



THE OHIO LOTTERY COMMISSION

MEETING MINUTES

JANUARY 12, 2022

IN PERSON / TELECONFERENCE

Members of the Commission

Matthew Blair, Chairman  
James Brady, Vice Chairman  
Nita Gupta  
Johnathon Hughes - excused  
Angela Mingo  
Mark Rickel  
Martin Sweeney  
Matthew Szollosi

Director and Staff of the Ohio Lottery Commission

Pat McDonald, Executive Director  
Sean Webster, Assistant Director, Operations and Administration  
Nicole Kostura, Assistant Director, Sales and Marketing  
Charles LoPresti, Chief Legal Counsel, Office of Legal Counsel  
Greg Bowers, Deputy Director, Office of Finance  
Terri Jones, Administrative Assistant, Executive Office  
Nick Ciofani, Deputy Director, Office of Government & Community Affairs  
Rick Perk, Deputy Director, Office of Sales  
Collin Sheehy, Executive Assistant to the Director  
Ron Fornaro, Scratch Off Ticket Product Manager, Office of Product Development  
Greg Beyer, Deputy Director, Office of Internal Audit  
Tom Spayd, Senior Video Lottery Regulator, Office of Video Lottery  
Simeonia Mays, Deputy Director, Office of Video Lottery  
Danielle Frizzi Babb, Deputy Director, Office of Communications  
Scott Frost, Video Lottery Regulator, Office of Video Lottery  
Carla Reeves, Administrative Assistant, Internal Audit  
Connie Miller, Deputy Director of Operations  
Chall Montgomery, Investigator, Security

Marie Kilbane-Seckers, Public Information Officer, Communications  
Susan Diamond, Video Lottery Regulator, Operations  
Dan Carter, Assistant Legal Counsel, Office of Legal Counsel  
Tom Ackerman, Marketing

Additional Attendees via Teams /phone

Erin Brown, OBM, State of Ohio  
Matt Black  
Daniel Davis, Office of General Services  
Kevin Davis, PN Gaming  
Ed Dick, Compliance Manager, JACK Thistledown Racino  
Dustin Ensinger, Gongwer News  
Cindy Klatt, OBM, State of Ohio  
Jim Nash, CEO, Marcus Thomas, LLC  
John Oberle, Ice Miller  
Debbie Pirone, Marcus Thomas, LLC  
Justin Remschneider, Boyd Gaming  
708-288-3049, name unavailable

CALL TO ORDER

Chairman Blair called the meeting of the Ohio Lottery Commission to order at 12:00 p.m. The meeting was held via teleconferencing and in person by invitation only.

ROLL CALL

The following members of the Commission answered present to Roll Call: Matthew Blair, James Brady, Nita Gupta, Angela Mingo, Mark Rickel, Martin Sweeney, Matthew Szollosi.

APPROVAL OF MINUTES OF DECEMBER 8, 2021

Chairman Blair presented to the Commission for approval the minutes from the December 8, 2021, meeting. Commissioner Sweeney made a Motion to Approve the minutes, seconded by Commissioner Brady. The Motion was affirmatively voted upon by the seven Commissioners present in person.

INTERNAL AUDIT UPDATE

Audit Committee Chair Angela Mingo gave an update on the Audit Committee. During the December meeting, the agenda item of note for the Audit Committee was a report from the Auditor of State on the draft findings from their annual financial and IT Controls audit. The final report

was issued by the Auditor of State on January 11<sup>th</sup> and there were no material issues noted in the audit.

The committee is at the half-way point of the Fiscal Year; the committee has spent time reviewing the status of our Audit Plan projects. Commissioner Mingo reported that the committee has four projects currently in process.

- Two of these audits, Cashless and Minority Business Enterprise have completed fieldwork and expect the final reports to be issued prior to our March meeting.
- The Mobile Cashing Financial Controls audit is in fieldwork and testing.
- They have just started planning the Drawings-Pick Game Audit, which will review the processes, controls, and security for the drawings of our daily pick games.

Lastly, the committee discussed the positive progress that has been made with regards to remediation of outstanding audit issue recommendations. Between the September and the December meetings the committee was able to verify and close 13 audit recommendations. The committee is also currently tracking 17 open audit issues, and this is the fewest number of outstanding audit issues we have had in some time.

#### APPROVAL OF THREE (3) SCRATCH-OFF GAMES IN FINAL FORM

Mr. Charles LoPresti, Chief Legal Counsel presented before the Commission three (3) Scratch-Off Games in Final Form.

- ✦ Rule 3770:1-9-711, *Hot 7's (\$1.00)*
- ✦ Rule 3770:1-9-713, *Power 25X (\$5.00)*
- ✦ Rule 3770:1-9-715, *Ohio Bonus Cash (\$10.00)*

Commissioner Blair moved to approve the Game Rules as presented in Final Form, with Commissioner Szollosi offering a second to the Motion. The Motion was affirmatively voted upon by the seven Commissioners present.

