

**North Carolina Education Lottery
Commission Meeting
WebEx
Meeting Minutes
Tuesday, June 15, 2021**

Commissioners in Attendance: Brad Adcock, Chairman
Chris Shew
Jason Roth
Morgan Beam
Nick Picerno
Nigel Long
Pam Whitaker
Randy Jones

Staff in Attendance:

Mark Michalko	Randy Spielman
Hayden Bauguess	Mike Suggs
Bill Jourdain	Tony Chung
Billy Traurig	Joe Cosgriff
Frank Suarez	Joe Norman
Terri Avery	Marbet Cuthbert
David Nelms	Annette Taylor
George Walker	Reggie Barnes
Susan Singley	Tami Wiggs
Amanda West	

Participants: Benjamin T. Spangler,
Assistant 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 15, 2021 at 10:15 a.m. via WebEx.

Chairman Brad Adcock opened the meeting, greeted all Commissioners and meeting attendees.

Roll Call of Commissioners.

Remote meetings announcements read by Billy Traurig, NCEL Chief Legal Officer.

Chairman Adcock read the state ethics announcement.

Attendees recited the Pledge of Allegiance.

Approval of Minutes

Chairman Adcock asked Commissioners to review minutes of the March 16, 2021, April 12, 2021, April 22, 2021 and May 19, 2021 meetings and make a joint motion to accept all minutes. A motion was made by Commissioner Pam Whitaker to approve the minutes. Commissioner Nick Picerno seconded the motion with an added note that the end time of April 22, 2021 meeting needed to be corrected. The correction was noted, and with no other discussion minutes were accepted and approved unanimously.

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.
- Recovery – Recovery oriented assistance.

BRF Study (Behavior and Risk Factor) results for North Carolina –

- 5% of adults may be experiencing problem with gambling
- 20% of people are at risk for developing a problem
- 10% of youth are experiencing a problem

2020 Highlights

24/7 Helpline and Treatment

- Treatment – 336 Referrals / 68 Treatment providers
- 2801 calls - 373 clinical calls
- Call 2 Change - 192 Referrals / 56 Cases
- 100 Text Subscriptions
- 314 Text/Chat Conversations – 98 Text / 216 Chat

Trainings

- Prevention: 11 – 40 participants
- Clinical: 4 In-person – 136 participants
- Virtual: 24 Webinars – 3,600 webinar participants

Prevention

- Stacked Deck: 38 schools – 1,790 students
- Higher education: 12 schools – 1,253 events - 45,705 participants

Demographics

- 80% - experiencing problem
- 20% - affected others

Referral Source for all calls

- 48% - Female
- 52% - Male

Ethnicity

- 47% - Caucasian
- 37% - African-American
- 1% - Asian
- 3% - Hispanic
- 11% - Other
- 1% - NA

Game of Choice

- 34% - Lottery
- 25% - Sweepstakes
- 20% - Casino
- 15% - Online

Help line calls top 5 counties

- Cumberland
- Forsyth

- Guilford
- Mecklenburg
- Wake

Affected Others

- 27% - increase in parents calling about children
- 44% - increase in children calling about parents
- 83% - call for support
- 57% - call for information
- 76% - call for confidential treatment

Reasons for calls

- 83% - Support
- 57% - More information
- 76% - Confidential treatment

2021 Highlights

- Recovery Grants – 2 Recovery Coach Academies
40 trained; 5-Recovery Coaches
- Youth Treatment – 193 Registered
66 – completed; 6-Approved treatment providers
- Media Features – The Economic; The Hill
Spectrum News
- Virtual Trainings – 24 Webinars; 3,600 participants (as of April)
18 Clinical trainings; 400 – people trained

Quality Assurance

- 100% of survey participants would recommend the helpline
- 81% of survey felt clarity after calling
- 100% of survey participants met with counselor within one week

Pandemic Impact

- Increased repeat callers, online gambling, training attendance, family/friend referrals
- Decreased stack deck participants, grants applications, casino gambling and outreach

2021 Initiatives

- Youth treatment – developed 6-hour module for counselors to work with youth
- Bystander Intervention – for college and university students
- Virtual training – moved training online for more accessibility and increased participation
- Provider survey – to tailor trailer to the needs of providers
- Off GamBam – an app that will block up to 5 devices per account
- New Website – to be more user-friendly
- Resiliency training – to teach teachers and those involved with Stack Deck
- Peer Support Training
- Updated curriculum in Stack Deck guidebook

Finances – budget is spent

- 63.2% - Helpline
- 26.3% - Training
- 8.4% - Grants
- 2.1% - Administration

Discussion

Commissioner Randy Jones asked if there were age limits on who can call the hotline. Ms. Winters stated that there is no age limit, but statistics have shown majority of calls received were from individuals over 18, but hotline has received calls from youth of 10 years old.

