

CALIFORNIA STATE LOTTERY COMMISSION

Minutes – June 24, 2021

Sacramento, California

1. **Call to Order**

Chairman Gregory Ahern called the meeting of the California State Lottery Commission to order at 10:00 a.m. The meeting was held via Microsoft Teams and teleconference.

2. **Pledge of Allegiance**

Chairman Ahern led the Pledge of Allegiance.

3. **Roll Call**

Chairman Ahern asked Elisa Topete to call the roll.

Commission Members Present:

Chairman Gregory Ahern

Commissioner Peter Stern

Commissioner Nathaniel Kirtman (Joined meeting at 10:17 a.m.)

Commissioner Keetha Mills

California State Lottery staff and presenters:

Alva V. Johnson, Director

Fernando Aceves, Chief Counsel

Paula Negrete, Deputy Director of External Affairs

Jim Hasegawa, Deputy Director of Business Planning

Nicholas Buchen, Deputy Director of Finance

Chris Fernandez, Deputy Director of Human Resources

Sharon Allen, Deputy Director of Sales and Marketing

Tiffany Donohue, Deputy Director of Operations

Elisa Topete, Assistant to the Commission

4. **Election of Chair and Vice Chair of the California State Lottery Commission 2021-22**

Chairman Ahern called upon Fernando Aceves, Chief Counsel, to review the rules and Commission elections. Mr. Aceves stated the rules according to the California State Lottery Act. Commissioner Keetha Mills nominated Chairman Ahern to remain as Chairman and nominated Commissioner Peter Stern to remain as Vice Chairman. With no other nominations for both positions, Commissioner Ahern was unanimously approved as Chairman and Commissioner Stern was unanimously approved as Vice Chairman.

5. **Consider Approval of the Agenda**

Chairman Ahern stated that Action Item 9c would be tabled to the September 23rd Commission Meeting and asked if any of the Commissioners wanted to make any

additional changes to the June 24, 2021 amended agenda. Commissioner Keetha Mills made the motion to approve the amended agenda and was seconded by Commissioner Peter Stern. The amended agenda passed unanimously.

6. Approval of the Minutes

Chairman Ahern asked if there were any additions or corrections to the May 27, 2021, minutes. Commissioner Mills made the motion to approve the minutes for the May 27, 2021, Commission Meeting and was seconded by Commissioner Peter Stern. The minutes passed unanimously.

7. Informational Items

a. Director's Comments

Director Alva Johnson provided estimates of Lottery sales through Sunday, June 12th. The estimates are over \$8 billion, which is 21% above the sales goal and 30% higher than Lottery sales over the same time period last fiscal year. Scratchers[®] continued to exceed expectations with distribution sales over \$6 billion through mid-June. Scratchers sales have already surpassed the full annual sales goal and are already a new fiscal year record.

The multi-state games, which include Powerball[®] and Mega Millions[®], have year-to-date sales over \$914 million, pacing 24% ahead of goal and 44% higher than last fiscal year. Through mid-June, sales for California's in-state jackpot game, SuperLotto Plus[®] are 10% higher than goal and 11% higher than last year's sales, coming in at \$244 million.

The Daily Games, which include Daily 3, Daily 4, Fantasy 5 and Daily Derby[®], continue to see strong sales this fiscal year totaling more than \$400 million. Combined, these games are running 13% above goal and last fiscal year's sales through this time. Hot Spot[®] sales through mid-June are over \$353 million. Fiscal year sales are 15% above goal and 21% higher than last fiscal year.

