

NEW JERSEY STATE LOTTERY COMMISSION

PUBLIC MEETING SEPTEMBER 21, 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
Marilyn Blazovsky, Commissioner
Munr Kazmir, Commissioner (by phone)
Michael Kanef, Treasurer's Designee
Gary Terwilliger, Division of Investment Designee

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

VISITORS

Erica Helms, Northstar
Joe Cavallo, Northstar
Kristen Connelly, Northstar
Foster Krupa, Northstar
Erin Leon, 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 August 17, 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 August 17, 2023 Commission meeting. Vice Chairman Leonard made the motion to approve the minutes of the August 17, 2023 Commission meeting. Commissioner Blazovsky seconded the motion. Chairman D'Anton called for a vote and all the Commissioners voted yes. The motion carried.

Chairman D'Anton requested a motion to approve the Executive Session minutes of the August 17, 2023 Commission meeting. Commissioner Leonard made the motion to approve the minutes of the August 17, 2023 Commission meeting. Investment Designee Terwilliger seconded the motion and all the Commissioners voted yes. The motion carried.

DIRECTOR'S REPORT

Executive Director Carey stated that August was an exciting month for the New Jersey Lottery but there were also challenges during the month.

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

All games total sales were: \$323.06 million
Lotto games total sales were: \$85.2 million
Daily machine games total sales were: \$237.8 million
Scratch-Off tickets total sales were: \$154.9 million

STAFF

Nikki Roberts-Apeadu (by phone)
Pat Coppel (by phone)
Scott Davis (by phone)
Missy Gillespie (by phone)
Dean Ialacci (by phone)
Shelina Islam
Robert Kersey (by phone)
Kelly Laird (by phone)
Jack Leo (by phone)
Charlene Mello
Ellen O'Malley
Debbie Raub
Ryan Schaffer
Esther Werstler
John White

Executive Director Carey stated that All Games total sales were \$323 million compared to \$290.5 million the prior year, which was an increase of 11.2%. He noted that sales were driven by a \$1 billion Mega Millions jackpot.

Executive Director Carey stated that Mega Millions had sales of \$50.7 million compared to \$11.9 million the prior year, which was an increase of 324.6%.

Executive Director Carey stated that Powerball had sales of \$21.2 million compared to \$13.1 million the prior year, which was an increase of 61.4%. He noted that the Powerball jackpot was currently \$725 million.

Executive Director Carey stated that in 2018, a \$700 million jackpot was cause for excitement. We are not seeing that level of excitement right now with a \$700 million jackpot. He explained that we are seeing the sales, but the media are not reporting on jackpots the way they used to. He added that when we compare prior jackpots and prior sales levels, we are not seeing the sales that we used to see.

Executive Director Carey stated that Pick-6 had sales of \$7.7 million compared to \$5.3 million the prior year, which was an increase of 45.3%.

Executive Director Carey stated that CASH4LIFE had sales of \$5.5 million compared to \$5.3 million the prior year, which was an increase of 2.8%. We recently had a \$1,000 a day winner for Life in New York State and the New Jersey Lottery had a \$1,000 a week winner, a second tier prize, and three additional second tier winners in New York state on that game.

Executive Director Carey stated that Pick-3 had sales of \$32.3 million compared to \$34.8 million the prior year, which was a decrease of 7.1%.

Executive Director Carey stated that Pick-4 had sales of \$19.5 million compared to \$22 million the prior year, which was a decrease of 11.5%.

Executive Director Carey stated that Pick-3 and Pick-4 were both down significantly. That continues to concern us and Northstar.

Chairman D'Anton asked if the changes to fixed prizes in Pick 3 and Pick 4 had had an impact on sales. Executive Director Carey responded that it was not clear if there was a positive or negative impact from the change. He stated that the drop in sales could be because the large jackpots in the multi-state games may be causing players to shift their playing habits to the big jackpot games and inflation may be a factors.

Chairman D'Anton asked if the couriers were helping Pick-3 and Pick-4 sales. Executive Director Carey responded that the couriers do a very good job and sell a lot of tickets for us with the jackpot games. He added that the couriers do not have the same high sales for Pick-3 and Pick-4.

Commissioner Blazovsky asked if the Lottery has looked at the market research. She asked if there is a group of people that Northstar uses for market research to see what their thoughts are on Pick-3 and Pick-4. Are they correlating the data between high jackpots and lower sales for Pick-3 and Pick-4 and what do those numbers look like? Executive Director Carey responded that this was a question for Northstar to answer and Mr. Perlow was not at the meeting.

