



THE OHIO LOTTERY COMMISSION

MEETING MINUTES

JULY 14, 2021

IN PERSON / TELECONFERENCE

Members of the Commission

Matthew Blair, Chairman  
James Brady, Vice Chairman  
Nita Gupta  
Jonathan Hughes  
Angela M. Mingo  
Mark Rickel  
Martin Sweeney  
Matthew Szollosi – via phone

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  
Nick Stadler, Executive Assistant to the Director  
Michael Gonzalez, Deputy Director, Office of Product Innovation  
Charles LoPresti, Chief Legal Counsel, Office of Legal Counsel  
Greg Bowers, Deputy Director, Office of Finance  
Terri Jones, Administrative Assistant, Executive Office  
Ron Fornaro, Instant Ticket Product Manager, Office of Sales  
Danielle Frizzi Babb, Deputy Director, Office of Communications  
Nick Ciofani, Deputy Director, Office of Government & Community Affairs  
Greg Beyer, Deputy Director, Office of Internal Audit

Additional Attendees via phone

216-287-8106  
216-386-1609  
216-389-2338

216-438-6858  
216-479-8500  
216-514-4547  
216-677-4567  
216-787-4238  
216-978-9773  
330-505-8726  
440-655-9022  
513-393-4662  
614-395-3436  
937-235-7801

### 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, Jonathan Hughes, Angela Mingo, Mark Rickel, Martin Sweeney, Matthew Szollosi via phone. (Commission Szollosi was present for attendance purposes only. He was not permitted to vote.)

### APPROVAL OF MINUTES OF JUNE 9, 2021

Chairman Blair presented to the Commission for approval the minutes from the June 9, 2021 meeting. Commissioner Brady made a Motion to approve the minutes, seconded by Commissioner Sweeney. The Motion was affirmatively voted upon by all Commissioners present.

### INTERNAL AUDIT COMMITTEE UPDATE

Internal Audit Committee Chair Angela Mingo reported that the Audit Committee approved in final form, the annual governance documents, which include the Audit Committee Charter, Internal Audit Charter and Internal Audit Policy Manual. The Committee approved the Audit Plan for Fiscal Year 2022, addressing key risk areas including Third Party Risk Management, Information Technology, Retailers and Security which were higher risks noted during our Internal Risk Assessment, as well as Statewide Enterprise Risk Assessment completed by OBM-Internal Audit. Notable Audits included in the plan are the following – Information Security: Cybersecurity, Information Technology Change & Patch Management; Minority Business Enterprise (MBE) contracting; and Vendor Contracts with Scientific Games and Pollard Banknote/Diamond Games. The Audit Committee discussed the results of two recently completed

audits, Background Checks and Balancing of Online Game Activity. Commissioner Mingo reported that there were no material issues noted in either of these audits. Some statistics on the work Internal Audit over the course of Fiscal Year 2021. The Committee completed 7 audit engagements and verified and closed 19 outstanding audit issues that helped to improve process controls, procedures and security of Lottery operations.

#### APPROVAL OF FIVE (5) SCRATCH-OFF GAMES IN PROPOSED FORM

Ron Fornaro, Scratch-Off Product Manager presented before the Commission five (5) Scratch-Off Games Themes in Proposed Form.

- ✦ Rule 3770:1-9-685, Gnome For The Holidays (\$1.00)
- ✦ Rule 3770:1-9-686, Cash Flurry (\$2.00)
- ✦ Rule 3770:1-9-687, 25X Winter Winnings (\$5.00)
- ✦ Rule 3770:1-9-688, A Very Merry Holiday Countdown (\$10.00)
- ✦ Rule 3770:1-9-689, Deluxe (\$20.00)

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

#### APPROVAL OF FIVE (5) SCRATCH-OFF GAMES IN FINAL FORM

Charles LoPresti, Chief Legal Officer presented before the Commission five (5) Scratch-Off Game Rules in Final Form.

