

**LOUISIANA LOTTERY CORPORATION
BOARD OF DIRECTORS MEETING
April 23, 2021**

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: Sheridan Shamburg, Whalen Gibbs, Jr., Roman Banks, Cynthia Hedge-Morrell, Anna Jones, Carmen Jones, Beau Black and Louisiana Deputy State Treasurer Rachel Kincaid.
- B. Members Absent:** Director Sean Wells
- C. Staff Present:** President/CEO, Rose Hudson, Senior Vice President/Secretary/Treasurer, Karen Fournet, and Senior Vice President/General Counsel, John Carruth.

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 February 26, 2021 Board Meeting. Director Shamburg **moved** to approve the February 26, 2021 Board Meeting Minutes and Director Anna Jones **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.

Prior to the conclusion of the meeting, Director Black noted that there was a mistake in the February 26, 2021 minutes. The correction was to remove Director Roman Banks from the members present listing. Chairman McCaskill invited a **motion** to amend the approval on the minutes. Director Morrell **moved** to amend the approval of the February 26, 2021 Board Meeting Minutes and Director Anna Jones **seconded** the motion. There being no objection, the minutes were **approved**.

IV. President's Report

President Rose Hudson began by telling the board that she testified before the Joint Legislative Committee on the Budget twice this year to ask for their approval of the Lottery's fiscal year 2021-2022 budget. At the first hearing on March 19, legislators voiced their concerns about including employee pay raises in the budget due to impacts the state has experienced throughout the COVID-19 health crisis. Employee pay raises were removed from the budget, and it was presented again on April 21 where it was passed with no objections.

Ms. Hudson then gave the board an update on bills being heard in the current legislative session pertaining to the Lottery, including HB401, SB202, HB697 and HR6.

HB401 by Rep. Kyle Green would allow for the purchase of lottery tickets via the internet and requires the board of directors of the Lottery to adopt rules and regulations necessary to implement, administer, and regulate such purchases. This bill essentially amends RS 14:90.3 Gambling by Computer to provide an exception for the purchase of Lottery tickets through the internet. The bill has been referred to the Committee on Administration of Criminal Justice and has not yet been heard by the committee.

HB697 by Rep. John Stefanski and SB202 by Sen. Patrick Page Cortez (coauthored by Sen. Ronnie Johns and Sen. Rick Ward) both relate to forming the regulation, oversight and tax/fee structure of sports betting in Louisiana. Both bills involve the Lottery to varying degrees because we offer a direct pathway to making sports wagering available for small businesses to participate through our retail network using kiosks or via a mobile device. There is concern about these bills and the potential costs involved in implementation. At this time, there are many questions yet to be answered, and these bills are undergoing changes, so they align. We are working closely with legislators to answer their questions and stay up to date on any developments prior to the close of the session on June 10. Currently, HB697 has been recommitted to the Committee on Appropriations and SB202 has been assigned to Judiciary B Committee.

HR6 by Rep. Michael Echols requests that the Louisiana Department of Children and Family Services and Louisiana Gaming Control Board develop a data-sharing agreement to identify Lottery winners who receive Supplemental Nutrition Assistance Program (SNAP) benefits. The Louisiana Gaming Control Board currently has no access to the Lottery's databases. Rose said that she is unsure at this time how this would be accomplished, if passed.

Ms. Hudson provided the board with a summary of the Lottery's ongoing strategic planning process that began in January 2020 with employee surveys, followed by executive team sessions to plan for the next 18 months, instead of the usual 3-5 years, since the pandemic has changed the way business is conducted. The Lottery's management team formed three task forces that met to discuss goals, initiatives, action steps and the implementation of timelines. The task forces included Internet Gaming Strategy (Karen Fournet, Quinn Dossett, Jimmy Goodrum and Charles Armstrong); Business and Data Analytics (Brad Menard, Brian Darouse and Steve Rosales); and Organizational Changes & Operational Efficiency (Rose Hudson, Brian Darouse and John Carruth). In addition, a revenue goal of \$700 million for fiscal year 2023 was established.

The next steps the group takes will be to create an internet gaming framework; create a long-term revised organizational chart and facility footprint; and develop a centralized platform and data store to allow data analytics to inform the Lottery's decision-making process.

Lastly, Ms. Hudson let the board know that she will be speaking more to these strategies during a "town hall" style meeting where she will also address issues such as COVID -19 vaccinations, return to in-office work and legislative topics.

The meeting was then turned over to Karen Fournet, who began by analyzing total monthly sales for fiscal years 2018-2021.

Monthly sales started out strong this year due in part to diminishing gaming options, which were closed or had limited capacity due to the pandemic. Sales topped \$50 million in July and jumped to \$75.9 million in January due to the \$1 billion Mega Millions and \$731 million Powerball jackpots. Since then, sales have leveled off and are projected to reach \$54.8 million to end April.

