

NEW JERSEY STATE LOTTERY COMMISSION

PUBLIC MEETING APRIL 23, 2020

Executive Director Carey called the Commission meeting into session at 11:00 a.m. in the Lottery Office located at One Lawrence Park Complex, Lawrenceville, New Jersey.

COMMISSION MEMBERS

Robert D'Anton, Chairman (by phone)
Marilyn Blazovsky, Vice Chair (by phone)
Dini Ajmani, Treasurer's Designee (by phone)
Gary Terwilliger, Division of Investment Designee (by phone)

James A. Carey, Jr., Executive Director
Robert E. Kelly, Deputy Attorney General (by phone)
Stephanie Brown, Governor's Auth. Unit (by phone)

VISITORS (BY TELEPHONE)

Adam Perlow, Northstar
Erica Helms, Northstar
Foster Krupa, Northstar
Joseph Cavallo, Northstar
Sam Fromkin, Northstar

STAFF (BY TELEPHONE)

Regina Arcuri
Jill Dawson
Fran Edwards
Missy Gillespie
Jerry Guarino
Dean Ialacci
Robert Kersey
Kalli Kostis
Jason Lee
Charlene Mello
Daniel O'Brien
Rick Pagnani
Steve Palmieri
Debbie Raub
Mary Ann Rivell
Ryan Schaffer
Margaret Square
John White

After the Pledge of Allegiance, Executive Director Carey 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.

Executive Director Carey requested a motion to approve the amended minutes of the March 19, 2020 Commission meeting. The minutes were not entirely transparent in how they discussed the amendments to game rules. The original minutes only stated that the game rules to Pick-3, Pick-4, Jersey Cash 5 and 5 Card Cash were amended, and the minutes did not describe how the rules were changed. A paragraph was added stating that the game rules were amended to change drawing times to 10:58 p.m. effective June 29, 2020. Chairman D'Anton made the motion, which was seconded by Vice Chair Blazovsky. Executive Director Carey asked if there were any comments and there being none, the motion carried.

Executive Director Carey requested a motion to approve the minutes of the April 7, 2020 Special Commission meeting. Chairman D'Anton made the motion, which was seconded by Investment Designee Terwilliger. Executive Director Carey asked if there were any comments and there being none, the motion carried.

DIRECTOR'S REPORT

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

All games total sales were: \$267.3 million
Lotto games total sales were: \$27.1 million
Daily machine games total sales were: \$76.3 million
Scratch-Off Tickets total sales were: \$163.8 million

Executive Director Carey stated that Pick-6 had sales of \$4.3 million compared to \$4.2 million the prior year, which was an increase of 1.9%.

Executive Director Carey stated that CASH4LIFE had sales of \$4.4 million compared to \$2.9 million the prior year, which was an increase of 50.7%.

Executive Director Carey stated that Mega Millions had sales of \$9.03 million compared to \$12.9 million the prior year, which was a decrease of 30%.

Executive Director Carey stated that Powerball had sales of \$9.3 million compared to \$60 million the prior year, which was a decrease of 84.5%.

Executive Director Carey stated that Pick-3 had sales of \$32.9 million compared to \$36.9 million the prior year, which was a decrease of 10.8%.

Executive Director Carey stated that Pick-4 had sales of \$21.1 million compared to \$23.1 million the prior year, which was a decrease of 8.4%.

Executive Director Carey stated that Jersey Cash 5 had sales of \$9.9 million compared to \$11.5 million the prior year, which was a decrease of 13.9%.

Executive Director Carey stated that all games total sales were \$267.3 million compared to \$333.5 million the prior year, which was a decrease of 19%.

Executive Director Carey stated that scratch off tickets had sales of \$163.8 million compared to \$167.3 million the prior year, which was a decrease of 2.1%. Scratch off tickets had very strong sales at the start of the month, driven by the "Super 50" ticket.

Executive Director Carey stated that fiscal year to date Pick-6 had total sales of \$43.2 million compared to \$63 million the prior year, which was a decrease of 31.4%.

Executive Director Carey stated that fiscal year to date CASH4LIFE had total sales of \$43.2 million compared to \$28 million the prior year, which was an increase of 54.5%.

Executive Director Carey stated that fiscal year to date Mega Millions had total sales of \$107.9 million compared to \$229.1 million the prior year, which was a decrease of 52.9%.

Executive Director Carey stated that fiscal year to date Powerball had total sales of \$102.9 million compared to \$194.7 million the prior year, which was a decrease of 47.1%.

Executive Director Carey stated that fiscal year to date Pick-3 had total sales of \$301 million compared to \$305 million the prior year, which was a decrease of 1.2%.

Executive Director Carey stated that fiscal year to date Pick-4 had total sales of \$194 million compared to \$193 million the prior year, which was an increase of 0.6%.