The Lottery also assesses how it is performing in terms of its most important measure – the contributions to public education. The figures are based on the Lottery's monthly cumulative financial sales report through May 31st. With a month left in the fiscal year, total sales are running 19% ahead of its goal while the Lottery's contributions to education are about 22% ahead of goal over that same time period. Estimated contributions to education through May are over \$1.7 billion or roughly \$200 million more than last fiscal year.

b. Problem Gambling Prevention Contract

Deputy Director of External Affairs, Paula Negrete, provided an overview of an item that will be presented at the September Commission meeting. The Lottery has had a long-standing interagency agreement for Problem Gambling

Prevention with the California Department of Public Health, Office of Problem Gambling. The interagency agreement will end on June 30th and unfortunately, due to an administrative delay in the coordination of this contract (stemming from the pandemic), the Lottery will request approval in September to enter into a new two-year interagency agreement in the amount of \$278,160. The start date will be effective July 1st through June 30, 2023. The interagency agreement specifies continued maintenance of the State Problem Gambling Help Line reporting data and development of appropriate literature for distribution. The agreement also provides assistance in drafting content to raise awareness of problem gambling for Lottery communications and training. It also secures the Lottery's membership to the Office of Problem Gambling's Advisory Group; a committee that is comprised of State regulatory agencies that oversee gambling in California, gambling industry representatives, healthcare professionals, researchers, and educators who specialize in the treatment of problem gambling. The interagency agreement helps inform the development of the Lottery's Responsible Gaming Program, an effort that has received the highest global certification from the World Lottery Association. The program also promotes the State's Problem Gambling Help Line (1-800-GAMBLER) on its games and throughout its various communication channels.

Commissioner Mills asked for a confirmation that these services under the contract would continue uninterrupted despite the administrative delay. Ms. Negrete stated that the services would continue to be rendered, and the interagency agreement provides flexibility for the coordination of these agencies.

8. Consent Calendar

9. Action Items

a. Fiscal Year 2021-22 Business Plan

Deputy Director of Business Planning, Jim Hasegawa, requested Commission approval of the six strategic objectives that put the Lottery on a path to continue increasing its contributions to California public education.

Commissioner Stern wanted Mr. Hasegawa to explain how staff was going to track and monitor the success of the transformation and different milestones. Mr. Hasegawa deferred to Director Johnson to speak about the Employee Engagement Survey and how those will be measured. Mr. Johnson stated that when he started at the Lottery two years ago, he wanted to gauge the entire workforce in terms of what was successful and what could be done better. The Lottery had previously done an Employment Engagement Survey in the past and another one was launched last year, with the results compiled and studied. A series of improvements based on the results are being done with management teams and the groups closest to them. A companion program to that is the Mission-Vision-Values effort, also an early project that has been developing for

quite some time. The goal is to have a bilateral engagement with the workforce about these items that are most important for the Lottery's mission and for a productive work environment. Management is trying to make initial efforts at understanding how to make the Lottery better in terms of management and in terms of working relationships, constructive engagement and communication. Mr. Johnson stated he would like to send out the survey every two to three years.

Chairman Ahern asked if anyone from the audience had any questions on Action Item 9(a). No one came forward, so he proceeded to the motion.

Commissioner Stern made the motion to approve Action Item 9(a) and it was seconded by Commissioner Mills. The motion passed unanimously.

b. Fiscal Year 2021-22 Budget

Deputy Director of Finance, Nicholas Buchen, requested Commission approval of the budget prepared for Fiscal Year 2021-22 which presents a sales goal of \$8.45 billion and an estimate to provide nearly \$1.86 billion to public education.

Commissioner Mills thanked both Mr. Hasegawa and Mr. Buchen on the transparency of the information. Commissioner Mills asked how the goal for automation and technology in Human Resources was going to change jobs in the division and further questioned how this would factor into the need for new positions. Mr. Buchen informed Commissioner Mills that employees would still be devoted to assisting within the Human Resources arena. Deputy Director of Human Resources, Chris Fernandez, stated that staff is working closely with the Information Technology Services Division to make assessments and staff is making progress on analyzing potential new positions. Staff is working on improving ways of reporting time worked, leave requests, and making benefit changes; all within the confines of the State Controller's Office's current system. Commissioner Mills advised staff to proceed with caution and think of the Lottery's future. She noted that the team that is being built must be able to grow and evolve from a technology perspective.