Powerball fiscal-year sales through the end of April are projected to be \$54.4 million, which is just \$5.4 million higher than last year, despite having the \$731 million jackpot in January. Lower sales levels are due to a long span of low advertised jackpots as well as changes made by MUSL that reduced guaranteed starting jackpots and increases between drawings, which were necessitated by declining participation during the pandemic-related stay-at-home orders. Karen noted the higher jackpots brought about by the game's matrix change in 2016 simultaneously contributed to jackpot fatigue. For example, Powerball sales so far this fiscal year are much lower than in 2015. In that year, there was only one jackpot in the \$500 million range, but sales reached \$74.5 million. In attempt to increase player participation and sales, MUSL has decided to add a third drawing each week that will begin with the drawing on Monday August. 23rd.

Mega Millions has experienced a similar story with sales projected to end April at \$40.7 million, which is just \$10.3 million higher than last year, despite the \$1 billion jackpot in January.

Combined Powerball and Mega Millions sales through April are projected to reach \$95.1 million, up \$15.7 million from last year and are higher than in 2011 when the Lottery offered only Powerball.

Lotto fiscal year sales through April are at \$20.9 million, which is \$3.1 million higher than this time last year. Changes to boost player interest in the game went into effect Aug. 5, 2020. The changes were designed so the Lotto jackpot could reach \$1 million more quickly and frequently, which has helped increase sales. This year, the Lotto game has experienced a \$3.1 million jackpot as well as three others approaching \$1 million.

Sales of Easy 5 and ezmatch™ are projected to reach \$9.2 million, a \$500,000 increase from the same time last year and consistent with sales for the past several years.

Fiscal year Pick 3 and Pick 4 sales, currently at \$116.8 million, have exploded, running \$24.2 million – over 20% -- more than last year's totals through April! This has occurred despite below average payouts for Pick 3 and Pick 4 at 47% and 42% respectively. These daily games continue to be the star in the Lottery's draw-game portfolio. Karen said that the Lottery's upcoming Pick 5 game being launched in August will help to continue to build on the success of the numbers-game product line.

Monthly scratch-off sales have beat previous years every month so far this fiscal year. In fact, our lowest month of sales was still higher than the highest month in the previous four years prior to the pandemic! Scratch-off sales are up considerably through the end of April totaling \$274.5 million, an increase of \$74.8 million over the same time period last year and DOUBLE what they were in 2012. Scratch-off sales have experienced a huge surge since March 2020 with COVID-19 restrictions limiting other gambling options for players.

Fueling the surge are increased average prize payouts of 65% (up from 63.09% last year) impacting every price point but weighted toward the higher priced games. Karen demonstrated the impact of prize payout percentages on sales since 2012 when the Lottery began a strategy of utilizing operational savings to gradually increase payouts from 60.1%. The strategy was put on pause when the legislature appropriated roughly \$20 million of the Lottery's unclaimed prize fund. However, since the relief provided by a change to the Lottery's transfer mandate last year, the Lottery has again pursued the strategy with spectacular results.

Karen Fournet reported overall fiscal year 2021 sales through the end of April of \$516.5 million, a whopping \$118.2 million higher than last year and \$129.5 million better than budget due to strong instant game performance, the continued growth of Pick 3 and Pick 4 and the two concurrent, large Powerball and Mega Millions jackpots in January.

General and administrative expenses through the end of March are running approximately \$1.3 million under budget at \$13.7 million.

Lastly, Mrs. Fournet then reported that transfers to the state treasury through the end of April are projected at \$175 million, which is \$39.2 million better than budget.

VII. Announcements

The next meeting of the Louisiana Lottery Board of Directors is scheduled for Friday, June 25, 2021, to be held in the Board of Directors Conference Room of the Louisiana Lottery Corporation Headquarters located at 555 Laurel Street, Baton Rouge, Louisiana.

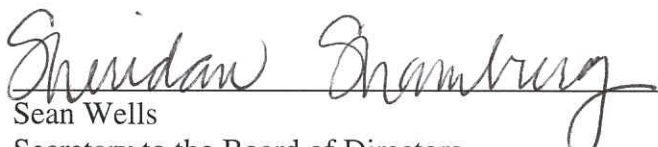
VIII. Adjournment

There being no further business, Chairman McCaskill invited a **motion** to adjourn the meeting. Director Shamburg made a **motion** to adjourn the meeting and Director Banks **seconded** the motion. There being no objection, the motion was **approved**, and Chairman McCaskill adjourned the meeting at 10:58 a.m.

Date Approved: 6-25-21



Jill Kitchens
Executive Administrative Assistant



Sean Wells
Secretary to the Board of Directors



Blake McCaskill
Chairman of the Board of Directors