

NEW JERSEY STATE LOTTERY COMMISSION

PUBLIC MEETING JANUARY 19, 2023

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

COMMISSION MEMBERS (BY TELEPHONE)

Robert D'Anton, Chairman
Marilyn Blazovsky, Vice Chair
Ian K. 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
Robert E. Kelly, Deputy Attorney General
Jamera Sirmans, Governor's Auth. Unit

VISITORS (BY TELEPHONE)

Adam Perlow, Northstar
Erica Helms, Northstar
Joe Cavallo, Northstar
Foster Krupa, Northstar
John Hodor, Northstar
Sam Fromkin, Northstar
Kristen Connelly, Northstar
Erin Ziegler, Northstar

STAFF (BY TELEPHONE)

Nikki Apeadu
Patricia Coppel
Missy Gillespie
Jerry Guarino
Dean Ialacci
Shelina Islam
Robert Kersey
Jason Lee
Charlene Mello
Ellen O'Malley
Rick Pagnani
Debbie Raub
Mary Ann Rivell
Ryan Schaffer
Esther Werstler
John White

Executive Director Carey took roll call.

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.

Chairman D'Anton requested a motion to approve the minutes of the December 15, 2022 Commission meeting. Commissioner Leonard made the motion to approve the minutes of the December 15, 2022 Commission meeting. Vice Chair Blazovsky 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 December highlights some issues that the New Jersey Lottery, and the Lottery industry as a whole, have been working on.

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

All games total sales were: \$312 million
Lotto games total sales were: \$52.7 million
Daily machine games total sales were: \$78.4 million
Scratch-Off tickets total sales were: \$181 million

Executive Director Carey stated that Pick-6 had sales of \$4.5 million compared to \$4.4 million the prior year, which was an increase of 2.3%.

Executive Director Carey stated that CASH4LIFE had sales of \$5.1 million compared to \$4.9 million the prior year, which was an increase of 3.8%.

Executive Director Carey stated that Mega Millions had sales of \$28 million compared to \$13 million the prior year, which was an increase of 109%. That was partially driven by the very large Mega Millions jackpot of \$1.3 billion that was won on January 13. The last drawings during the last week of December were over \$800 million. Mega Millions ended up driving a very strong month in December and we will see exceptional sales for the month of January.

Executive Director Carey stated that Powerball had sales of \$14.9 million compared to \$25.9 million the prior year, which was a decrease of 42.3%. There was a large Powerball jackpot last January.

Executive Director Carey stated that Pick-3 had sales of \$32 million compared to \$36 million the prior year, which was a decrease of 11.8%.

Executive Director Carey stated that Pick-4 had sales of \$20.5 million compared to \$23.5 million the prior year, which was a decrease of 13.1%.

Executive Director Carey stated that Pick-3 and Pick-4 sales were both down markedly. There are a few factors going on that should be considered. The Lottery made changes to Pick-3 and Pick-4 to add fixed prizes. Sales were down year over year before that change because it was a normalization post Covid. Some players that are hardcore players of Pick-3 and Pick-4 might not like the change and we might have lost some players in the short run that we expect to get back. We are hopeful and positive that the changes that were made to Pick-3 and Pick-4 in the long run will be something positive for the games. With more than \$700 million a year in sales collectively, Pick-3 and Pick-4 are a very important part of the New Jersey Lottery's portfolio. We are all working hard to assure that those games continue to be successful.

Executive Director Carey stated that Jersey Cash 5 had sales of \$8.5 million compared to \$13.6 million the prior year, which was a decrease of 37.2%. He noted that the average Jersey Cash 5 jackpot in December 2022 was \$176,000 and in December 2021 it was \$407,000.

Executive Director Carey stated that Commissioner Gary Terwilliger had joined the call.

Executive Director Carey stated that Cash Pop had sales of \$5 million compared to \$3.3 million the prior year, which was an increase of 50.9%.

Executive Director Carey stated that Quick Draw had sales of \$8.5 million compared to \$9.4 million the prior year, which was a decrease of 9.2%.

Executive Director Carey stated that Fast Play had sales of \$3.7 million compared to \$2.6 million the prior year, which was an increase of 40.7%.