- ✦ Rule 3770:1-9-678, National Lampoon's Christmas Vacation (\$2.00)
- ✦ Rule 3770:1-9-679, Peppermint Payout (\$3.00)
- ✦ Rule 3770:1-9-680, Holiday Lucky Times 10 (\$5.00)
- ✦ Rule 3770:1-9-682, \$500,000 Happy Holidays (\$10.00)
- ✦ Rule 3770:1-9-683, \$1 Million Merry & Bright (\$20.00)

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

#### MANDATORY RULE REVIEW PURSUANT TO CHAPTER 119 IN FINAL FORM

Charles LoPresti, Chief Legal Officer presented in Final Form an Administrative Rule amended during the Mandatory Rule Review process.

- ✦ Rule 3770:2-3-10, Video lottery licenses; settlement of video lottery ticket sales, control of video lottery and collection of revenues due the lottery.

Commissioner Blair moved to approve the Amended Administrative Rule in Final Form with Commissioner Mingo offering a second to the Motion. The Motion was affirmatively voted upon by the seven Commissioners present.

#### MANDATORY RULE REVIEW APPROVAL OF RULE REVIEW PURSUANT TO CHAPTER 119 IN PROPOSED AND FINAL FORM- NO CHANGE

Charles LoPresti, Chief Legal Officer presented in Final Form 10 Administrative Rules with no amendments as part of the Mandatory Rule Review process.

- ✦ Rule 3770:2-3-20, Video lottery licenses; application.
- ✦ Rule 3770:2-3-04, Video lottery licenses; denial.
- ✦ Rule 3770:2-3-05, Video lottery licenses; suspension or revocation.
- ✦ Rule 3770:2-3-07, Video lottery licenses; renewal.
- ✦ Rule 3770:2-6-01, Video lottery operations; hours of operation and number and type of video lottery terminals.
- ✦ Rule 3770:2-6-02, Video lottery operations; maintenance and repair of video lottery terminals.
- ✦ Rule 3770:2-6-03, Video lottery operations; security and surveillance.
- ✦ Rule 3770:2-6-04, Video lottery operations; transportation, relocation, installation and certification of video lottery terminals.
- ✦ Rule 3770:2-7-01, Video lottery game requirements; video lottery game play.
- ✦ Rule 3770:2-7-02, Video lottery game requirements; video lottery prize payments.

Commissioner Brady moved to approve the Rule Review Pursuant to Chapter 119 in Proposed and Final Form with Commissioner Sweeney offering a second to the Motion. The Motion was affirmatively voted upon by the seven Commissioners present.

#### RESOLUTION TO APPROVE ONE (1) TOUCH & WIN EZPLAY TAP GAME THEMES

Charles LoPresti, Chief Legal Officer presented a Resolution to approve one Touch & Win Ezplay® Tap Game Theme.

- ✦ Big Little Jackpot

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

## RESOLUTION TO APPROVE VIDEO LOTTERY GAME THEMES

Charles LoPresti, Chief Legal Officer presented a Resolution to approve 23 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 Commissioners present.

## FINANCIAL REPORT

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

- Total sales from Traditional Lottery products equaled \$351.7 million which is 1.8% more than sales in June 2020. This represents the highest sales recorded for the month of June. It was the best June for all the numbers games, EZ Play, Keno, and total draw games.
- Gross Revenue for VLT's equaled \$112.1 million, which represents the 4<sup>th</sup> highest of all-time.
- Net revenue to the Lottery after operating expenses are considered was \$436.7 million, which will count towards this FY's transfer commitment.
- Total Prize expense, expressed as a percentage of sales, was 66.6% which is about normal for the fiscal year.
- For the month of June, we transferred \$83.6 million to the LPEF, which represented profits from traditional lottery sales.

## NEW BUSINESS/EXECUTIVE DIRECTOR'S COMMENTS

Director McDonald updated the commissioners on the success of sales over the last year. It is because of the agency's ability to innovate and create new concepts in an industry that is constantly progressing forward. The Lottery wrapped up our Vax-a Million program. Ohio was the first to implement a vaccine lottery, and we engaged in many calls with other states to assist in their efforts to establish a similar program. To date, there are over 20 other states that have followed in our footsteps and announced or implemented a similar program. We even received inquiries from lotteries outside the United States, like Quebec and Australia.