Chairman D'Anton stated that Executive Director Carey should see if other states are having similar issues. Executive Director Carey responded that the Lottery has been reaching out to other states. Most other states are in the same situation with these games.

Chairman D'Anton asked if they are doing anything different. Executive Director Carey responded that the Lottery is looking at other states and national trends. Unfortunately, we appear to be following a national trend.

Chairman D'Anton stated that his personal opinion is that there are too many competing offerings for players. Treasurer's Designee Kanef added that Lottery is now in a competitive landscape. He added that Commissioner Blazovsky had previously asked about how Lottery compares to other forms of gaming. Executive Director Carey said that the Lottery would provide some information from the Division of Gaming Enforcement to the Commissioners.

Executive Director Carey stated that Jersey Cash 5 had sales of \$11.4 million compared to \$10.1 million the prior year, which was an increase of 12.7%. Jersey Cash 5 had a \$1.1 million jackpot winner on August 12.

Executive Director Carey stated that Cash Pop had sales of \$4.96 million compared to \$4.97 million the prior year, which was a decrease of 0.02%.

Executive Director Carey stated that Quick Draw had sales of \$8.2 million compared to \$8.3 million the prior year, which was a decrease of 0.04%.

Executive Director Carey stated that Fast Play had sales of \$6.2 million compared to \$3.4 million the prior year, which was an increase of 83.9%. August was a great month for winners with Fast Play. On August 12, a \$2 Jersey Jackpot ticket won \$108,746, which was 20% of the progressive jackpot at the time. On August 20, a player won the entire jackpot of \$509,839. On August 24, a player won the jackpot of \$22,000 a couple of days later.

Executive Director Carey stated that Scratch-Offs had sales of \$154 million compared to \$170 million the prior year, which was a decrease of 9.4%. Executive Director Carey stated that Scratch-Off tickets seem to be following the same trend as Pick-3 and Pick-4 and that is concerning. The same things that we are looking at with Pick-3 and Pick-4 we are looking at with Scratch-Off games.

Commissioner Blazovsky asked how long have the instant ticket sales been tracking below expectations. Executive Director Carey responded for the last several months.

Vice Chairman Leonard asked how New Jersey compares to Pennsylvania's Scratch-Off tickets. He asked if Executive Director Carey has spoken to them. Executive Director Carey responded that he had not talked to them about their instant sales.

Vice Chairman Leonard stated that in Philadelphia and South Jersey, Pennsylvania runs a lot of advertising but lately it has been even more. Executive Director Carey responded that the New York Lottery's advertising budget is in the \$75 million range, which is about three times ours.

Vice Chairman Leonard asked if the Lottery has ever done surveys with players. Executive Director Carey responded that they have a group of players called Game Changers that Northstar talks to and works with. They do surveys and Nielsen Research conducts surveys.

Chairman D'Anton stated that regarding the breakdown on the Scratch-Offs, what are the best selling games. Executive Director Carey responded that the top three selling non-core games for August included two games at the \$30 price point. He added that the Lottery is required to contribute 30% of total sales revenue to the State as profit and we start to be constrained by that when we want to sell higher-priced games.

Commissioner Blazovsky stated that in looking at the decrease sales in Scratch-Off tickets, she observed that the monthly contribution as a percentage of sales was higher than 30%. She asked if the higher contribution was related to the decrease in Scratch-Offs sales. Executive Director Carey responded that the monthly contribution was so high because of the strong month that Mega Millions had.

Commissioner Blazovsky asked if higher jackpots are the determining factor concerning the Lottery's monthly contribution as a percentage of sales. Deputy Director White responded that in the months where there is no high jackpot and the Lottery is relying on the daily games for the contribution, it would not be surprising to see the contribution percentage at 28% for the month. The high jackpots help put us over the 30% for the month.

Chairman D'Anton asked that on a month-to-month basis, when there are no big jackpots, does that dip below 30%. Deputy Director White responded yes.

Treasurer's Designee Kanef responded that Lottery can provide a breakdown of specifically this point to the Commissioners so they can see how it tracks. We have looked at the data and it is very clear that the percentage is driven by the large jackpots.

Commissioner Blazovsky stated that she could see where it could be a factor. Executive Director Carey responded that Lottery could have \$3 billion in sales and \$1 billion in contribution and technically look just fine. However, if it is below 30%, it is a failure and Northstar is the hook for the difference of not making the 30%.

