

NEW JERSEY STATE LOTTERY COMMISSION

PUBLIC MEETING MAY 18, 2023

Chairman D'Anton called the Commission meeting into session at 10:00 a.m.

COMMISSION MEMBERS

Robert D'Anton, Chairman
Ian Leonard, Commissioner
Michael Kanef, Treasurer's Designee
Gary Terwilliger, Division of Investment Designee

James A. Carey, Jr., Executive Director
Marc J. Marseglia, Deputy Executive Director (by phone)
Robert E. Kelly, Deputy Attorney General
Jamera Sirmans, Governor's Auth. Unit

VISITORS

Adam Perlow, Northstar
Erica Helms, Northstar (by phone)
Foster Krupa, Northstar
Joe Cavallo, Northstar (by phone)
Kristen Connelly, Northstar (by phone)
Erin Ziegler, Northstar (by phone)

STAFF

Patricia Coppel (by phone)
Missy Gillespie
Jerry Guarino (by phone)
Christina Haltmeier
Shelina Islam
Joseph Jean (by phone)
Robert Kersey (by phone)
Kelly Laird
Jason Lee (by phone)
Jack Leo (by phone)
Charlene Mello
Ellen O'Malley
Joe Oleszkiewicz (by phone)
Rick Pagnani (by phone)
Steve Palmieri (by phone)
Debbie Raub
Ryan Schaffer
Esther Werstler
John White

Executive Director Carey stated that this was the first public meeting of the Lottery Commission since March of 2020. He confirmed that the meeting was open to the public and that the Lottery continues to provide public access to the meeting through an AT and T conference call and that there were members of the public on the phone.

After the Pledge of Allegiance, Chairman D'Anton 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 took roll call.

Chairman D'Anton requested a motion to approve the minutes of the April 20, 2023 Commission meeting. Treasurer's Designee Kanef made the motion to approve the minutes of the April 20, 2023 Commission meeting. Commissioner Leonard seconded the motion. Chairman D'Anton asked if there were any comments and there were none. Chairman D'Anton called for a vote and all the Commissioners voted yes. The motion carried.

Chairman D'Anton requested a motion to approve the Executive Session minutes of the April 20, 2023 Commission meeting. Commissioner Leonard made the motion to approve the minutes of the April 20, 2023 Commission meeting. Treasurer's Designee Kanef seconded the motion. Chairman D'Anton asked if there were any comments and there were none. Chairman D'Anton called for a vote and all the Commissioners voted yes. The motion carried.

DIRECTOR'S REPORT

Executive Director Carey stated that the Lottery continued to have another strong year. He added that sales were down overall in April but it was still a strong month.

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

All games total sales were: \$288.4 million
Lotto games total sales were: \$37.9 million
Daily machine games total sales were: \$83.3 million
Scratch-Off tickets total sales were: \$167.1 million

Executive Director Carey stated that Pick-6 had sales of \$4.8 million compared to \$5.6 million the prior year, which was a decrease of 14.2%.

Executive Director Carey stated that CASH4LIFE had sales of \$5.1 million compared to \$4.8 million the prior year, which was an increase of 5.3%.

Executive Director Carey stated that Mega Millions had sales of \$13.7 million compared to \$9.3 million the prior year, which was an increase of 46.8%.

Executive Director Carey stated that Powerball had sales of \$14.1 million compared to \$25.4 million the prior year, which was decrease of 44.4%.

Executive Director Carey stated that Pick-3 had sales of \$33.4 million compared to \$36 million the prior year, which was a decrease of 7.2%.

Executive Director Carey stated that Pick-4 had sales of \$20.6 million compared to \$22.6 million the prior year, which was a decrease of 8.9%.

Executive Director Carey stated that Jersey Cash 5 had sales of \$11.5 million compared to \$13.6 million the prior year, which was a decrease of 15.7%, despite the game having a jackpot in excess of \$1 million during April.

Executive Director Carey stated that Cash Pop had sales of \$5.08 million compared to \$4.1 million the prior year, which was an increase of 22.1%.

Executive Director Carey stated that Quick Draw had sales of \$8.6 million compared to \$9.6 million the prior year, which was a decrease of 10.2%.

Executive Director Carey stated that Fast Play had sales of \$4.07 million compared to \$5.2 million the prior year, which was a decrease of 21.9%.

Executive Director Carey stated that the monthly contribution was \$83.2 million compared to \$91.2 million the prior year, which was a decrease of 8.8%. He added that the Lottery is on track to exceed last year's sales and on track to exceed last year's contribution. A lot of the increase is coming from Powerball and Mega Millions, which have had great years. The consortiums that run Powerball and Mega Millions are both looking at changes to those games.

Executive Director Carey stated that fiscal year to date Pick-6 had total sales of \$50.6 million compared to \$46.85 million the prior year, which was an increase of 8.2%.

