

# Lottery Oversight Presentation

October 2017

★ **Courtney Crowder,**  
Chairman  
NC Education Lottery Commission

★ **Alice Garland,**  
Executive Director  
NC Education Lottery



# Lottery Led by Professional Staff and Nine-Member Commission



**Courtney A. Crowder**  
*Commission Chairman*

Appointed by Gov. Bev Perdue and named  
Commission Chairman by  
Gov. Roy Cooper



**Douglas Baker**  
Appointed by  
Speaker Thom Tillis



**Morgan Beam**  
Appointed by  
Gov. Pat McCrory



**Richard E. Bengel**  
Appointed by  
Gov. Pat McCrory



**Amy Ellis**  
*Audit and Finance Chair*  
Appointed by Senate  
President Pro Tem Phil Berger



**Randy Jones**  
Appointed by  
House Speaker Tim Moore



**Tony Rand**  
*Revenue Generating Chair*  
Appointed by  
Gov. Roy Cooper

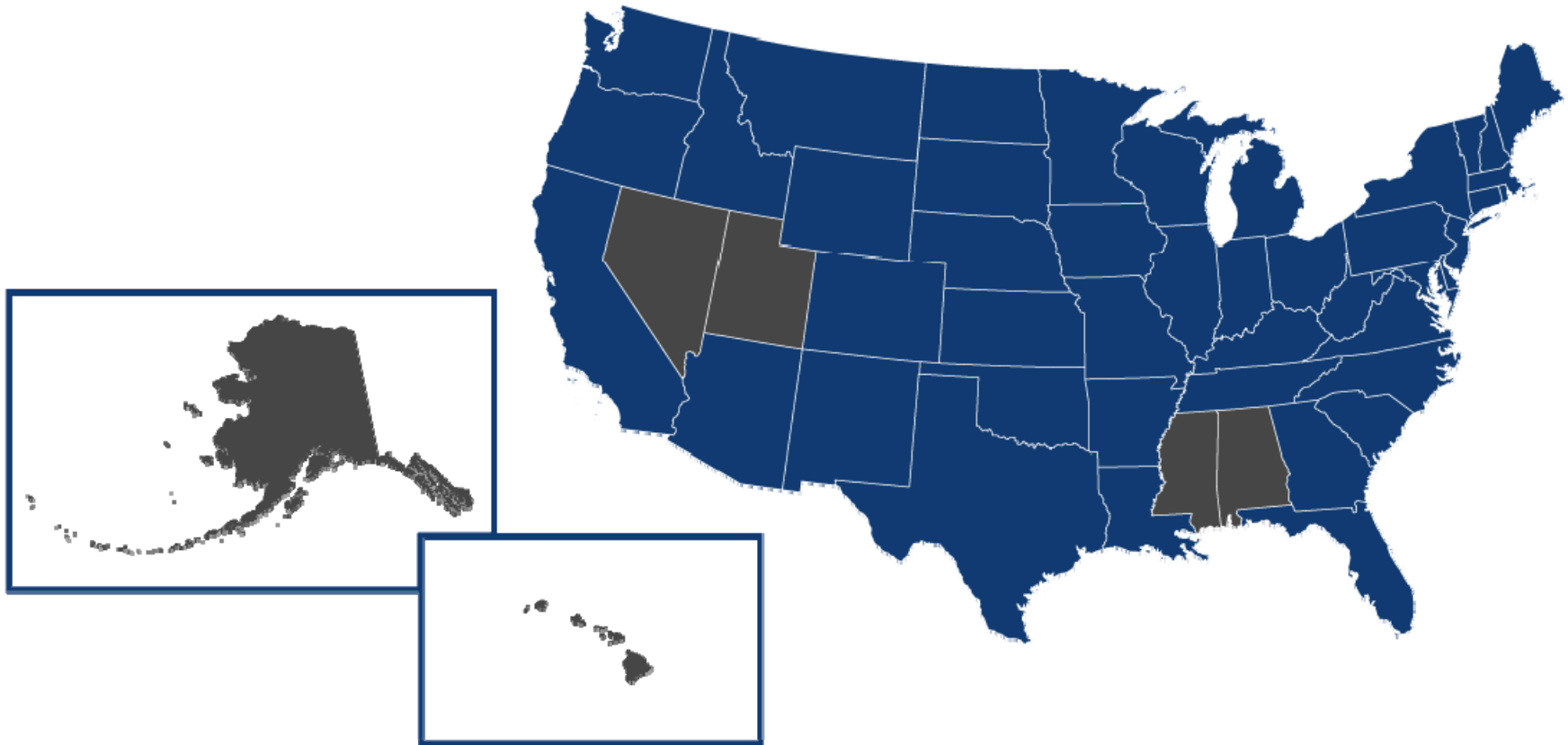


**Chris Shew**  
Appointed by  
Gov. Pat McCrory

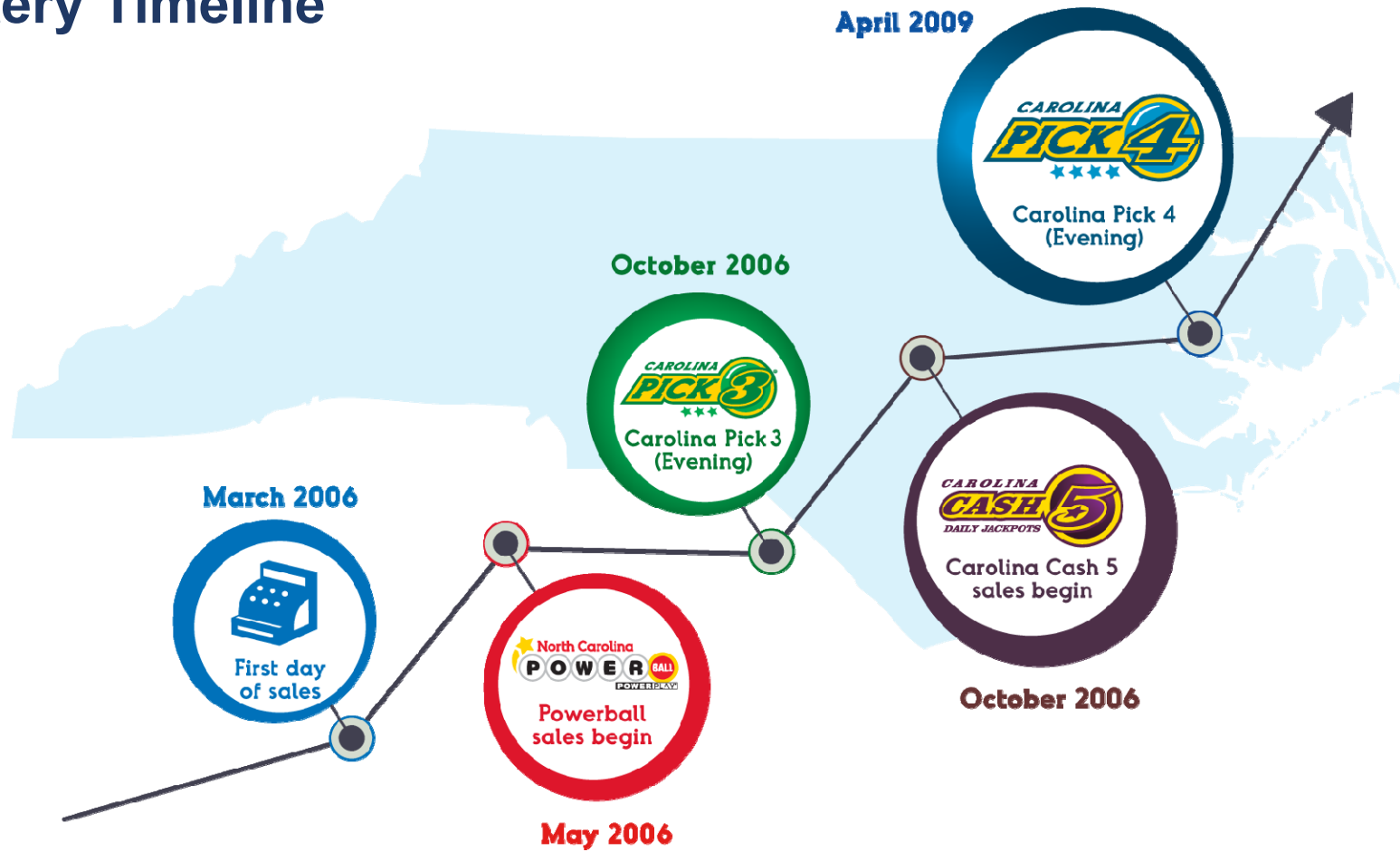


**Jody Tyson**  
*Operations and Personnel  
Chair*  
Appointed by Senate  
President Pro Tem Phil Berger

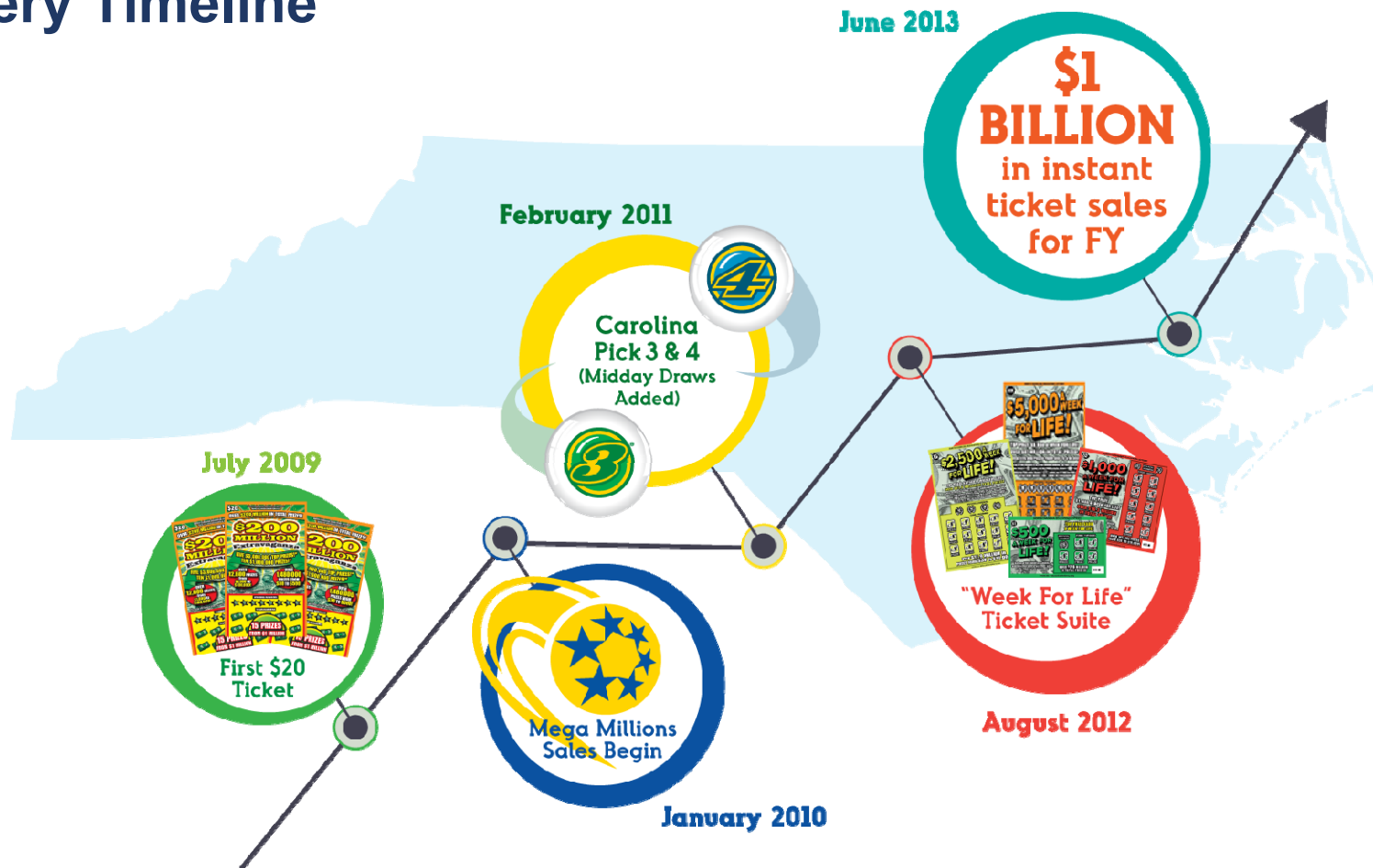
## States with Lotteries (44)