Vice Chairman Leonard asked if anything was wrong with the Pick-6. Executive Director Carey responded the game is selling well, and the \$25 million jackpot helped.

Executive Director Carey stated that fiscal year to date Pick-6 had total sales of \$17.8 million compared to \$11.2 million the prior year, which was an increase of 59.5%.

Executive Director Carey stated that fiscal year to date CASH4LIFE had total sales of \$11.1 million compared to \$10.6 million the prior year, which was an increase of 4.9%.

Executive Director Carey stated that fiscal year to date Mega Millions had total sales of \$92.7 million compared to \$91.6 million the prior year, which was an increase of 1.1%.

Executive Director Carey stated that fiscal year to date Powerball had total sales of \$76 million compared to \$28.2 million the prior year, which was an increase of 168.9%.

Executive Director Carey stated that fiscal year to date Pick-3 had total sales of \$65.1 million compared to \$69.6 million the prior year, which was a decrease of 6.5%.

Executive Director Carey stated that fiscal year to date Pick-4 had total sales of \$39.3 million compared to \$44.1 million the prior year, which was a decrease of 10.9%.

Executive Director Carey stated that fiscal year to date Jersey Cash 5 had total sales of \$20.7 million compared to \$21.1 million the prior year, which was a decrease of 1.8%.

Executive Director Carey stated that fiscal year to date Cash Pop had total sales of \$9.6 million compared to \$9 million the prior year, which was an increase of 6.7%.

Executive Director Carey stated that fiscal year to date Quick Draw had total sales of \$15.9 million compared to \$17.1 million the prior year, which was a decrease of 6.7%.

Executive Director Carey stated that fiscal year to date Fast Play had total sales of \$12.7 million compared to \$6.7 million the prior year, which was an increase of 90.6%.

Executive Director Carey stated that fiscal year to date Scratch-Off tickets had total sales of \$310.2 million compared to \$335.9 million the prior year, which was a decrease of 7.6%.

Executive Director Carey stated that fiscal year to date All Games had total sales of \$671.7 million compared to \$645.5 million the prior year, which was an increase of 4.1%.

Executive Director Carey stated that fiscal year to date the contribution was \$218.1 million compared to \$195 million the prior year, which was an increase of 11.9%.

Vice Chairman Leonard asked if the Lottery will start to see a change year to year for the Scratch-Offs as you get closer to the holiday season. Vice Chairman Leonard asked historically, if sales are down, does it begin to pick up a lot in November. Executive Director Carey responded that sales are always seasonal. Seasonal sales means we could see sales go up in December and still be down 5 to 9% compared to last year.

Executive Director Carey stated that net proceeds for the fiscal year to date exceed \$218.14 million or 32.47% of sales. Fiscal year profits from lotto games were \$85.1 million or 43% of sales. Fiscal year profits from daily games were \$63.5 million or 38.7% of sales. Fiscal year profits from Scratch-Offs games were \$68.6 million or 22% of sales.

Executive Director Carey stated that the top three selling non-core games for August were "Power 50X," which generated \$9.4 million in sales, "50,000 Loaded," which generated \$7.3 million in sales and "Power 20X," which generated \$6.1 million in sales.

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

Executive Director Carey stated that on-line game pools were closed according to procedures with no abnormalities, except on August 22. On August 22, Pick-4 players were unable to validate tickets for approximately one hour and fifty-five minutes following the mid-day drawing. Investigation determined that an IGT Computer Operator inadvertently executed a function following pool closing that prevented the gaming system from finalizing the results. On discovery of the problem, IGT and Lottery staff reviewed the draw procedures and took appropriate steps to finalize the drawing.

Executive Director Carey stated that 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 on September 28, members of Lottery and Northstar staff will be attending the annual conference of the Council on Compulsive Gambling of New Jersey. The Lottery supports the Council's work and we have a seat on the board. We also do a public announcement every year at the start of the school year. We visit a retailer to remind people that children should not be playing the lottery. By state law, you have to be at least 18 to buy a lottery ticket.

Executive Director Carey stated that the Validations staff received and sorted 4,062 mailed claim forms during the month. The number of claims received in the drop box was 321. There were 286 claims hand delivered. Staff entered 3,715 claims into the claims payment system. During the month of August there were 3,383 claims paid totally \$15 million in winnings were paid.