Executive Director Carey stated that fiscal year to date CASH4LIFE had total sales of \$52.2 million compared to \$49.3 million the prior year, which was an increase of 5.7%. He added that CASH4LIFE continues to be successful, and our two couriers, Jackpocket and Lotto.com, do great sales for CASH4LIFE.

Executive Director Carey stated that fiscal year to date Mega Millions had total sales of \$268.3 million compared to \$123.8 million the prior year, which was an increase of 116.7%.

Executive Director Carey stated that fiscal year to date Powerball had total sales of \$275.6 million compared to \$211.3 million the prior year, which was an increase of 30.4%.

Executive Director Carey stated that fiscal year to date Pick-3 had total sales of \$330.8 million compared to \$361.5 million the prior year, which was a decrease of 8.5%.

Executive Director Carey stated that fiscal year to date Pick-4 had total sales of \$209.3 million compared to \$230.1 million the prior year, which was a decrease of 9%.

Executive Director Carey stated that fiscal year to date Jersey Cash 5 had total sales of \$110.6 million compared to \$135.5 million the prior year, which was a decrease of 18.4%.

Executive Director Carey stated that fiscal year to date Cash Pop had total sales of \$48 million compared to \$38.3 million the prior year, which was an increase of 25.4%.

Executive Director Carey stated that fiscal year to date Quick Draw had total sales of \$84.3 million compared to \$93.6 million the prior year, which was a decrease of 10%.

Executive Director Carey stated that fiscal year to date Fast Play had total sales of \$39.9 million compared to \$31.1 million the prior year, which was an increase of 28.2%.

Executive Director Carey stated that fiscal year to date Scratch-off tickets had total sales of \$1.669 billion compared to \$1.717 billion the prior year, which was a decrease of 2.8%.

Executive Director Carey stated that fiscal year to date All Games had total sales of \$3.139 billion compared to \$3.042 billion the prior year, which was an increase of 3.2%.

Executive Director Carey stated that fiscal year to date the contribution was \$952.4 million compared to \$898.1 million the prior year, which was an increase of 6.1%. He explained that the Lottery contributes \$80 to \$90 million a month to the State and should exceed \$1 billion by the end of June. That will be our fifth year in a row of a contribution in excess of a billion dollars to the State.

Executive Director Carey stated that fiscal year profits from lotto games were \$266.1 million or 41.1% of sales. Fiscal year profits from daily games were \$312.5 million or 37.9% of sales. Fiscal year profits from Scratch-Offs games were \$363.2 million or 21.7% of sales.

Executive Director Carey stated that the top three selling non-core games for April were "Power 50X," which generated \$10.3 million in sales, "Power 20X," which generated \$8.6 million in sales and "\$50,000 Loaded," which generated \$7.3 million in sales.

Executive Director Carey stated that there are sample tickets on the table for the Commissioners. This includes the Jersey Debate ticket. We are having fun with that ticket and hope that New Jersey players are having some fun with it as well.

Executive Director Carey stated that there were a few high tier winners throughout the state in April. On April 5, Jersey Cash 5 had a \$575,641 winner sold in Hudson County. On April 9, CASH4LIFE had a \$1,000 a Week for Life winner in Passaic County. On April 15, Powerball had \$1,000,000 winner sold by Jackpocket. On April 20, Jersey Cash 5 had a \$1.4 million winner in Bergen County. On April 18, CASH4LIFE had a \$1,000 a Day for Life winner in Essex County. That CASH4LIFE drawing was noteworthy because that was the first time where a player shared a large jackpot with a player in Tennessee.

Treasurer's Designee Kanef asked if the CASH4LIFE numbers were popular numbers. Executive Director Carey responded that they were common birthday numbers.

Executive Director Carey stated that all drawings for the month of April were completed with no abnormalities.

Executive Director Carey stated that all on-line 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 that the Validations staff received and sorted 4,146 mailed claim forms during the month. The number of claims received in the drop box was 381. There were 186 claims hand delivered. During the month of April there were 4,707 claims paid.

Executive Director Carey stated that the Lottery is working internally on our claims processes. It is taking a little longer than we would like to pay claims. We are working to update the processes in the validations department. In the fall, we hope to offer all players the ability to be paid by an ACH transfer. Right now, all winners, except top tier winners, receive a paper check. We are trying to figure out ways to pay claims more efficiently and that are better for our team and better for our players.

Chairman D'Anton asked what the target date is to have it all done. Executive Director Carey responded that there is no target date because we are making incremental rolling changes. We had a backlog in April that was taking about 8 weeks to pay a player and that is too long.

Chairman D'Anton asked what the backlog is now. Executive Director Carey responded that it is still taking about eight weeks.

