive Director Marseglia stated that the Lottery is truly modernizing the process. Electronic payments will be offered to our players. That requires changes to the system, changes to the claim form and reorganizing the process. We are also interfacing with multiple applications to streamline the process including debts set off, which we are required to do. For certain things, Validations staff emails other State agencies to find out if there are debts. There is a way to get away from doing that and doing it electronically. We are interfacing into SOIL and introducing a system that will verify the identity of the claimants, which would cut down greatly on the back and forth with claimants when something does not match. To do all these things, we have had to make major changes just to the order of our existing claim process. He added that Commissioner Blazovsky is correct about amount of claims processed in June but the Validations unit is off to a much better start in July. There was some shuffling to the process in June and we added digitizing the records. The Validations unit is scanning things immediately, which improves security. There were so many changes made that they have slowed down but they are picking up steam again.

Executive Director Carey stated we do not have a timeline for the changes in validations because everything in the Validations unit is being evaluated. The Lottery is working on a summary memo listing the things that we are working on, the progress that we have made and what we expect to do in the next several months.

Commissioner Blazovsky stated that she looks forward to that. She added that it is important that winners get paid. She stated that if you do not have a date to report on and to look to, it gets lost in the process. She urged Executive Director Carey that is a project. If implementing a computer system or implementing new processes, it is a project. Where you start it, where you end it. She added that it is an important document to have and to work towards.

Chairman D'Anton asked what the goal date is. Deputy Executive Director Marseglia responded that there are many things going on, but electronic funds payments will begin around October 1. The Lottery is still on track for with that. The new claim form should be in place and ordered in the next 30 days, which we have out to the retailers.

Commissioner Blazovsky stated that in the Director's report, there is no report to the Commission and the Governor's Office of what the activity is regarding the monitoring and the oversight of Courier Services. She stated that it is a part of Lottery's responsibility under the Courier law and the regulations. She requested a monthly update in terms of what that oversight looks like going forward. Executive Director Carey responded that Lottery would add that.

Commissioner Blazovsky stated that the rules are explicit in terms of what Lottery's responsibility are and she thinks that monitoring and oversight is important for the integrity of the Lottery going forward. Executive Director Carey stated that we could do that.

Chairman D'Anton asked if this could start next month. Executive Director Carey responded yes, the Lottery will add substantive information. Lottery was not going to provide sales data, which is proprietary to the couriers. We do a monthly cyber audit, but we are not going to disclose the contents of a cyber-audit to the public because that is proprietary information. He stated that he would talk to counsel about sharing one of those cyber audits so that the Commissioners have an idea of what they are doing.

Chairman D'Anton asked if there are any additional questions or comments. Hearing no other questions, Chairman D'Anton requested a motion to approve the Director's Report. Commissioner Blazovsky made the motion to approve the Director's Report. Commissioner Kazmir seconded the motion and all the Commissioners voted yes. The motion carried.

### **PUBLIC COMMENT ON AGENDA ITEMS**

There was no public comment.

### **NEW BUSINESS**

Executive Director Carey 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.

The first item of new business was game rules for two Scratch-Off games.

"Crossword Gold" is a \$3 ticket, a ticket quantity to be printed of 6.9 million tickets, a top prize of \$30,000, a prize payout of 63.02%, and an anticipated on-sale date of December 4, 2023.

"Winter Winnings" is a \$10 ticket, a ticket quantity to be printed of 3.6 million tickets, a top prize of \$500,000, a prize payout of 66.52%, and an anticipated on-sale date of November 6, 2023.

Chairman D'Anton asked if there are any questions regarding the approval of the two Scratch-Off ticket game rules. Hearing no questions, Chairman D'Anton requested a motion to approve the two Scratch-Off ticket game rules for "Crossword Gold" and "Winter Winnings." Commissioner Kazmir made the motion to approve the two Scratch-Off ticket game rules. Investment Designee Terwilliger seconded the motion and all of the Commissioners voted yes. The motion carried.

The second item of new business was game rules for one Fast Play game.

"Cobweb Cash" is a \$5 ticket, a top prize of \$500 or 50% of the jackpot, a prize payout of 62.59%, and an anticipated on-sale date of October 2, 2023.

Chairman D'Anton asked if there are any questions regarding the approval of the Fast Play ticket game rules. Hearing no questions, Chairman D'Anton requested a motion to approve the Fast Play ticket game rules for "Cobweb Cash." Commissioner Kazmir made the motion to approve the Fast Play ticket game rules. Vice Chairman Leonard seconded the motion and all of the Commissioners voted yes. The motion carried.

### **PUBLIC COMMENT**

There was no public comment.

### **EXECUTIVE SESSION**

There was no Executive Session.

**ADJOURNMENT**

Chairman D'Anton asked for a motion to adjourn the Public meeting. Commissioner Kazmir made the motion to adjourn. Vice Chairman Leonard seconded the motion and all the Commissioners voted yes. The motion carried.

I HEREBY CERTIFY that the foregoing is a true and correct copy of the minutes of the New Jersey Lottery Commission meeting held on July 20, 2023.

IN WITNESS WHEREOF, I hereby set my hand on

the \_\_\_\_\_ 11th \_\_\_\_\_ day of \_\_\_\_\_ August , 2023 \_\_\_\_\_.

  
\_\_\_\_\_  
James A. Carey, Jr.  
Executive Director