



THE OHIO LOTTERY COMMISSION
MEETING MINUTES
MAY 12, 2021
VIA TELECONFERENCE

Members of the Commission

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

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
Connie Miller, Deputy Director, Office of Operations
Dan Carter, Deputy Director, Office of Legal Counsel
Nick Ciofani, Deputy Director, Office of Government & Community Affairs
Marty Morrow, Deputy Director, Office of Sales
Rick Perk, Deputy Director, Office of Sales
Sandy Lesko-Sabbath, Deputy Director, Office of Marketing
Michael Black, Deputy Director, Office of Security
Marie Kilbane Seckers, Communications
Thomas Spayd, VLT Management

Scott Frost, Video Lottery Regulator
Greg Beyer, Internal Audit
Hurst Talbott, Product Innovation
Carla Reeves, Internal Audit
Dave Evans, Sales Region 4

Additional Attendees

Elizabeth Abate, Marcus Thomas, LLP
Robert Alfred
Claire Bennett, Squire Patton Boggs
Cindy Bliss, MGM Compliance
Kelly DeNiro, Fahlgren Mortine
Danny Eldredge, Hanna News Service
Tim Kelley, Hollywood Dayton
Kathleen Lenhardt, Hollywood Mahoning Valley
Shelly Miller, MGM Northfield Park
Jim Nash, Marcus Thomas, LLP
Sam Porter, IceMiller, LLC
Scott Shaffer, JACK Entertainment

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 due to COVID-19 (coronavirus).

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.

APPROVAL OF MINUTES OF APRIL 14, 2021

Chairman Blair presented to the Commission for approval the minutes from the April 14, 2021 meeting. Commissioner Sweeney made a Motion to approve the minutes, seconded by Commissioner Rickel. The Motion was affirmatively voted upon by all Commissioners present.

INTERNAL AUDIT COMMITTEE UPDATE

Commissioner Mingo gave an update on the April Audit Committee meeting. The Audit Committee reviewed their annual governance documents and approved them in draft form. These included the Audit Committee Charter, Internal Audit Charter and Internal Audit Policy Manual. One notable change that was made to the Audit Committee Charter was to include language that

meetings could be held in person, virtually or by phone. The Audit Committee also discussed the status of current audit projects, including the recently completed Drawings: Random Number Generator Audit, which looked at the physical security and access controls surrounding our Random Number Generators.

The Office of Budget and Management Internal Audit presented the findings of their Mobile Cashing Audit which specifically looked at the IT security controls for our mobile cashing application. OBM also presented the finding of their Annual Assurance review on the work of our Internal Audit Team. Commissioner Mingo reported that there were no issues noted on the work of the Internal Audit team since the last meeting in December.

The Audit Committee was able to verify the implementation of 6 audit recommendations that have helped to improve controls and efficiency of agency operations. The Audit Committee discussed the Annual Risk Assessment process, including the survey results that fellow Commissioners provided earlier this year. Commissioner Mingo thanked everyone for their input on their feedback on the risks that could impact the Lottery achieving our strategic goals and objectives. The Committee has incorporated the responses and comments into their assessment and are now building their Audit Plan for Fiscal Year 2022.

APPROVAL OF FOUR (4) SCRATCH OFF GAMES IN PROPOSED FORM

Ron Fornaro, Instant Ticket Manager presented before the Commission four (4) Scratch Off Game Rule in Proposed Form.

- ✦ Rule 3770:1-9-672, Doggone Lucky (\$100)
- ✦ Rule 3770:1-9-673, Power 10X (\$2.00)
- ✦ Rule 3770:1-9-674, Wild Cash Multiplier (\$5.00)
- ✦ Rule 3770:1-9-675, \$500,00 Cash (\$10.00)

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

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

Chief Legal Counsel Charles LoPresti presented in Proposed and Final Form eight administrative rules under Mandatory Rules Review Pursuant to Chapter 119.

These Rules were presented during the April Commission meeting, but only four (4) Commissioners were present due to a technical disruption. Mr. LoPresti presented the Rules for approval.

- ✦ Rule 3770-6-01, Personal information systems definitions
- ✦ Rule 3770-6-02, Procedures for accessing confidential personal information
- ✦ Rule 3770-6-03, Valid reasons for accessing confidential personal information
- ✦ Rule 3770-6-05, Restricting and logging access to confidential personal information in computerized personal information systems.
- ✦ Rule 3770:2-3-02, Video lottery licenses: application review process.
- ✦ Rule 3770:2-3-06, Video lottery licenses: fines
- ✦ Rule 3770:2-6-05, Video lottery operations: advertising and promotions.

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

APPROVAL OF ONE (1) SCRATCH OFF GAME IN FINAL FORM

Mr. LoPresti presented before the Commission One (1) Scratch Off Game Rule in Final Form.

- ✦ Rule 3770:1-9-671, \$300 Million Diamond Dazzler (\$20.00)

Commissioner Blair moved to approve the Rule as presented in Final Form, with Commissioner Rickel 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 PROPOSED AND FINAL FORM – NO CHANGE

Mr. LoPresti presented before the Commission Mandatory Rule Review Pursuant to Chapter 119 In Proposed and Final Form - No change.