Executive Director Carey stated that Scratch-Off games had sales of \$181 million compared to \$188.6 million the prior year, which was a decrease of 4.1%. He stated that Scratch-Off tickets are the core element of Lottery sales. He said that the decrease may not be a trend, but holiday sales and holiday Scratch-Offs are one of the most important events of the year for the New Jersey Lottery. He added that these are some of the reasons why the New Jersey Lottery, and the lottery industry as a whole, is looking hard at ways to continue to open up new sales channels and do things differently.

Executive Director Carey stated that the monthly contribution was \$95.2 million compared to \$99 million the prior year, which was a decrease of 3.9%.

Executive Director Carey stated that fiscal year to date Pick-6 had total sales of \$30.7 million compared to \$29.3 million the prior year, which was an increase of 4.7%.

Executive Director Carey stated that fiscal year to date CASH4LIFE had total sales of \$31.1 million compared to \$30 million the prior year, which was an increase of 3.8%.

Executive Director Carey stated that fiscal year to date Mega Millions had total sales of \$166.6 million compared to \$76.6 million the prior year, which was an increase of 117.4%.

Executive Director Carey stated that fiscal year to date Powerball had total sales of \$194.4 million compared to \$128.8 million the prior year, which was an increase of 50%.

Executive Director Carey stated that fiscal year to date Pick-3 had total sales of \$199.8 million compared to \$221.1 million the prior year, which was a decrease of 9.6%.

Executive Director Carey stated that fiscal year to date Pick-4 had total sales of \$127 million compared to \$141 million the prior year, which was a decrease of 9.5%.

Executive Director Carey stated that fiscal year to date Jersey Cash 5 had total sales of \$68 million compared to \$82 million the prior year, which was a decrease of 17.2%.

Executive Director Carey stated that fiscal year to date Cash Pop had total sales of \$27.5 million compared to \$22 million the prior year, which was an increase of 25%.

Executive Director Carey stated that fiscal year to date Quick Draw had total sales of \$50.6 million compared to \$56.4 million the prior year, which was a decrease of 10.3%.

Executive Director Carey stated that fiscal year to date Fast Play had total sales of \$21.9 million compared to \$15.8 million the prior year, which was an increase of 38.5%.

Executive Director Carey stated that fiscal year to date Scratch-Off tickets had total sales of \$1.008 billion compared to \$1.032 billion the prior year, which was a decrease of 2.3%.

Executive Director Carey stated that fiscal year to date All Games had total sales of \$1.9 billion compared to \$1.8 billion the prior year, which was an increase of 5%.

Executive Director Carey stated that the Lottery industry is looking carefully at how the multi-state games operate. Powerball and Mega Millions are the subject of many conversations among the Directors. Reviews are being conducted of how the products are operating and whether important and significant changes should be made to the games. He promised to keep the Commission informed.

Executive Director Carey stated that net proceeds for the fiscal year to date exceeded \$585.7 million or 30.3% of sales. Fiscal year profits from lotto games were \$170.9 million or 40.4% of sales. Fiscal year profits from daily games were \$188.2 million or 37.9% of sales. Fiscal year profits from Scratch-Offs games were \$219 million or 21.7% of sales.

Executive Director Carey stated that the top three selling non-core games for December were "Power 50X," which generated \$15.6 million in sales, "\$3,000,000 Platinum Club," which generated \$10.3 million in sales and "Winter Wishes," which generated \$10.3 million in sales.

Executive Director Carey reviewed high tier winners throughout the state in December.

Executive Director Carey stated that all drawings for the month of December 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 Public Information Office supports our Responsible Gaming play initiatives. We issued a Press Release and a video in December that notes "New Jersey Lottery Raises Awareness About Gifting Responsibly This Holiday Season – Lottery Tickets Aren't Child's Play." Last month Executive Director Carey and the Director of the Council of Compulsive Gambling of New Jersey had a video discussion about why people should not gift lottery tickets to children. That is a message that we do every year. In March, we will have Problem Gambling Awareness Month and we will work with the Council of Compulsive Gambling of New Jersey again.

