

NATIONAL COUNCIL OF LEGISLATORS FROM GAMING STATES
COMMITTEE ON LOTTERIES
LAS VEGAS, NEVADA
FRIDAY, JANUARY 9, 2015
3:30 P.M. – 4:15 P.M.
MINUTES

The Committee on Lotteries of the National Council of Legislators from Gaming States (NCLGS) met at Paris Las Vegas in Las Vegas, Nevada, on Friday, January 9, at 3:30 p.m.

Sen. David McBride of Delaware, acting committee chair, presided.

Other legislators present included:

Rep. Helene Keeley, DE	Sen. Bill Coley, OH
Sen. Robert Bradley, FL	Sen. Anastasia Pittman, OK
Sen. Oscar Braynon, FL	Rep. Louie Luchini, ME
Sen. Bill Galvano, FL	Sen. Greg Brower, NV

Others present were:

Susan Nolan, Nolan Associates, NCLGS Executive Director
Andrew Williamson, Nolan Associates

MINUTES

The Committee accepted the minutes of its last meeting on June 6, 2014, in La Jolla California.

LOTTERY INTERNET GAMING INITIATIVES

Michael Pollock of Spectrum Gaming said it is important for states to keep in mind as they embrace online gaming that there will be a big overlap in lotteries and casinos. He said that while lotteries and casino gaming usually view themselves as different entities, from the standpoint of state legislators, they are facing the same types of issues, including an aging of the player-base and online gaming. He recommended a state-by-state effort to develop online gaming to the benefit of land-based casinos in the state. Mr. Pollock said that states should market effectively to people playing online to draw players to casinos with incentives or rewards. He said state legislators should work to create one gaming policy for both lotteries and casinos.

Terry Rich from the National Association State Provincial Lotteries (NASPL)/Iowa Lottery reported that online gaming is taking place and that while the technology is available to regulate it, there is still illegal gaming taking place. He said states need to take the necessary steps to make legal and fair online gaming available to players.

Kurt Freeland from Lottolnteractive Inc., reported that in a short period of time several states signed on to the idea of online gaming. He said that while Internet gaming is taking place, players are still playing traditional lottery games. He noted that online gaming will not replace brick and mortar and that creating new products and types of games will attract new players to gaming. He said every effort should be made to attract Millennials and non-lottery players to the casinos.

In response to a question asked by Sen. Bradley as to what a "new" lottery game would look like, Mr. Freeland said they will be interactive, will involve skill, and he used the example of the popular internet game "Candy Crush". He said smaller, more frequent, wins are more attractive to Millennials, as they don't want huge jack pots.

TECNOLOGICAL ADVANCES IN STATE LOTTERY OPERATIONS

Jim Breslo, President of Diamond Game, noted a recent trend in lottery vending machines. He said Diamond Game is a leading manufacturer of casino and lottery equipment and lottery vending machines. He said that lottery revenue from vending machines usually makes up 20 percent of the entire lottery revenue in a state. He said that lottery vending machines present an opportunity for lotteries that want to expand into different types of establishments, like bars, veteran's organizations, airports, and train stations.

Chris Robertson from Diamond Games said that animated and digital pull-tab games are making a comeback in lottery vending machines. He said once considered an old game, the new digital pull-tab games have increased lottery revenue in Missouri where a number have been deployed for pilot lottery use.

Mr. Breslo added that several states are experimenting with different new lottery advances. He said that a kiosk-style product was being tested in Washington D.C. that prints tickets and immediately displays results of the ticket on the screen. He said the Maryland Lottery has deployed digital machines in Veterans Halls. He said the Ohio Lottery is piloting a completely electronic vending machine with no tickets involved. He also noted that Michigan is launching a new digital pull-tab game to test how the new game will perform.

Mr. Rich said that "second chance loyalty programs" are gaining momentum in states as a way to utilize the Internet and test the waters of technology available. He also noted that lotteries have been trying to get into "big box stores" for years and technology being is developed that would allow stores to print a lottery ticket on store receipt paper at the register. He said if this "black box" technology can be put into place, it will be an incentive for stores like Target and Wal-Mart to sell lottery products because there will be no need for an additional machine for tickets.

PRIVATE MANAGEMENT, MARKETING AND COMMUNICATION PARTNERS

Mr. Rich said that in 2011, after a competitive bid process, Illinois was the first U.S. lottery to contract with a private firm, but noted that outsourcing lottery responsibilities is not a new concept. He said many states outsource the sales force, day-to day operations, and management of lotteries while the state maintains authoritative decision-making and oversight.

In response to a question from Carla Tricarichi of the Ohio Lottery as to whether experimenting with private management had been controversial in states, Mr. Rich said the question of what is the best business practice is a state-to-state issue and up to individual elected officials.

NEW GAMES, MONOPOLY MILLIONAIRES CLUB

Mr. Rich reported that Monopoly Millionaires Club is an attempt by the lotteries to counter Powerball and Mega Millions "jackpot fatigue". He said it was observed that play would be heavier when jackpots were bigger, despite updates and changes made to the games' matrix

every few years to keep it relevant. He noted the dilemma the industry faces is once a big jackpot is hit, there is no more excitement and the media loses interest. He said that small jackpots don't keep the attention of the media and the outcome is less excitement and attention to the game, which could be considered "media-fatigue" and that once a big jackpot is hit, it becomes harder to get publicity for the next game.

Mr. Rich said because of jackpot and media fatigue, there was a desire to create a new national product people would be excited about. He said a Request for Proposal (RFP) was made, Scientific Games proposed the "Monopoly Millionaires Club" game, and a launch date was set for the program. He said that after the launch in 23 states in October, the game sales did not do as well as anticipated and in December 2014 the game was suspended. He said the counterpart to the Millionaires Club, the Monopoly Millionaires game show, will be taped for 12 shows and after its launch, a plan will be made to move forward with the Monopoly game or rethink the process. He said that the Monopoly Millionaires game will be retooled and hopefully brought back. He said research and development is a big part of creating new games that people will play and get excited about. He said at the time of the launch there were outside factors, such as a lack of airtime because of political ads and winter scratch-off ticket sales that inhibited the big sales for the game.

Mark Dunbar from Jones Walker asked how the liability of the game will be handled as far as the financial liability of states that pulled from the game. Mr. Rich responded that what states will be liable for is still being worked out. He said state liabilities from unsuccessful sales could be made up quickly in one day of Powerball sales, but specifics have yet to be determined.

REPORT ON LOTTERIES AND SOCIAL MEDIA

Michelle Cohen from Ifrah Law reported that there is an obvious generational shift towards Internet and social media. She said some state lotteries are making excellent use of social media to get new interest, to retain current customers, to announce new programs, and to announce winners. She also noted there are important considerations when lotteries go to social media, such as having a social media game plan and deciding which types of social media will be most appropriate. She said that states first have to commit the resources necessary to keep social media pages active and interesting. She said once a state chooses a social media platform, it has to understand the rules of the medium and has to follow the rules for contests or sweepstakes promotions and restrictions on advertising.

ADJOURNMENT

There being no further business, the Committee on Lotteries meeting is adjourned at 4:15 p.m.