Executive Director Carey stated that there are currently two approved couriers operating in New Jersey: Jackpocket and Lotto.com. The Lottery is reviewing applications from two additional couriers. Monthly cyber audits were conducted by Mercadien, P.C. The cyber audits are complete through February 2023 for Lotto.com and March 2023 for Jackpocket.

Executive Director Carey stated Adam Perlow, Vice President and Chief Operating Officer of Northstar, is not in attendance today.

Executive Director Carey concluded the Director's report.

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

Commissioner Blazovsky stated that in the upcoming Promotional events, the Lottery used to include where they were and if any of the Commissioners are in that area, they could visit. Executive Director Carey responded that the Lottery will add the locations next month.

Commissioner Blazovsky stated that for Security's report, the Lottery might want to consolidate it or explain it better so it is more understandable. She noted that there were 35 open security cases then at the beginning of month and at the end of the month it was 39. Executive Director Carey responded that he agrees and that we will fix that.

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. Vice Chairman Leonard made the motion to approve the Director's Report. Treasurer's Designee Kanef seconded the motion and all the Commissioners voted yes. The motion carried.

PUBLIC COMMENT ON AGENDA ITEMS

Kweku Grant from Lotto.com asked when they could expect to see the Lottery's minutes for the August 17, 2023 Commission meeting. Executive Director Carey responded after the Commission approves them, which had been voted on earlier in the meeting.

NEW BUSINESS

The first item of new business was the approval of publication for Notice of Publication for proposed amendment to N.J.A.C. 17:20-2.1 and N.J.A.C 17:20-7.7 Lottery winner's anonymity.

Executive Director Carey stated that in 2020 the Legislature amended the Lottery act to allow winners to remain anonymous. When the law was passed, the Lottery immediately treated all winners as if they were anonymous. The regulation makes clear that certain second chance drawing are not subject to anonymity and how the Lottery does winner announcements. When there is a winner, the Lottery announces that a ticket was purchased, the jackpot amount, where the ticket was purchased and we will hold a Press Conference at the store.

Chairman D'Anton asked if retailers are required to keep winner names anonymous. Executive Director Carey responded yes, and added that the Lottery always reminds retailers that winners are allowed to remain anonymous.

Chairman D'Anton asked if there were any questions regarding the approval of publication for Notice of Publication for proposed amendment to N.J.A.C. 17:20-2.1 and N.J.A.C 17:20-7.7 Lottery winner's anonymity.

Commissioner Blazovsky asked if there have been any instances where the retailer has disclosed that information and it has come back to the Lottery. Executive Director Carey responded that he has not heard of any instances where that happened with a player's anonymity.

Chairman D'Anton asked if there are any additional questions regarding the approval of publication for Notice of Publication for proposed amendment to N.J.A.C. 17:20-2.1 and N.J.A.C 17:20-7.7 Lottery winner's anonymity. Hearing no additional questions, Chairman D'Anton requested a motion to approve the approval of publication for Notice of Publication for proposed amendment to N.J.A.C. 17:20-2.1 and N.J.A.C 17:20-7.7 Lottery winner's anonymity. Vice Chairman Leonard made the motion to approve the publication for Notice of Adoption and responses to public comments to new rule: N.J.A.C 17:20-1.5 – internet sales of Lottery tickets. Commissioner Blazovsky seconded the motion and all of the Commissioners voted yes. The motion carried.

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 second item of new business was the approval of amended Fast Play game rules for Holiday Prize Lines.

Executive Director Carey stated that at the August 17, 2023 meeting, the Commission approved game rules for the Fast Play Progressive game Holiday Prize Lines. The game rules for this game require a minor amendment. During Customer Acceptance Testing, Lottery staff printed out versions of tickets to see how the game plays and to see if the game is playing appropriately. When printed, a staff member recognized that two of the symbols appeared too similar. We needed the Commission's approval to change those symbols.

Chairman D'Anton asked if there were any questions regarding the amended Fast Play game rules for Holiday Prize Lines.

Commissioner Blazovsky stated that it looks like the stocking is a little different and what concerns her is that the shading on the toe. She asked if that is going to raise an issue in terms of whether it is void. Executive Director Carey responded that the similarity would not cause a problem and the imaging on the mocks ups cannot be perfect.

Commissioner Blazovsky asked if there are any costs associated with this change in terms of programming. Executive Director Carey responded there would not be a cost associated to the Lottery because the costs of operating the Fast Play game are built into the gaming system. There may be a cost to IGT having to reprogram the game, but that is not a cost that is passed on to the Division.