Executive Director Carey introduced new Supervisor of Operations, Esther Werstler. Ms. Werstler is joining us after a long and good career with the United States Air Force where she was last stationed at Joint Base McGuire-Dix-Lakehurst. She replaced Margaret Square, who was with the Lottery for nearly 50 years. Margaret was a great colleague and a great part of the Lottery. He added that Lottery was excited to have someone who has a lot of enthusiasm and shares our desire for public service.

Executive Director Carey stated that the Validations staff received and sorted 3,734 mailed claim forms during the month. The number of claims received in the drop box 345. There were 142 claims either hand delivered or submitted during scheduled appoints. During the month of December there were 5,237 claims paid totaling \$28.4 million in winnings. As we discussed last month, we stop paying claims mid-December as we send tax documents out to our winners.

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 while December Scratch-Off sales were down, the week of Christmas had a near record week. On December 28, there was a great Pick-4 day for players who played 1956. On a straight bet, players won \$2,500 on a 50-cent wager and \$5,000 on a \$1 wager. When that number was hit in October 2016 they won \$842 on a 50-cent wager. He stated that he believes that the more this happens, the more players will learn to love the new prize structure.

Executive Director Carey stated that Mr. Perlow should explain how the Jersey Cash 5 Green Ball promotion is going to work and what the marketing plans are.

Mr. Perlow stated that in Jersey Cash 5, we have had a lot of winners this year, which is great for players. We have a reserve fund of \$3.4 million right now and those funds need to be given away as prizes to our players. The Lottery had a very popular promotion that was typically done for Pick-3 in the past called Green Ball. We are bringing Green Ball back but for Jersey Cash 5. The purpose of this promotion is to get players excited about Jersey Cash 5 and to give away some of this reserve.

Executive Director Carey stated that the reserve fund accumulated because when we changed the matrix to Jersey Cash 5 several years ago, which included adding numbers to the matrix and increasing starting jackpots from \$75,000 to \$100,000. To make sure that starting jackpots were fully funded, we created this reserve fund. At the time we created it, we over-estimated the need.

Mr. Perlow stated that Lottery will be running the Green Ball promotion from Monday, March 6 to Sunday, April 2. Every night during the promotion the Lottery will conduct a second draw after each Jersey Cash 5 drawing from a machine containing six white balls and one green ball. Every time a white ball is drawn, that ball is removed from the machine for the remaining drawings. If the green ball is drawn, then a second Jersey Cash 5 drawing will take place where players can win up to \$50,000. All Jersey Cash 5 tickets bought on days where a green ball is drawn are eligible for the \$50,000 prize as well as all other Jersey Cash 5 tiered prizes. It is estimated that the Green Ball will be drawn between six and seven times. It will be drawn at least four times and we should be awarding Green Ball prizes of approximately \$1.1 to \$1.2 million during that four week promotional period. That will still leave a healthy amount in the reserve of \$2.2 million. That additional reserve can be used for future Green Ball drawings if it is a popular promotion with players. We get a lot of feedback on social media with people asking to bring back Green Ball.

Mr. Perlow stated that Green Ball will be marketed through a Tier 1 campaign, television commercials, radio commercials and billboards. There will also be posters and signage at retail as well. Mr. Perlow asked if there were any questions.

Vice Chair Blazovsky stated in the past, the funds for Green Ball came out of the regular winnings. She stated in the past it was not always successful because the funds did not manifest any increases. Vice Chair Blazovsky stated that if the funds are coming out of a special account, then it will hopefully generate more sales separate from the promotions account. She asked if that was correct. Mr. Perlow responded yes, she is correct.

Executive Director Carey stated that some promotions cost money but they drive sales and they introduce players to a game. In the old version of Green Ball, it would drive up the prize expense for a period of time and it would be hard to see a long term increase in the game. Sometimes you can think of a

promotion that drives up the prize expense as similar to advertising. Green Ball might attract Pick-3 and Pick-4 players who are not Jersey Cash 5 players because they remember Green Ball and loved it. There are benefits to promotions where they are going to have an increased prize expense.