Commissioner Nigel Long asked if a copy of PG report would be made available to the Commission. Ms. Winters stated yes.

Frank Suarez, Deputy Executive Director, Brand Management and Communications expressed his thanks to Ms. Winters for her working relationship with the NCEL and her assistance in providing information on the program for the Level 4 Recertification Application.

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 for ten months of FY'21 through April 2021 Statement of Net Position
 - Total assets of \$205mm
 - Total liabilities of \$246mm
- Statement of Revenues, Expenses and Changes in Net Positions
 - FY '21 – Total Sales: \$3,129.1mm
 - FY '20 – Total Sales: \$2,383.7mm
 - Difference: \$745.7mm or 31.3%
 - FY' 21 Budget: \$2,453.7mm
 - Difference: \$675.4mm or 27.5%
- Statement of Revenues, Expenses and Changes in Net Positions
 - Total Revenue of \$3.133 billion
 - Total Gaming Expenses of \$2.3 billion
 - Total Administration Expenses \$119.8mm 3.8% of total revenue
- Net revenue to education as of April 30, 2021 was \$761.5mm, an increase of 32% over FY'20 and 30.6% over budgeted amount of \$583.3mm
- Transfers to Office of State Budget and Management as of June 8, 2021 was \$729.4mm (includes \$27.7mm FY'20 budget surplus funds for need based school construction). All additional funds for FY '21 will be transferred in October 2021.
- Lottery Reserve as of May 31, 2021 is \$45.7mm, includes \$200,000 earned interest for FY'21.
- Total earnings transferred since the inception of the Lottery - \$8 billion.
- FY '22 Budget for approval
 - Projected revenue - \$3.39 billion
 - Gaming expenses - \$2.5 billion (74.60%)
 - Administrative expenses - \$87.7 mm (2.58%)
 - Transfer to DHHS - \$1 million
 - Transfer to ALE – \$2.1 mm
 - Net proceeds to Education - \$769.6 mm (22.7%)
 - Budget includes addition of 10 new positions at a cost of \$817,000 (salary and administrative cost) to support increase player activity in online/digital area.
 - A salary reserve of \$430,322 to allow for Governor's proposed cost of living salary increase of 2.5% since the NCEL does not receive state funds for salary initiatives, therefore these are budgeted from ticket sales.

Commissioner Jason Roth presented the recommendation of the Budget and Finance Committee to approve the FY '22 budget. No second needed, motion was approved unanimously.

Internal Audit Updates

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

- Audit of Prize Validation

- Audit of Ticket Reconstruction
 - All Instant Ticket Reconstructions were promptly paid to the player(s) once the process was complete. Internal audit was able to trace the payments through the Aurora Gaming System, as well as the AX Dynamics account system.

Revenue Generating Committee

Brand Management Update

Frank Suarez, Deputy Executive Director of Brand Management and Communications gave a summary of the update presented at the Committee meeting on June 8, 2021 and Brand Management update for 4th Quarter.