Executive Director Carey stated that fiscal year to date Jersey Cash 5 had total sales of \$98.9 million compared to \$115.6 million the prior year, which was a decrease of 14.4%.

Executive Director Carey stated that fiscal year to date Cash Pop had total sales of \$14.5 million.

Executive Director Carey stated that fiscal year to date Quick Draw had total sales of \$89.3 million compared to \$94.1 million the prior year, which was a decrease of 5.1%.

Executive Director Carey stated that fiscal year to date Fast Play had total sales of \$13.8 million compared to \$18 million the prior year, which was a decrease of 23.1%.

Executive Director Carey stated that fiscal year to date 5 Card Cash had total sales of \$2.5 million compared to \$3 million the prior year, which was a decrease of 15.3%.

Executive Director Carey stated that fiscal year to date all games had total sales of \$2.4 billion compared to \$2.6 billion the prior year, which was a decrease of 7.7%.

Executive Director Carey stated that the total contribution for the fiscal year to date was \$707 million compared to \$805 million the prior year, which was a decrease of 12.1%.

Executive Director Carey stated that net proceeds for the fiscal year to date were \$707.8 million or 29.12% of sales. Lotto games were \$124.2 million or 39.8% of sales. Daily games were \$270.1 million or 38.5% of sales. Instant games were \$304.7 million or 21.4% of sales.

Executive Director Carey stated that total to date FY20 proceeds also include 30% of the current estimated forfeited prizes, or \$8.8 million.

Executive Director Carey stated that the current balances in annuity investment accounts total \$113.5 million.

Executive Director Carey stated that the top three selling non-core games for March were "Super 50," which generated \$28.5 million in sales, "\$200X the Money Bonus," which generated \$12.6 million in sales and "\$100X the Money Bonus," which generated \$9.7 million in sales.

Executive Director Carey stated that the four new games that were introduced in March were "Lucky 7s," "\$500 Frenzy," "Super 50," and "Mega Crossword."

Executive Director Carey stated that the Lottery and Northstar decided that it was appropriate and cautious to delay the launch of new scratch off games for April due to the COVID-19 crisis. New scratch off games will be launched in May.

Executive Director Carey stated that advertising activities in March went to support the "Super 50" scratch off game.

Executive Director Carey stated that there were many high tier winners throughout the state in March. On April 8, New Jersey had the Powerball jackpot winner of \$190 million that was sold in Middlesex County. On March 6, the New Jersey Lottery held the Million Dollar Replay drawing. The grand prize of \$1,000,000 and fifteen other prizes greater than \$10,000 were won by players. On March 11, Jersey Cash 5 had a \$486,698 winner in Camden County. On March 20, Jersey Cash 5 had a \$441,466 winner in Passaic County. There was one scratch-off winner of \$1,000,000 in Essex County and two \$500,000 winners.

Executive Director Carey stated that all drawings for March were completed with no abnormalities.

Executive Director Carey stated that all online game pools were closed according to procedures with no abnormalities. 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 the New Jersey Lottery and the Council on Compulsive Gambling of New Jersey held the annual Public Awareness of Problem Gambling press conference on March 2. The New Jersey Lottery's is committed to responsible gaming and making sure problem gamblers have an appropriate place to go. The New Jersey Lottery takes problem gambling very seriously.

Executive Director Carey stated that there were a few Public Promotional events completed in March. Northstar's Promotions Team was at the Atlantic City Boat Show on March 1, Million Dollar Replay on March 6, and the Devils vs Penguins game on March 10. There were many events planned for March but the New Jersey Lottery and Northstar decided to pull the Promotions team from the field due to COVID-19.

Executive Director Carey stated that IMS staff spent much of March working with the State's Office of Information Technology (OIT) and Treasury's Division of Revenue Enterprise Services (DORES) to have a majority of Lottery staff work remotely using GoToMyPC or Office 365. The ability to work from home in this very challenging environment has been very important. IMS also reconfigured settings in the telephone switch to route customer service inquiries that normally go to the Call Center to go to state provisioned cell phones. This allows the Call Center staff to work from home.

Executive Director Carey commended Rick Pagnani, Scott Golonka and Don Smart of the IMS team for getting the staff set up for GoToMyPC. It was a very large project to get people the access to work from home. Lottery's IMS team, along with OIT and DORES, did an outstanding job enabling the staff to work from home.

Executive Director Carey also commended the Draw teams, the Draw Supervisors and the Draw Manager, Regina Arcuri, on the outstanding job they have done keeping the draws operating in very difficult times. The Lottery's Draw teams have about 8 to 10 people that have to come in to the office every day. They have accomplished this while social distancing, keeping our employees safe and working very hard to make sure that we do not have a disruption in our ability to conduct draws.

