

**North Carolina Education Lottery Commission Meeting
Minutes**

**Wednesday, March 27, 2024
WebEx/Teleconference**

Commissioners in Attendance: Ripley Rand, Chair
Lindsey Griffin
Jason Roth
Pamela Whitaker
Nigel Long
Cari Boyce
Joshua Malcolm
Randy Jones

Commissioners Absent from Meeting: Chris Hayes

Select Staff in Attendance: Mark Michalko
William Traurig
Eric Snider
Frances Little
Sterl Carpenter
Madison Mackenzie

Other Participants: Benjamin T. Spangler, *Assistant Attorney General,
Department of Justice*

The North Carolina State Lottery Commission meeting was held on Wednesday, March 27, 2024, at 10:02 a.m. via WebEx.

Chair Ripley Rand acknowledged there was a quorum and called the meeting to order. William Traurig, Chief Legal Officer, read the remote meetings announcement.

Chair Rand made the standard ethics announcements. Chair Rand concluded by inquiring if anyone had a known conflict of interest with respect to any matter coming before the Commission at the current meeting; no conflicts were identified.

Roll call of the Commissioners was taken. Commissioner Chris Hayes was absent from the meeting.

Approval of Minutes

Chair Rand called for a motion to approve the minutes of the February 21, 2024 Commission Meeting. Commissioner Cari Boyce made the motion and Commissioner Pamela Whitaker seconded the motion. A roll call vote was taken and passed unanimously.

Finance and Audit Committee Report

Commissioner Jason Roth stated there would be information only agenda item and associated documents had been provided. Commissioner Roth asked for Greg Bowers to begin with the finance update.

Finance Update

Greg Bowers, Deputy Executive Director of Finance, Administration, and Security, gave a Finance update to the Committee. The update included information for FY2024 YTD Financial Results through January 2024. The report detailed Sales January 2024 compared to last year and budget; Distribution of Revenue January 2024 verses January 2023; YTD Sales through January 2024 compared to last year; the percentage breakdown of ticket sales revenue YTD through January 2024; FY24 Distribution of Revenue verses last year for the seven months ending January 2024; Distribution of Revenue YTD through January 2024; Schedule of Net Earnings for the Education Lottery Funds verses last year; he also presented financial highlights through January 2024. Mr. Bowers answered a question from Commissioner Long.

Internal Audit Update

Kimberly Thomas, Director of Internal Audit provided details regarding the agenda information-only audit reports. The reports covered Audit of Prize Validations; Audit of Security Investigations, Fraud, and Operations, along with the Audit of Corporate Social Responsibility-Responsible Gaming. Ms. Thomas answered a question from Commissioner Whitaker.

Revenue Generating Committee Report

Commissioner Long reported that the Revenue Generating Committee met on March 20, 2024, and covered three standard departmental information-only reports.

Product Development and Digital Gaming Update

Randy Spielman, Deputy Executive Director of Product Development & Digital Gaming presented the Product Development Update to the Commission. The report included information for the Q3 Scratch-Off Game Review, FY24 Scratch-Off Performance Trends; Digital Instant Performance and Impact; along with the \$50 Scratch-Off Game. Mr. Spielman answered a question from Commissioner Rand.

Brand Management & Communications Update

Terri Rose, Executive Deputy Director of Brand Management & Communications gave an update to the Commission, which included January Beneficiary Testimonials; Scratch-Off results for Television and Social Media; Keno/Fast Play Cross Promotion; Digital Instants Promo and Video; Online Play Platform Promos; Black History Month collaborations with local Television Radio Stations; February Fast Play Jackpot Boost; Scratch-Off details for Television and Social Media; Daily Draw Games Campaigns for Television; First Tuesday Social Media; Jackpot Awareness; March Scratch-Off details for Television and Social Media; Pick 3 Double Drawn Promo; the new Winners Videos; Report to the Public for FY23; a newly created/circulated brochure; attendance at the Greensboro Social Studies Convention; and the Problem Gambling Awareness Campaign. Ms. Rose also provided a FY24 Diversity Spend Update. Ms. Rose answered a question from Commissioner Whitaker.