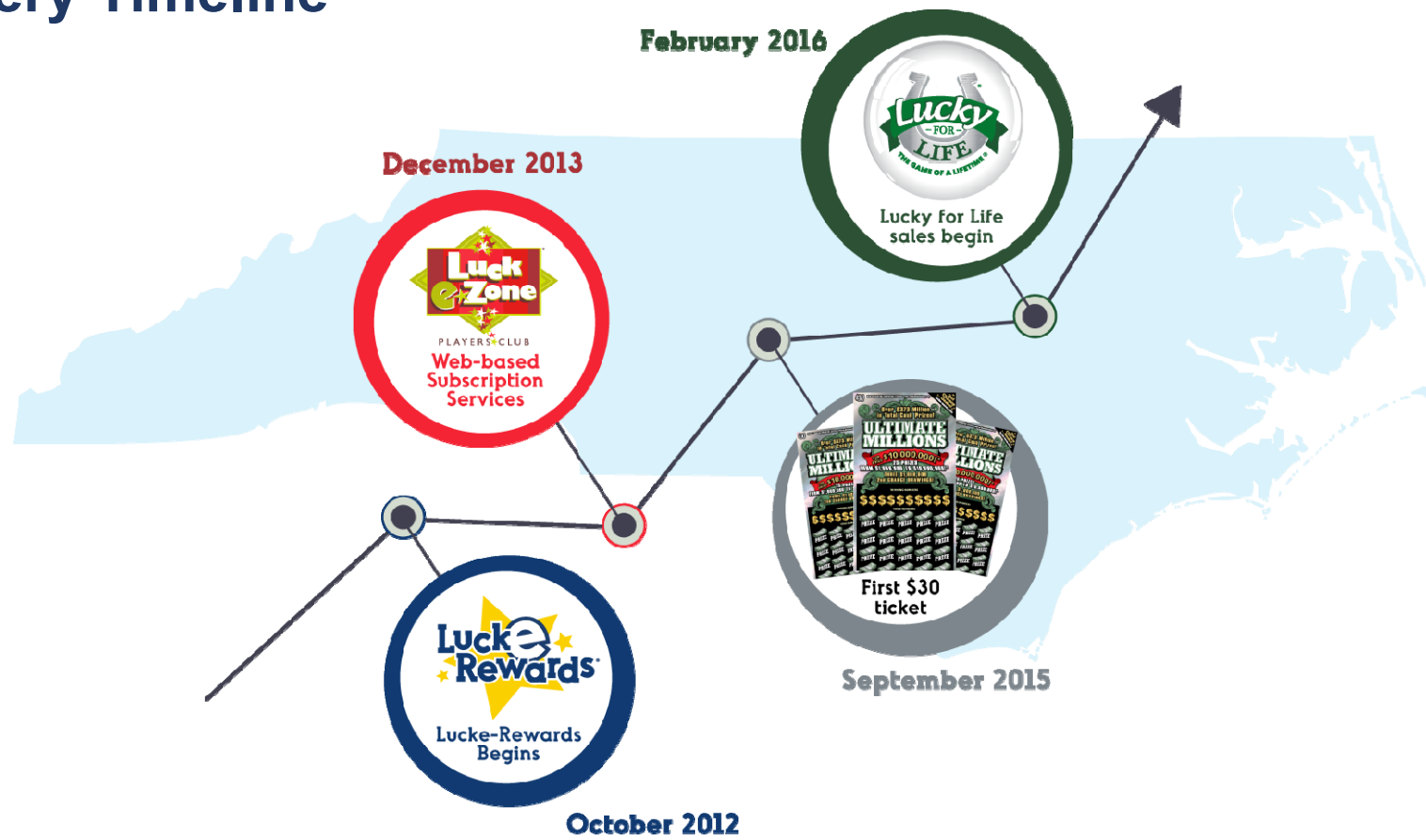
# Lottery Timeline



# Lottery Timeline



# Lottery Timeline



# Lottery Timeline



## Conversion to a New Operating System

- Upgraded Lottery Operations Across the State -



August 5, 2014

**GO  
LIVE  
DAY!**

March 26, 2017

- Completed **15** Functional Requirement Documents with over **1,800** pages with multiple revisions.
- Converted and migrated over **1 TB** of data from the ES System to the new Aurora System.

**768** meetings, **1134** hours from **9/8/2014** to **6/30/2017**



## New Operating System Saves Money



Old Rates \$ 21,545,897.00





New Rates \$ 19,517,696.00

Difference \$ 2,028,201.00

**Savings 9.41%**

From 3/25/2017 to 10/07/2017

## States with World Lottery Association's Responsible Gaming Level 4 Certification

New Jersey	Indiana	California	North Carolina
			
Inception 1969	Inception 1989	Inception 1984	Inception 2006 Currently Level 3 Level 4 Submission: Oct. 2017

## Draw Game Promotions



**Net Proceeds:**

**\$5,227,624,234**

**To The State of North Carolina**  
March 30, 2006 – June 30, 2017

## History of Lottery Sales



Sales in Millions

## History of Lottery Earnings



Earnings for Education in Millions

Earnings:  
**\$622,505,029**  
for Education in FY 2017

## FY 2017 Budgeted Proceeds

FY 2017 Proceeds	\$ 622,505,029
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FY 2017 Budget Funding Required for Education	<u>591,713,703</u>
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<b>FY 2017 Surplus Proceeds Available for FY 2018 Budget</b>	<b>\$ <u>30,791,326</u></b>
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# Lottery Reserve Fund