- Advertising calendar and budget
 - Presented advertising budget update – no new changes
- WLA Level 4 Recertification Submitted
 - Recertification application submitted
 - Expect evaluation report this month
- Advertising RFP Update
 - Shared timeline and updated process to date
- Brand Management update for 4th quarter FY '21 (April-June).
 - Launched 5 new scratch off games in April
 - Double It (\$1)
 - Fat Wallet (\$2)
 - Twisted Bingo (\$3)
 - Double Cash Doubler (\$5)
 - Jumbo Bucks (\$10)
 - TV and radio on air April 6-April 25
 - Social media, multi-media and point-of-sale
 - Cash 5 Double play add-on launched April 25
 - Included promotion in May to drive trial
 - Digital video and display, social media, multi-media and point-of-sale
 - Launched 3 new Multiply the Cash games April 25
 - 10X the Cash (\$2)
 - 20X the Cash (\$5)
 - 50X the Cash (\$10)
 - Digital display, social media, multi-media and point-of-sale
 - Wrapping up NC School Heroes program, having been delayed in FY '20 due to pandemic, proceeded in FY '21 when schools were ready to finish campaign.
 - Completed a digital and print ad campaign across the state with winners
 - Winners video completed to finalize campaign.
 - New Beneficiary campaign started during FY '21
 - Developed TV and radio ads to replace NC School Heroes ads
 - Testimonial campaign from real North Carolinians
 - Two new spots created focusing on four key beneficiary programs
 - New spots aired April 5-25
 - Focus to get citizens to understand the key programs the NCEL funds support;
 - Fund school workers
 - Providing scholarships
 - Fund Pre-K
 - Fund building schools
 - Launched 5 new games in May
 - Super Hot 7's (\$1)
 - 7-11-21 Live! (\$2)
 - 7 (\$5)

- Platinum 7's (\$10)
- Ultimate 7's (\$20)
- Tv and radio on air May 4-23
- Social media, multi-media and point-of-sale
- Jackpot Awareness
 - Mega Millions jackpot was above \$300mm
 - Broadcast and streaming radio and digital on-air April 26-May 21
 - Included digital online play advertising to remind players that the jackpot games could be purchased online
- Launched 5 new games in June
 - Fast \$50's (\$1)
 - Break the Bank (\$2)
 - Diamond Mine 9X (\$5)
 - Ruby Mine 9X (\$5)
 - \$100 or \$200 (\$20)
 - Tv and radio on air June 1-20
 - Social media, multi-media and point-of-sale
- NCEL Perception Scores
 - Started tracking in 2014
 - Significant increases in positive impressions of the organization and its mission
 - Influx of new players in important demographic segment (35-44)
 - Perception of game play experience has changed
 - All of the improved stats can be attributed to the great work done by the Sales team, getting the product out to retailers and the Marketing, Advertising and Social Media team for the great ads they produce for broadcast, social media sites and radio

Chairman Adcock asked if there were questions and having none moved the meeting to the next agenda item.

Product Development and Digital Update

Randy Spielman, Deputy Executive Director of Product Development & Digital Gaming, gave an update for the 4th Quarter FY21 (April – June):

- Revenue Generating Committee overview looked at the NCEL Performance Update
 - Performance trends vs. the industry
 - Key metrics
 - Recent trends
 - Pandemic impact
- 4th Quarter Scratch-off Game Review
 - April was a strong month for scratch-offs with a 53.7% increase over FY '20
 - May was the 7's themed game launch with a 10.8% increase over FY '20
 - June launch consisted of a series of higher priced games including 2-\$5 complementary themed games, a new strategy for the NCEL
- Performance update
 - Scratch-off and Pick 3/Pick 4 experienced positive impact this FY
 - Scratch-offs: +25.7%
 - Pick 3: +27.2%
 - Pick 4: +25.3%
 - Recent post pandemic migration from lower price point to higher price point scratch-offs
 - Beginning in May cycling over increased sales levels this past year
 - Draw game growth trend showed increased sales during FY '21 vs. FY '20
 - Keno (+24.9%)
 - Cash 5 (+22.1%)
 - Lucky for Life (+24.9%)

- Powerball (+37.1%)
 - Mega Millions (67.1%)
- NCEL Performance has outpaced industry over the past 3-years with a Compound Annual Growth Rate (CAGR) of 7.5% compared with other industry sub-groups, which have growth rates of:
 - Peer Lotteries +5.3%
 - Top 10 Lotteries +3.4% (we are currently rated 12)
 - US Average +4.2%
- Cash 5 Double Play launched April 25 as a new add-on to Cash 5
 - Double play is an extra drawing for Cash 5 with a higher prize than the base game
 - To date Double Play has accounted for 16% of Cash 5 sales
 - A two-week promotion ran May 17-May 31 to encourage trial of new game
 - Double play can be an add-on to other games
- Fast Play has gone through three game launches
 - Currently offering nine Fast Play games
 - Strong performance continues with \$60mm in sales through May
 - 200%+ ahead of budgeted sales to date
 - Sales settling in to post promotion and advertising position, more dependency on increased jackpots
 - Positive response to new game launches shows need to continue to introduce and rotate new games

No Discussion.