Executive Director Carey stated that the Validations staff sorted 2,021 mailed claim forms during the month of March and an additional 188 walk-in claims. Those 188 walk-in claims were received before we needed to shut down the front desk as a social distancing safety measure.

Executive Director Carey thanked the Validations team on the great work they are doing. The Validations team has done an outstanding job on continuing to keep the Lottery open. Lottery claims are being paid a bit slower than usual because staff are working from home and socially distancing. Normally it takes 3 or 4 weeks to pay a claimant and right now it is taking 4 to 6 weeks. It has been very challenging and the Validations staff, Nikki Roberts Apeadu, and Margaret Square, have risen to the challenge.

Executive Director Carey stated that the Call Center handled 5,339 incoming calls during the month.

Executive Director Carey stated that the Warehouse received 2,118 packages from UPS and FedEx.

Executive Director Carey thanked and congratulated the Lottery's staff on all their hard work. The Lottery's staff has done a great job of being able to keep the Lottery operating. The Lottery has to have people come in to the office to perform a variety of services that cannot be completed remotely. It has been difficult and the staff at Lottery has risen to the challenge. Executive Director Carey stated that he is very proud of the people that he works with and his colleagues. The staff of the New Jersey Lottery are committed to this operation and to the players.

Executive Director Carey asked Deputy Executive Director Jerry Guarino to give a brief update on the Technology upgrade.

Deputy Executive Director Guarino stated that CAT testing of the new Retailer Pro and GTDraw terminals is 90% complete and has since been halted by IGT/NSNJ. IGT/Northstar have stated that they are committed to completing the refresh by the original January 2021 date. Their intention is to allocate additional staffing resources to make up for lost time and move the project forward while maintaining the same due diligence for a complete, accurate and functioning system.

Executive Director Carey invited Adam Perlow, Vice President and Chief Operating Officer of Northstar, to comment on Northstar's operations. Mr. Perlow responded that he wanted to thank Executive Director Carey and senior staff at Lottery for the partnership and collaboration in the decision making. There have been twists and turns along the way due to COVID-19 and we have shown a great partnership in making decisions to protect the public, to protect both organizations' employees, and to serve retailers the best we can during this time.

Executive Director Cary stated that sales for the first two weeks in April were down about 20%, but appeared to be starting to slowly increase or stabilize. The Lottery is dependent on the retail network and the foot traffic into stores. Things have been difficult and challenging but so far we have been able to weather this and we are hopeful that there are better days ahead.

Executive Director Carey asked if there were any questions or comments.

Vice Chair Blazovsky thanked Lottery staff for their efforts and hard work during this time.

Vice Chair Blazovsky stated that she read that IGT was having layoffs and furloughs. Has there been any layoffs or furloughs at IGT in New Jersey? Executive Director Carey responded that a small number of staff at IGT were furloughed. IGT has focused on continuing to keep the gaming system operating and meeting performance requirements.

Executive Director Carey asked Mr. Perlow to respond more specifically to Vice Chair Blazovsky's question. Mr. Perlow responded that IGT had a small number of furloughs that will last for about eight weeks. IGT made the decision based on different needs at this period, such as the warehouse staff, field service staff receiving fewer calls, and that there are no installations at this time. Mr. Perlow stated that they do not believe the eight week furloughs will affect service at all.

Vice Chair Blazovsky stated that she wanted to clarify what Deputy Executive Director Guarino reported regarding the new terminal installs. As she understands, with or without the new terminals, Lottery financials will not be effected, that tickets can still be sold and there will not be any interface issues. Executive Director Carey responded that there will not be any financial impact to the New Jersey Lottery. As a practical matter, it is going to be logistically challenging for IGT to stick to that schedule. The plan to roll out new terminals was to take place over the course of the summer and to give retailers an updated, state of the art terminal to sell lottery tickets for the next seven to ten years. There is no downside financially or operationally to the Lottery if the roll out of terminals is delayed. There is also no financial downside to the Lottery if the second phase of the IGT technical refresh, which is the gaming system, has slight delays. IGT has stated that from their operational logistics standpoint, they are committed to getting it done on their time schedule because the time schedules are built out over a period of years. The New Jersey Lottery does not think it will have a negative impact, operationally or financially.

Vice Chair Blazovsky stated she has an observation from looking at the financials that were provided. Vice Chair Blazovsky stated that she thinks about what a private sector business would do when they saw a sales impact of their products similar to what we have seen as we move forward in a post COVID-19 environment, and the nature of doing business and living our lives is going to change. Vice Chair Blazovsky stated that she hopes to see going forward that that philosophy will be reflected in the planning of the New Jersey Lottery. Executive Director Carey stated that he agreed with her 100%. He stated that he has spoken to people with historical knowledge and there was some resetting of the Lottery industry following Hurricane Sandy. There was a financial reset and a retailer reset. Now, there will be a financial reset and a retailer reset, but also a reset in the behavior of consumers. How that will affect the Lottery is yet to be seen. It is going to be different environment and we have been having those discussions with Northstar.