Sales Update

Terri Avery, Deputy Executive Director of Sales, gave a Sales update, which included details regarding Team Recruitment; Keno Social Environments; the attendance impact to the Veterans of Foreign Wars (VFW) Trade Show; Retailer Promotions; and the new Retailer Smart Bot. There were no questions from the Commission.

Operations and Personnel Committee Report

Commissioner Whitaker reported that the Operations and Personnel Committee met on March 20, 2024 and covered two information-only updates. She reminded the Commissioners of the NCEL Employee year-to-date turnover rate of 1.02% and the vacancy rate of 3.1%.

Marbet Cuthbert, Human Resource Director was unavailable. Ms. Rose, Executive Deputy Director of Brand Management & Communications stepped in and presented details for the newly established Employee Resource Groups (ERGs) to the Commission. She detailed the voluntary employee-led groups which brings colleagues together based on a common identity, interest, or purpose. She referenced the Women in Lottery Leadership, Young Professionals, Minority Professionals Women's Group, and the Community Service Group. There is a steering committee established that helps to facilitate and support the groups.

Being the first in the country, Mark Michalko greatly encouraged the launch and supports the North Carolina Chapter of Women in Lottery Leadership. There were no questions from the Commission.

Sports Betting Committee Report

Commissioner Boyce reported that the Sports Betting Committee would cover three items, two for information-only, and one for action during the current meeting.

Sterl Carpenter, Deputy Executive Director Gaming Compliance and Sports Betting, presented the Sports Betting Update which covered a general update, first day numbers, first week's numbers, and the periodic financial report.

The total wagering revenue and gross wagering revenue were explained in detail along with mentioning the North Carolina tax rate of 18% for gross wagering revenue. The first day numbers for Sports Betting in the state of North Carolina were presented, Paid Sports Wagers \$11,581,197.81; Promotional Wagers \$12,364,457.08, Total Wagering Revenue \$23,945,654.89; Amounts Paid as Winnings \$12,211,762.18; Gross Wagering Revenue \$11,030,957.65. The first day of wagering covered 12:00 noon to 12:00 midnight, a total of 12 hours. Two pin drop maps were shown to the Commissioners. The first map displayed in real time players logging on to the various sports betting operators' platforms. The second extremely populated map displayed the multitude of pin drops for 12:00 p.m. launch day March 11, 2024. Commissioner Rand confirmed with Mr. Carpenter the color significance of the pins.

The first week's numbers for Sports Betting were also presented, Paid Sports Wagers \$116,798,145.53; Promotional Wagers \$81,303,965.67, Total Wagering Revenue \$198,102,112.20; Amounts paid as Winnings \$141,588,678.04; Gross Wagering Revenue \$42,683,281.73. Mr. Carpenter cited the projected monthly total to be \$594,306,336 at the current rate and cautions not expecting the continuation of promotional dollars to continue but to be slightly under. Commissioner Boyce asked Mr. Carpenter if he had any context for how the revenue presented compares to sports betting launches in other states. Mr. Carpenter named two comparisons.

The initial comparison, the closest first week's comparable launch being with the state of Massachusetts at \$548,230,000. North Carolina's projection is \$594,306,336 which is a little ahead of Massachusetts. A learning curve for North Carolina was that the Legislation considered the use of promotional wagers. The other comparison was the state of Tennessee's first week handling \$27,000,000, and was a mobile state as well. The first day for North Carolina came in at \$24,000,000

Moving forward the commission staff plans to provide an aggregate monthly report. The timing for the report is to be determined. There will be a preliminary published report with the previous month's numbers issued by the second week of each month, and from time to time the commission staff may provide limited reports on special events or topics. The reported numbers are estimates and may vary from the actual numbers that will be submitted to the NCDOR Operators. Mr. Carpenter ended by answering a similar previous NCDOR question from Commissioner Jones.

Rulemaking Package 3

Mr. Traurig introduced Madison Mackenzie, Associate Attorney to the Committee advising Ms. Mackenzie

being a critical factor in the Sport Betting Rulemaking process. She is the designated rulemaking coordinator contact with the Office of Administrative Hearings.