Vice Chair Blazovsky asked if it is still coming out of the prize expense or is it coming out of this separate account that is already there? Executive Director Carey responded there is the existing prize expense for the game and there is this separate account. The funds for operating this promotion will come out of that separate account.

Executive Director Carey concluded the Director's report.

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

PUBLIC COMMENT ON AGENDA ITEMS

There was no Public Comment on agenda items.

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 one Scratch-Off ticket game.

"\$100,000 Lucky Bingo" is a \$5 ticket, a ticket quantity to be printed of 4.2 million tickets, a top prize of \$100,000, a prize payout of 64%, and an anticipated on-sale date of July 3, 2023.

Chairman D'Anton asked if there are any questions regarding the approval of the one Scratch-Off ticket game rules. Hearing no questions, Chairman D'Anton requested a motion to approve the Scratch-Off ticket game rules for the "\$100,000 Lucky Bingo." Investment Designee Terwilliger made the motion to approve the Scratch-Off ticket game rules. Vice Chair Blazovsky seconded the motion and all of the Commissioners voted yes. The motion carried.

The second item of new business was game rules for five Fast Play games.

"\$2 Jersey Jackpot" is a \$2 ticket, a top prize of \$500 or 20% of the jackpot, a prize payout of 59.93%, and an anticipated on-sale date of March 6, 2023.

"\$5 Jersey Jackpot" is a \$5 ticket, a top prize of \$1,000 or 50% of the jackpot, a prize payout of 62.04%, and an anticipated on-sale date of March 6, 2023.

"\$10 Jersey Jackpot" is a \$10 ticket, a top prize of \$1,000 or 100% of the jackpot, a prize payout of 64.07%, and an anticipated on-sale date of March 6, 2023.

"Prize Pyramid" is a \$10 ticket, a top prize of \$500 or 100% of the jackpot, a prize payout of 64.63%, and an anticipated on-sale date of April 3, 2023.

"\$20 Jersey Jackpot" is a \$20 ticket, a top prize of \$10,000 or 100% of the jackpot, a prize payout of 64.5%, and is currently on sale

Executive Director Carey stated that the "\$20 Jersey Jackpot" game rules were approved in October 2021. Those rules were being updated. There are no substantive changes to the rules, they are stylistic changes to make the rules for the "\$20 Jersey Jackpot" game consistent with other Jersey Jackpot games.

Chairman D'Anton asked if there are any questions regarding the approval of the five Fast Play ticket game rules. Hearing no questions, Chairman D'Anton requested a motion to approve the five Fast Play ticket game rules for "\$2 Jersey Jackpot," "\$5 Jersey Jackpot," "\$10 Jersey Jackpot," "Prize Pyramid" and "\$20 Jersey Jackpot. Commissioner Leonard made the motion to approve the five Fast Play ticket game rules. Investment Designee Terwilliger seconded the motion and all of the Commissioners voted in favor of the motion except for Vice Chair Blazovsky who abstained. The motion carried.

PUBLIC COMMENT

There was no Public Comment.

EXECUTIVE SESSION

Chairman D'Anton requested a motion to go into Executive Session. Treasurer's Designee Kanef made the motion to go into Executive Session. Commissioner Leonard seconded the motion and all the Commissioners voted yes. The motion carried.

Vice Chair Blazovsky stated that she needs to leave the call early.

Executive Director Carey stated that Executive Session will be held to discuss a contractual matter regarding Northstar. If there are any public actions that are taken as a result of Executive Session, it will be reflected in future minutes of the Commission.

As to any matter discussed in Executive Session, the subject and nature of the discussion will be timely made known to the public if and when the need for confidentiality ends.

Chairman D'Anton requested a motion to close Executive Session. Treasurer's Designee Kanef made the motion to close Executive Session. Investment Designee Terwilliger seconded the motion and all the Commissioners voted yes. The motion carried.

ADJOURNMENT

Chairman D'Anton asked for a motion to adjourn the Public meeting. Investment Designee Terwilliger made the motion to adjourn. Treasurer's Designee Kanef 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 January 19, 2023.

IN WITNESS WHEREOF, I hereby set my hand on

the 9th day of February, 2023.



James A. Carey, Jr.
Executive Director