- ✦ Rule 3770:1-9-250, Mega Millions

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

RESOLUTION TO APPROVE TWO (2) TOUCH & WIN EZPLAY® TAP GAME THEMES

Mr. LoPresti presented before the Commission a resolution to approve two (2) Touch & Win EZPlay® Tap Game Themes

- ✦ Retro Remix (Tap)
- ✦ All on the Line (Touch and Win)

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.

RESOLUTION TO APPROVE VIDEO LOTTERY GAME THEMES

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

Commissioner Brady moved to approve the Resolution, with Commissioner Gupta 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 April 2021.

- Total sales from Traditional Lottery products equaled \$414.7 million which is 56.9% more than sales in April 2020. This is the second highest month on record.
- Sales for April were \$3 million more than sales recognized in March and \$150 million more than sales recorded last April
- Compared to April 2019, traditional sales were higher by \$137.7 million or 49%.
- The growth from traditional lottery games was once again fueled by record setting performance from Scratch games and daily numbers games, along with Keno and all games played in our social settings such as bars and restaurants.
- Gross Revenue at the seven racinos equaled \$124.5 million, which represents an all time high from VLT revenue and over \$300 k more than GGR in March.
- Net revenue to the Lottery after operating expenses are considered increased \$40.9 million.
- Total Prize expense, expressed as a percentage of sales, was slightly less than 65%, which is about 1% lower than average for this fiscal year.
- Profit for the month of April was an all-time record of \$136.3 million,
- For the year with two months remaining, total transfers to the LPEF equal \$1.14 Billion.

NEW BUSINESS/EXECUTIVE DIRECTOR'S COMMENTS

Executive Director McDonald informed the Commissioners that he had been selected as the new lead Director of the Mega Millions consortium, which will be official at the end of May. Gordon Medenica, who currently is the Director of Maryland Lottery as well as the Lead Director for the Mega Millions consortium, officially announced his retirement effective at the beginning of June. Prior to his retirement announcement, Gordon asked that Director McDonald step in as Lead Director for Mega Millions and following a formal vote from ten Directors in the consortium, Director McDonald has accepted the role. Director McDonald responsibilities will include leading the groups twice a week calls to decide jackpot increases for Mega Millions, as well as lead discussions regarding policy issues related to the draw game.

Executive Director McDonald also provided testimony in front of the Senate Primary and Secondary Education Committee. The Lottery is waiting for the Senate version of the budget bill to pass. Once the Senate version is passed- we will review the Lottery's appropriation summary, as well as the comparison document showing the introduced, House and Senate versions. The Lottery will evaluate any modifications made, if any, after reviewing the Senate version of the bill. Once the bill makes it to Conference Committee, we'll review appropriations and the comparison document, and respond to any proposed amendment or pending veto items if applicable to the Lottery.

Executive Director McDonald provided a sales update to the Commission. The Lottery continues to see success with our traditional product line, and last month was no exception coming in at near \$415 million. Scratch-off sales were nearly \$230 million marking the highest month of sales in the Lottery's history. This surpassed the previous record set just this past March by over \$3.1 million. Overall, Scratch-off sales through the fiscal year are 31% or \$456.7 million ahead of last year. On the draw side, this month's sales were \$184.7 million. Keno continues to perform well with sales of \$56.7 million for the month, exceeding the record last set in 2019 by \$17 million.

Our salesforce's effort to recruit new retailers, many of which are small businesses, continues to flourish. The Lottery is currently ahead, making our total retail count 10,136. Commissions paid to our retailers in April were approximately \$28 million. Based on validations, there were over 13.2 million winners of over \$269 million.

Our racinos also did very well in April. Gross Gaming Revenue at Belterra was up over 12% compared to March. Thistledown opened their 12,000 square foot patio. Gross Gaming Revenue was up 9% compared to March, and nearly 59% compared to April 2019. In addition, the racinos are doing less of the typical drawing promotions and using their player tracking systems to select promotional winners from those who are actively playing VLTs with loyalty cards (Hot Seat promotion). This is causing players to have more time actively playing VLTs. The Lottery was able to transfer an all-time monthly record of \$136.3 million to the Lottery Profits Education Fund last month.

Senator Kirk Schuring released a gambling related bill that covered many subjects – Senate Bill 176. The bill included sections on sports betting, electronic bingo machines, and iLottery. The sports betting legislation allows twenty online sports books and twenty brick and mortar sports books to be licensed by the Casino Control Commission. It also allows the Lottery to introduce a \$20 sports pool type betting product. The language included on electronic bingo is similar to last year's bill, which raises concerns about the impact of this type of gaming expansion will have on the LPEF. The legislation established a Select Committee to deal with the issue of iLottery and have been tasked to issue a report by the end of the year. The Lottery will monitor this legislation as it continues to move through the legislation process.

ADJOURNMENT

With no further business before the Ohio Lottery Commission, Chairman Blair complimented Commissioner Hughes and Karen Russo, Director of Responsible Gambling for their great work during Responsible Gambling Month. Commissioner Blair informed Commissioners that the next meeting will be held on Wednesday, June 9, 2021 at 12:00 p.m. via teleconferencing.

Respectfully Submitted,

Handwritten signature of Pat McDonald in blue ink.

Pat McDonald, Executive Director

Handwritten signature of Matthew Blair in blue ink.

Matthew Blair, Commission Chair