#### RESOLUTION TO APPROVE VIDEO LOTTERY GAME THEMES

Mr. LoPresti presented a Resolution to approve 39 New Video Lottery Game Themes.

Commissioner Blair moved to approve the Resolution, with Commissioner Brady offering a second to the Motion. The Motion was affirmatively voted upon by the seven Commissioners present.

#### FINANCIAL REPORT

Office of Finance Deputy Director Greg Bowers provided to the Commissioners a financial update for the month of December 2021.

- Total sales from Traditional Lottery products equaled \$413.1 million, which was 11.2% more than the sales generated last December.

- Mr. Bowers shared a Mid -Year Review – The first 6 months of the Fiscal Year, total sales from traditional products totaled \$2.17 billion, which was \$163.1 million more than sales recorded last year thought the same period. Draw-based game sales were up 10.0%, while Scratch-off games sales were up 6.6 %. Draw game sales were led by Keno, up 14.3% over last year. All games generally played in the social-type establishments such as bars, restaurants were also up 14.1 %. These include Keno, EZ Play Tap, and Touch & Win games. Multi-state jackpot games (Mega Millions, Power Ball & Lucky For Life) were up 40% over last year, mainly due to larger jackpots offered during that period. Scratch off ticket sales were up 6.6% over last year through the first 6 months.
- VLT revenue for the first 6 months equaled \$663.8 million, or \$140.4 million more than recorded last year compared to the same period. This resulted in net profits of \$216.8 million, about 27% more than last year.
- For the year through December total prize expense expressed as a percent of sales equaled 64.6%, which is less than prize expense recorded last year.
- Operating expenses recorded through December are \$89.4 million, up over last year due to an increase in gaming-related costs. This is expected as these costs generally rise in direct relation to sales.
- Total profits transferred to the LPEF during the first half of the Fiscal Year were \$741.6 million, or \$105.3 million more than last Fiscal Year.

#### NEW BUSINESS/EXECUTIVE DIRECTOR'S COMMENTS

Director McDonald informed the Commissioners that the traditional sales achieved many records in the month of December. The Lottery concluded the month with over \$413 million in sales, transferred nearly \$128.1 million to the LPEF this month which is \$14 million higher than last year's transfer and \$82.3 million ahead of the Fiscal Year to Date transfer.

The seven racinos had a very strong month on December. The Lottery's share of revenue was \$37.6 million which was 11.5% higher than November and marked the second highest total for the fiscal year to date.

Assistant Director Nicole Kostura informed the Commissioners about the Lottery's scratch-off, traditional, and calendar year sales. In December the scratch-offs out preformed last December by over 12%. The Lottery's 11 holiday and winter themed games accounted for 51% of scratch-off sales and out preformed last year's batch by \$3.4 million (11.4%). Christmas week set a new record for the agency. Christmas Eve sales were \$14.5 million, setting a new daily record in our 47-year history. Overall, Christmas week sales were \$64.9 million. December 2021 was the highest selling month in the history of the Ohio Lottery Commission surpassing April 2021's record. These records could not have been achieved without the support of our sales staff, product managers, retainers, vendor partners etc.

The Office of Sales reports that traditional sales fared quite well in calendar year 2021. Unaudited figures show: Total combined draw-based and scratch-off sales for the year were nearly \$4.5 billion! This is 17.5 % (or \$669 million) ahead of calendar year 2020. Draw-based games sales were over \$2.1 billion, ahead of 2020 by 22.9%. Scratch-off game sales set an all -time record and were over \$2.3 billion which is 13.1% ahead of 2020.

Scientific Games our scratch-off ticket vendor, provided us data on both US and other Lotteries of similar size, demographics, and revenue potential (i.e. MI, PA, FL, MA, GA). Comparing the last 52 weeks, Ohio is doing well at all price points and have gains in the \$1 and \$2 price points, while many in the rest of the industry have seen a decline.

Assistant Director Sean Webster shared an update on the Gaming Contract and the Board of Pharmacy Project.

Director McDonald informed the Commissioners that the Lottery reached the 85% vaccination incentive mark set by Governor DeWine. The Lottery has an 85.9% vaccination rate. Since we hit this mark, each vaccinated employee will receive \$600 in their next paycheck.

Director of Communications Danielle Frizzi-Babb presented regarding recent Facebook Live events.

Director Sean Webster informed the Commissioners about the Lottery's role in the upcoming drawing of names for the latest batch of highly coveted medical marijuana dispensary licenses on Thursday, January 27, 2022. The state will announce on Thursday another 73 dispensary permits in a lottery style drawing.

Director McDonald informed the Commissioners that Sports Betting has finally been passed and signed by the Governor. The Lottery has a major role with regulating the retail aspect. Connie Miller, Director of Operations will be spearheading this program.

#### ADJOURNMENT

With no further business before the Ohio Lottery Commission, Commissioner Blair informed Commissioners that the next meeting will be held on Wednesday, February 9, 2022, at 12:00 p.m. via teleconferencing and in person by invitation.

Respectfully Submitted,



Pat McDonald, Executive Director



Matthew Blair, Commission Chair