Chairman D'Anton asked if there are any additional questions regarding the approval of amended Fast Play game rules for Holiday Prize Lines. Hearing no additional questions, Chairman D'Anton requested a motion to approve the amended Fast Play game rules for Holiday Prize Lines. Vice Chairman Leonard made the motion to approve the amended Fast Play game rules for Holiday Prize Lines. Treasurer's Designee Kanef seconded the motion and all of the Commissioners voted yes. The motion carried.

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

"9's In a Line" is a \$5 ticket, a ticket quantity to be printed of 4.2 million tickets, a top prize of \$200,000, a prize payout of 64.01%, and an anticipated on-sale date of December 4, 2023.

"Hit \$50" is a \$2 ticket, a ticket quantity to be printed of 4.8 million tickets, a top prize of a \$10,000, a prize payout of 63.03%, and an anticipated on-sale date of January 2, 2024.

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 "9's In a Line" and "Hit \$50." Vice Chairman Leonard made the motion to approve the two Scratch-Off ticket game rules. Commissioner Blazovsky seconded the motion and all of the Commissioners voted yes. The motion carried.

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

"Cashword Multiplier" is a \$10 ticket, a top prize of \$500 or 100% of the jackpot, a prize payout of 65.24%, and an anticipated on-sale date of December 4, 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 "Cashword Multiplier." Vice Chairman Leonard made the motion to approve the Fast Play ticket game rules. Treasurer's Designee Kanef seconded the motion and all of the Commissioners voted yes. The motion carried.

PUBLIC COMMENT

Norman Morris of Westfield stated that he wanted clarification on two items. The first item was the reason why the Lottery chose to go from pari-mutual prizes to a fixed amount for the Pick-3 and Pick-4. Executive Director Carey responded that it was done a few months ago. He explained that over the past 10 or 15 years, sales for Pick-3 and Pick-4 have been declining gradually. We thought this was a way to reinvigorate the game, introduce new players to it and add an element of fun.

Mr. Morris stated that he disagrees because when the New Jersey first opened the Lottery, Pick-3 and Pick-4 was the main game that everybody played. He thinks the Lottery lost a lot of interest in that Pick-3 and Pick-4 just because of the fixed amounts.

Chairman D'Anton asked Mr. Morris if he stopped his playing because of that reason. Mr. Morris responded that he is not playing as much as he used to because his numbers have come out and would have paid more than the \$250.

Executive Director Carey stated that the Lottery understands this. He added that one of the things that we are trying to do is try to get new players into the game because it is a very important part of our portfolio, we want the game to keep thriving.

Mr. Morris stated that his second question concerns the vote that was taken last September with regard to internet betting. He asked if the Lottery was making progress. Executive Director Carey responded that there are rules in the State of New Jersey that follow a rule making procedure. The Commission's action to approve the rule was taken in August. Based on the rule-making schedule, it will be published and effective on October 2, 2023. We will then be working with our sales and marketing vendor, Northstar, and our gaming system provider, IGT, to set up and launch the program. We are expecting a launch in the fall of 2024.

Mr. Morris stated that New Jersey is catching up with other states. He thinks Trenton should be a leader in trying to be more innovative with programs. Executive Director Carey thanked Mr. Morris.

EXECUTIVE SESSION

Chairman D'Anton requested a motion to go into Executive Session as authorized by the Open Public Meetings Act to seek advice of Counsel or to discuss contractual or personnel matters. Minutes of the Executive Session will be available to the public when the need for confidentiality no longer exists. Vice Chairman Leonard made the motion to go into Executive Session. Treasurer Designee Kanef seconded the motion and all the Commissioners voted yes. The motion carried.

Executive Director Carey stated that there will be a brief Executive Session and there will be no further action by the Commissioners to take following this Executive Session.

Chairman D'Anton requested a motion to close Executive Session. Vice Chairman Leonard made the motion to close Executive Session. Treasurer's Designee Kanef seconded the motion and all the Commissioners voted yes. The motion carried.


ADJOURNMENT

Chairman D'Anton asked for a motion to adjourn the Public meeting. Vice Chairman Leonard made the motion to adjourn. Treasurer's Designee Kanef 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 September 21, 2023.

IN WITNESS WHEREOF, I hereby set my hand on

the _____ 13th _____ day of _____ October _____, 2023 _____.



James A. Carey, Jr.
Executive Director