Chairman D'Anton asked what the Lottery's goal is on the payout time. Executive Director Carey responded that the goal would be three to five weeks. When players mail in their claim, it takes a couple of days for it to get here. The State uses an outside vendor to process all of our checks, so that process adds five to seven days to the payment period.

Commissioner Leonard asked if the Lottery would offer both a check and an ACH transfer. Executive Director Carey responded that we are still going to offer both. He added that of the 4,700 claims that Lottery paid last month, as many as 500 claims were for winning tickets that were less than \$600.00. They could have cashed those tickets at any retailer but they mailed them in to the Lottery. This delays the process for everyone and we are looking at ways to deal with that a little bit better.

Executive Director Carey invited Adam Perlow, Vice President and Chief Operating Officer of Northstar, to provide an update on Northstar activities. Mr. Perlow stated that the Jersey Debate ticket has been the bestselling \$5 ticket in its first few weeks in at least the last five years. The sales team took a play from the Super 50 ticket where they built anticipation because it was something different. We started advertising the Jersey Debate ticket with bigger displays than we usually have and 3D cardboard cutouts. The retailers said that it worked because it was something different. We got a little bit of news coverage from it as well. On the Lottery's website, the clover in the logo has been changed to a piece of pork roll. Mr. Perlow added that we have a fun video going up on social media interviewing people about what they call it and we bleep it all out.

Executive Director Carey concluded the Director's report.

Chairman D'Anton asked if there are any questions or comments.

Chairman D'Anton stated that since Pick-3 and Pick-4 changed from pari-mutuel to straight payout, sales are not picking up. Mr. Perlow responded that they have not. Both of the games have been depressed since the beginning of fiscal year. They were down about 7% year over year. Beginning in July, sales really started to decrease. The sales force is out on the streets at retailers giving out buy one, get one free coupons for both Pick-3 and Pick-4. That is something that will continue throughout the rest of the fiscal year. We also have a promotion and an advertising campaign for October that we think will be very popular.

Chairman D'Anton asked if other states do pari-mutuel. Mr. Perlow responded that we were one of two states that were pari-mutuel. It was the New Jersey Lottery and the California Lottery. Every other state is fixed.

Chairman D'Anton asked how other states do with the straight payouts. Mr. Perlow responded that they have always had straight payouts.

Chairman D'Anton stated that he thought that players would want straight payouts. Mr. Perlow agreed and added that the way it works now, more players win bigger prizes than they had previously. Some players who prefer the old method but most players prefer the new.

Chairman D'Anton asked if there are any additional questions or comments. Hearing no other questions, Chairman D'Anton requested a motion to approve the Director's Report. Commissioner Leonard made the motion to approve the Director's Report. Treasurer's Designee Kanef seconded the motion and all the Commissioners voted yes. The motion carried.

PUBLIC COMMENT ON AGENDA ITEMS

Roy Campbell stated that he wanted to comment on the Pick-3 and Pick-4 conversation. Many people love the new payout but players have been hurt by inflation.

Executive Director Carey thanked Mr. Campbell.

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.

The first item of new business was game rules for two Scratch-Off games.

"\$1,000,000 Spectacular" is a \$10 ticket, a ticket quantity to be printed of 9.6 million tickets, a top prize of \$1,000,000, a prize payout of 66.51%, and an anticipated on-sale date of September 20, 2023.

"\$50,000 Loaded" is a \$30 ticket, a ticket quantity to be printed of 6 million tickets, a top prize of \$50,000, a prize payout of 70.02%, and an anticipated on-sale date of October 2, 2023.

Chairman D'Anton asked if there are any questions regarding the approval of the two Scratch-Off ticket game rules. Hearing no other questions, Chairman D'Anton requested a motion to approve the two Scratch-Off ticket game rules for "\$1,000,000 Spectacular" and "\$50,000 Loaded." Commissioner Leonard made the motion to approve the two Scratch-Off ticket game rules. Investment Designee Terwilliger seconded the motion and all of the Commissioners voted yes. The motion carried.

A discussion was held on changing the date of the June meeting.

PUBLIC COMMENT

There was no Public Comment.

EXECUTIVE SESSION

There was no Executive Session.

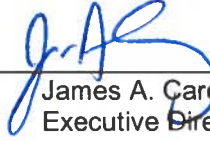
ADJOURNMENT

Chairman D'Anton asked for a motion to adjourn the Public meeting. Commissioner Leonard made the motion to adjourn. Investment Designee Terwilliger seconded the motion and all the Commissioners voted yes. 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 May 18, 2023.

IN WITNESS WHEREOF, I hereby set my hand on

the 21st day of June, 2023.

A handwritten signature in blue ink, appearing to read "J.A. Carey, Jr.", is written over a horizontal line.

James A. Carey, Jr.
Executive Director