Ms. Mackenzie covered the Codification of Existing Commission Rules; Proposed Changes for Rulemaking Package 3; Public Participation and Timeline. Details regarding transitioning of the new numbering structure was discussed. The trajectory for completion is one year. There were no questions from the Commission.

Chair Boyce made a motion to have the Full Commission Re-adopt its Rules Manual with the revised numbering system that aligns with the physical form specified by the State Codifier of Rules; and Direct staff to take all necessary steps to work internally and with licensees to transition to the revised numbering format for Commission Rules. Commissioner Whitaker seconded the motion. With no further discussion, a roll call vote was taken; the Commission unanimously passed the motion.

There was a Rulemaking Package 3 information only update also provided by Ms. Mackenzie which covered 8 proposed updates, 2 new rules, and a new proposed effective date of 30 days after Commission adoption. Detailed information for the public hearing participation and timeline was also discussed. There were no questions from the Commission.

Executive Director Report

Mark Michalko, Executive Director asked Dr. Cheryl Sutton, Director of Supplier Diversity and Outreach to present her prepared update.

Diverse Business Spending

Dr. Sutton provided an update to the Commission which covered a breakdown of the minority direct spend based on paid invoices for FY24 through March 11, 2024. The total spend was \$101,173,495; Not Certified \$81,702,328/80.8%, Diverse \$19,470,821/19.2%. The breakdown of the diverse spend \$19,470,821 is Women \$19,359,328/99.4%; and Black \$111,493/.6% which has increased 3%. The numbers show the actual money in hand to the vendors. Dr. Sutton advised to date 16 new diverse vendors had been added, and mentioned multiple engagements in external activities she had attended.

Recent upgrades to the Power BI Reporting System now allows the ability to view purchases; vendor data; uncertified firms; and firms currently used by each department to determine how to best increase diverse spend better understanding purchasing habits.

Commissioner Long posed a question to Dr. Sutton asking what is being done to target larger mature minority businesses that tend to participate in such conferences as the National Minority Supplier Development Council. Dr. Sutton replied advising she is seeking approval to attend the National Minority Supplier Development Conference being held in Atlanta, GA which she agrees will allow for her to meet with larger firms from all across the country bringing back more viable minority firms to work with the Lottery.

Commissioner Whitaker questioned if the non-certified minority vendors are allowed to bid on projects. Dr. Sutton advised that they are allowed to bid. They are encouraged to become certified as the Lottery submits a yearly report to the North Carolina HUB Office based on firms that are certified and tracked specifically for the state of North Carolina. There is a goal of 10% certified firms the HUB Office asked be reached.

Legislative Update

Hayden Bauguess, Director of Governmental Affairs, presented an update to the Commission. He advised the NC Legislature would be back on April 24, 2024 for a short session due to the election season and elections being held in November. While the Legislature is moving through sessions Mr. Bauguess reminded the Commissioners to keep an eye out for emails regarding updates on Lottery matters as they move forward. There were no questions from the Commissioners.

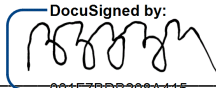
Other Business

Mr. Traurig reminded the Commissioners that their Statement of Economic Interest being due April 15, 2024. As their Ethics Liaison please reach out with any questions or if assistance is needed.

With no other business to discuss, Chair Rand wanted to note this meeting being the first since the go live date for Sports Betting. He counted since June 2023 when the bill passed for Sports Betting that the Commission met in either Committee or Full Commission form 32 times which is double the number of regularly scheduled meetings under normal circumstances not counting individual and GLI Education Sessions. He mentioned Admin and IT Staff matters being administered without a hitch and there being full participation from the Commission despite double the workload the last 9 months. Everything had been done effective and efficiently and he wanted to note his thanks and appreciation.

Chair Rand called for a motion to adjourn. Commissioner Boyce made the motion and Commissioner Randy Jones seconded the motion. Chair Rand asked for a roll call vote, which passed unanimously.

The meeting adjourned at 11:52 a.m.

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Chair Ripley Rand

5/28/2024

Date