**Lottery Reserve Fund Balance June 30, 2017:**

**\$ 109,440,485**

## **"§ 18C-164. Transfer of net revenues. 2017**

**(b1)** Net revenues credited to the Education Lottery Fund shall be appropriated in an amount equal to the amount appropriated from the Education Lottery Fund in the Current Operations and Capital Improvements Appropriations Act of 2017.

**(b2)** The Office of State Budget and Management shall transfer any net revenues remaining in the Education Lottery Fund after the appropriations made pursuant to subsection (b1) of this section to the Education Lottery Reserve Fund, a special revenue fund, necessary to maintain a minimum balance of twenty-five million dollars (\$25,000,000).

**(b3)** Any net revenues remaining after appropriation pursuant to subsection (b1) of this section and transfer pursuant to subsection (b2) of this section are hereby appropriated to the Needs-Based Public School Capital Fund.




**(b4)** Notwithstanding subsection (b2) of this section, the minimum balance of the Education Lottery Reserve Fund may be less than twenty-five million dollars (\$25,000,000) if funds are necessary to meet the amount of net revenues appropriated pursuant to subsection (b1) of this section.

...









**(e)** If the actual net revenues are less than the appropriation provided in subsection (b1) of this section for that given year, then the Governor may transfer from the Education Lottery Reserve Fund an amount sufficient to equal the appropriation by the General Assembly. Provided by subsection (b1) of this section.

**(f)** Actual net revenues in excess of the amounts appropriated in a fiscal year shall remain in the Education Lottery Fund."