Sales Update

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

- Sales focus during FY '21 has been to maintain and retain retailers along with recruiting
- Sales active retailer count as of May 31, 2021 is 7,165
 - 34 retailers remain inactive due to Covid-19 closings
- Sales team recruited 202 Retailer applications in FY '21
- 9 new Keno retailers added in FY '21
- New game launch penetration was up by 3% at 97% vs 94% last year
- 55 new games were launched during FY '21 and the Sales team got these in retailer dispensers
- Key corporate chain accounts for NCEL have generated revenue
 - Circle K = \$215.1mm
 - Walmart = \$33.1mm
 - Food Lion = \$164.3mm
- Retailer based sales through May 31, 2021
 - 4097 Independents (57%) = \$2.06 billion
 - 3068 Chain Accounts (43%) = \$1.39 billion
 - Total Retail Sales = \$3.43 billion

No questions or discussion.

Operations and Personnel Committee

Telework Policy 4.6 and Telework Agreement Update

Committee Chairman Shew informed the Commission that Marbet Cuthbert, Director of Human Resources, would give a presentation on the proposed Telework Policy and Telework Agreements.

Ms. Cuthbert informed the Commission of the in-depth discussion of the Telework Policy and Telework Agreement during the Ops and Personnel Committee meeting. During the meeting Commissioner Whitaker made the following suggestions that were incorporated into the final version.

- Employees must be available during normal working hours (8 am – 5pm) unless approved by their supervisor.
- Additional safety items for home offices included, floors free of trip hazards, smoke detectors operational and accessible, adequate lighting, etc. in attempt to mitigate liability for employees working at home.
- Requirement for manager and employee entering in a telework agreement to complete a brief training, developed so all participants are clear on expectations for telework.

Chairman Adcock asked if there were any questions or discussion regarding the Telework Policy 4.6, and with no questions or discussion a call for a motion to approve the policy. Commissioner Shew made a motion that the Commission accept the recommendation of the Operations and Personnel Committee to approve the Telework Policy and Telework Agreement. With no second required, a roll call vote was taken. The motion passed unanimously.

Executive Director Review Process

Commissioner Shew stated that this agenda item was for information only and Commissioner Whitaker and Ms. Cuthbert were to be commended for the results.

Chairman Adcock requested that a summary of the process be shared in today's meeting. Ms. Cuthbert shared the information on behalf of the Committee.

- The Executive Director should get a review on a regular basis with input from Commissioners, NCEL management, vendors and the Executive Director. This was referred to as a 360 review.
- Particulars of this process would be worked out during July-August so Executive Director Mark Michalko would receive a review in the fall pertaining to FY '21 and going forward. Expected deadline is end of August.

Commissioner Shew asked if there were any questions or discussion. Hearing none meeting continued with legal update.

Legal Update

Billy Traurig, Chief Legal Officer stated an annual review of the Contractor Dispute Resolution policy had been completed and revised changes had been approved by the Committee. These changes include:

- Lottery retailers were excluded from the dispute resolution policy because there is a separate policy in place for retailers.
- If a dispute is heard by a Hearing Officer, the Executive Director has option to accept, modify or reject recommendation.
- Executive Director will send final decision of a petition to the Petitioner.
- Appeals should be sent to the Executive Director and Chief Legal Officer.
- Judicial Review language was relocated within section.

Executive Director's Report

- **Contracts over \$90,000 and HUB Report** – Mr. 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:
 - The House and Senate have not come to an agreed budget, therefore, currently, there is no lottery budget amount set for FY '22. This information will be sent out to Commission upon receipt.

- Gaming legislation is currently at a standstill, updates will be sent weekly to Commission.


Chairman Adcock requested Commissioners contact Hayden by phone if they have inquiries about information not included in emailed updates.

Other Business

Chairman Adcock recognized Commissioners Chris Shew and Morgan Beam for their service on the Lottery Commission, as their terms will end as of August 31, 2021 (if not reappointed).

Commissioners Shew and Commissioner Beam thanked the organization for their service and efforts in raising money for education in the State of North Carolina.

Chairman Adcock indicated no other business to discuss, Commissioner Shew made a motion to adjourn. The motion was seconded by Commissioner Jones. The meeting was adjourned at 11:55 am.

DocuSigned by:

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Chairperson

9/24/2021

Date