Commissioner Mills asked if the position related to an asset management expert would give the Lottery the ability to analyze its investment strategy to possibly allow more funding towards the Lottery's contribution to Education? Mr. Buchen explained that the first year will be devoted to following the Governmental Accounting Standards Board (GASB) pronouncements. There have been some large changes recently with pensions, post-employee benefits and a change in how visas are accounted for, which are the assets that will be looked at. Mr. Buchen explained that the Lottery would not be bringing an investment-management type position.

Commissioner Mills asked Mr. Buchen to speak about the dynamic and the balance between the Lottery's focus on marketing and increasing sales for

Scratchers tickets. She also asked how that balances the Lottery's efforts to increase sales for the jackpot games that create greater contributions to Education. Mr. Buchen explained that Mr. Hasegawa's Business Plan presentation stated that there are currently some cross-divisional teams that are conducting research into ways of enhancing the jackpot money. The Mega Millions Consortium has also discussed making changes to the game to increase sales. Powerball and Mega Millions in particular, are out of staff's control as the Lottery is dependent on the entities that run both of the draw games. Staff, however, is looking into reinvigorating the Lottery's in-house game of SuperLotto Plus, as there has been a fairly steady decline in sales over the years.

Mr. Hasegawa added that Lottery staff cannot control the designs in Powerball and Mega Millions, as those designs would take longer because they involve the gaming system. Scratchers improvements can happen in a shorter time frame, which is why the Commission will be able to see the changes implemented. Just as many people play the draw games as they do the Scratchers. However, draw game players play primarily because of the jackpots, which is beyond the Lottery's control. The motivation to play on a more consistent basis outside of the jackpots is something the Marketing and Business Planning Teams are researching. When staff worked on the strategic planning, they saw the difficulty in changing the jackpot games because it involved a tremendous amount of both marketing dollars and staff resources.

Sharon Allen, Deputy Director of Sales and Marketing, stated that staff has ongoing activities, such as raising awareness particularly when the jackpots get larger. The Lottery has implemented a successful Jackpot Alert Program that is part of the ongoing marketing strategy. Staff has some longer-term planning that has been developed to help change perceptions and frequency outside of the jackpot. The Lottery also has a new point-of-sale system that is rolling out in stores over the next couple of months. It will highlight the whole category, as well as the new Powerball third day draw.

Chairman Ahern asked if anyone from the audience had any questions on Action Item 9(b). No one came forward, so he proceeded to the motion.

Commissioner Mills made the motion to approve Action Item 9(b) and was seconded by Commissioner Nathaniel Kirtman. The motion passed unanimously.

- c. Extension to the Time Advertising Contract (Tabled to the next Commission Meeting)
- d. Vax to Win Reimbursement Agreement with the California Department of Public Health

Deputy Director of Operations, Tiffany Donohue, requested Commission approval for reimbursement from the California Department of Public Health for costs associated with the Lottery's administrative and technical support of the Vax for the Win prize drawings conducted on behalf of the Governor's Office.

Chairman Ahern asked if anyone from the audience had any questions on Action Item 9(d). No one came forward, so he proceeded to the motion.

Commissioner Kirtman made the motion to approve Action Item 9(d) and was seconded by Commissioner Mills. The motion passed unanimously.

10. Commissioner General Discussion

Commissioner Kirtman asked if the September Commission Meeting was confirmed to be an in-person meeting for scheduling purposes. Director Johnson stated that the Executive Order from the Administration, which made the remote meetings possible, will have expired by August or September, however staff will be monitoring any updates.

11. Scheduling Next Meetings

The next Commission Meetings are tentatively scheduled for September 23 and November 18, 2021.

12. Public Discussion

For Public Discussion, Chairman Ahern sought public comments or questions. No one came forward.

13. Adjournment

Meeting adjourned at 11:35 a.m.