Additionally, the Lottery came up with new ways to engage our player using live stream video. Two recent concepts we utilized live stream include our Cash Explosion's Fan Fair, and our new Pac-Man themed EZ Play and Scratch Off games. Director McDonald asked Director of

Communications Danielle Frizzi-Babb to present a few videos of these items. The Director also thanked Sean Webster and Nicole Kostura for their efforts on the execution of these projects.

The Director informed the Commission that Cash Explosion will be returning to a regular studio production. For almost a year and a half we've been airing our Play@Home series in which contestants play remotely via Zoom. While this concept has proven very popular among fans, they are eager for gameplay to return to the studio. We will also have a limited audience back in the studio. Our return to the studio will incorporate some of our favorite features of the Play@Home series such as contestants playing alongside their family and friends. Our Cash explosion team is tweaking the setup of the studio stage to allow contestants to be joined by their small entourage. The first in studio taping will take place on Tuesday August 10<sup>th</sup> and the first show will air on Saturday August 14<sup>th</sup>.

Director McDonald highlighted some of the main sales accomplishments from the previous fiscal year. The Lottery's mission is to support education in Ohio through entertaining gaming experiences. By keeping the customer experience at the forefront of our minds, we achieved historic records last year.

- Some of the additional work that we did the past year was utilizing data analytics to optimize our scratch off game inventory levels and ensure we had a strategic product mix that appealed to players.
- We have made it more convenient for players to purchase our scratch-off products over the past year. We added new 4 bin self-serve machines in our bar/tavern trade channels and expanded our footprint with the addition of the Dream Touch Smart machines in Walmart stores across the state. Both of these efforts are helping us continue to be successful in the future. This work along with the on-going marketing support, resulted in record success as the scratch-off game category exceeded 2 billion dollars for the first time ever.

All major game categories also increased over the previous fiscal year. Monitor games led the way with Keno sales of \$577 million. This success can be attributed to our sales force's efforts to increase monitors at traditional locations, our advertising, and the vibrancy of our on-premise locations. The Lottery also launched a new \$40 EZPLAY® progressive jackpot game, Ohio Jackpot 7's, in February of 2021. This is the first time we introduced a game at a \$40 price point in a product line. Players seemed to enjoy the game and the progressive jackpot feature and overall, this game helped boost sales of the fast play category of games by 20 percent from fiscal year 2020.

Daily draw game sales, which include Pick 3, Pick 4, and Pick 5, saw an increase of 20 percent over last fiscal year. This resulted in this category achieving \$2.0 billion in sales, another record.

In addition to the recruitment of many independent retail stores, we also expanded our retail base on the chain account side with the addition of Walmart stores and Kroger Fuel Centers. Our retail base has now exceeded 10,100 retailers, which is up from the previous year total of 9,800. Our small retailers earned nearly \$295 million in commissions and bonuses from sale of lottery products.

All of these efforts ensured that traditional lottery game sales achieved a historic \$4.3 billion in revenues and over \$2.8 billion in prizes.

The racinos were shut down for about three months in FY20, from mid-March to mid-June, due to the pandemic. Prior to that, they were on pace for a record setting year. When operations were resumed in June 2020 they were initially able to pick up right where they left off. With responsible restart protocols in place, VLT revenue during the first few months of FY21 was in line with and eventually ahead of FY20.

As the pandemic spiked in the Fall and the curfew was put in place, VLT revenues began to slow. By December, YTD revenue was equal to FY20 and at the start of February, the pendulum had completely swung the other way and we were nearly 5% behind FY 20's pace. But, after the curfews were lifted in February, we once again saw a return to growth. By mid-March the racinos had closed the gap with FY20. The past few months have seen record-setting revenues from the racinos.

Overall traditional sales combined with video lottery net win of \$1.2 billion reached \$5.5 billion in Fiscal Year 2021. This means we were able to surpass the record we set in 2019 and transfer nearly \$1.36 billion to the Lottery Profits Education Fund.

#### ADJOURNMENT

With no further business before the Ohio Lottery Commission, Commissioner Blair informed Commissioners that the next meeting will be held on Wednesday, August 11, 2021 at 12:00 p.m. via teleconferencing and in person by invitation.

Respectfully Submitted,



Pat McDonald, Executive Director



Matthew Blair, Commission Chair