Treasurer's Designee Ajmani stated that behavior changes for many reasons. Hurricane Sandy is one example. Technology is another example. How people spend their evenings is another example. Treasurer's Designee Ajmani stated that the reason we have outsourced our sales and marketing to Northstar, and given them the responsibility of coming up with innovations that adjust to consumer behavior, is just that. It is in their mandate to foresee how consumer behavior will change and introduce products through the Division of Lottery that will then continue to create growth in Lottery's revenues. Looking at Lottery's history, there have been many instances that consumer behavior has changed and Lottery has adjusted to it with the help of its vendors.

Executive Director Carey stated that he agreed with Treasurer's Designee Ajmani. People will still need to go out to get necessities and they will still want to play the lottery. The challenge going forward is to figure out how to innovate and adjust to the world. In order to continue to grow, Lottery and Northstar need to rise to the current environment.

Executive Director Carey concluded the Director's Report.

Executive Director Carey asked if there were any additional questions or comments.

Executive Director Carey requested a motion to approve the Director's Report. Investment Designee Terwilliger made the motion, which was seconded by Chairman D'Anton.

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.

Executive Director Carey requested a motion to approve the instant ticket game rules for “Double Match,” “Full of \$500s” and “Crossword Bonanza.” Investment Designee Terwilliger made the motion, which was seconded by Chairman D’Anton. Executive Director Carey asked if there were any comments and there being none the motion carried.

Executive Director Carey asked if there were any questions or comments.

Vice Chair Blazovsky asked if the prize structures are appropriate for release in August given the current conditions. Vice Chair Blazovsky also asked if Lottery has revisited that issue in considering these games for launch in August. Executive Director Carey responded that the prize structures for these games increase from 63% on a \$2 ticket to 69% on a \$20 ticket. That is relatively consistent with all of Lottery’s scratch off games. Lottery continues to consider prize structures. It is difficult to have a lower prize payout for scratch offs and keep players engaged in the games. It is also difficult to have a higher prize payout for scratch offs and be able to meet the requirement under law that the Lottery contribute 30% of its revenue as profit to the State. Executive Directory Carey stated that the Lottery is always looking at the prize structure for the games, but operates within narrow bands for those two big reasons.

Vice Chair Blazovsky asked if ticket costs have been evaluated as appropriate for release under the current financial situation. Executive Director Carey responded that Lottery discussed with Northstar about the plan for rolling out further tickets and how that would be adjusted, particularly because the April game launches were delayed. The Lottery worked carefully with Northstar and have appropriately adjusted, where needed, the price points for games that were going out to make sure there is a good mix of high priced games and lower priced games

Executive Director Carey requested a motion to approve the resolution permitting temporary suspension of “5 Card Cash” due to COVID-19 State of Emergency. “5 Card Cash” is a niche game that was introduced in 2016. The game generated approximately \$2.5 million in sales this fiscal year. This March it was down 15% compared to last March. The game is a very small part of our portfolio. It had a good run and it was getting close to the end. During the COVID-19 emergency, Lottery has to bring 8 to 10 draw staff in every night, not including two auditors and three production assistants to conduct and televise the draws. “5 Card Cash” requires two specific staff members to operate it. It is appropriate as a social distancing measure that Lottery limit more staff members from coming in during the week. Investment Designee Terwilliger made the motion, which was seconded by Chairman D’Anton. Executive Director Carey asked if there were any questions, and there being none the motion carried.

PUBLIC COMMENT

Roy Campbell asked if the New Jersey Lottery intends on bringing “5 Card Cash” back after the COVID-19 crisis. Executive Director Carey stated that is the current intent. “5 Card Cash” was intended as a niche game, which would not be sold forever. The Lottery does not have a direct intent to terminate sales of that game before reopening it. If Lottery were to move in that direction, Lottery would take an action of the Commission to end sales of the game. The Commission’s action today temporarily suspends sales of the game. It gives the Executive Director the authority and discretion to restart sales of the game but does not give the Executive Director the discretion to terminate the game.

EXECUTIVE SESSION

There was no Executive Session.

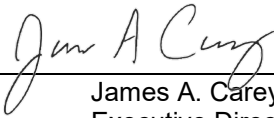
ADJOURNMENT

Executive Director Carey asked for a motion to adjourn the Public meeting. Chairman D'Anton made the motion, which was seconded by Investment Designee Terwilliger. 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 April 23, 2020.

IN WITNESS WHEREOF, I hereby set my hand on

the 12 day of May, 2020.



James A. Carey, Jr.
Executive Director