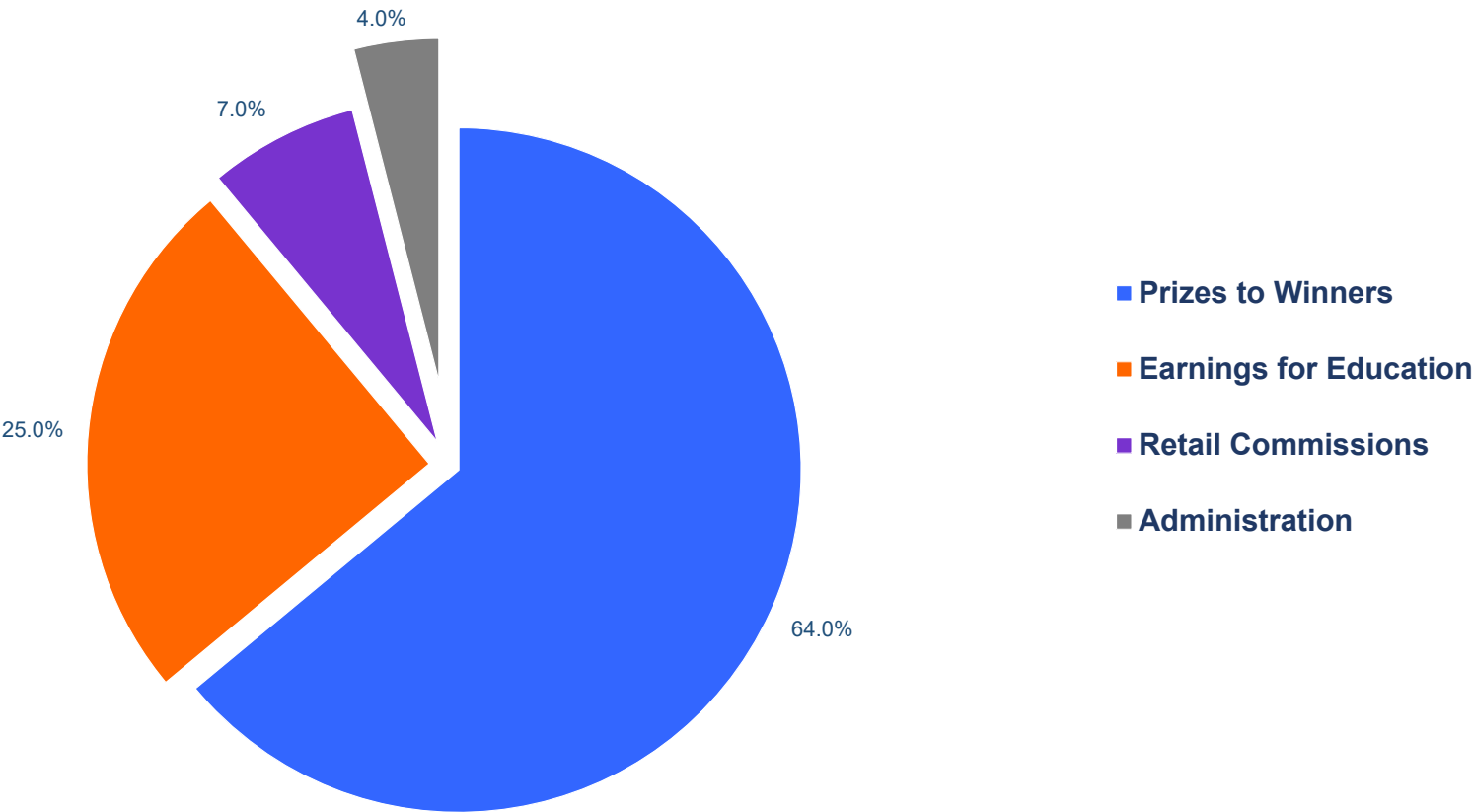
## Budget Savings in FY 2017

	Administration Budget	\$ 60,339,000
	NCEL Spent	\$ <u>53,365,162</u>
	Savings to Education	\$ <u>6,973,838</u>

## FY 2017 Actual Sales and Contribution to Education

		FY17 Sales	% of Revenue	FY17 Contribution	% Return
	Instant	\$ 1,695,232,342	69.82%	\$325,473,830	19.20%
	Pick 3	306,018,460	12.60%	121,961,145	39.85%
	Powerball	148,510,627	6.12%	60,729,529	40.89%
	Pick 4	135,797,947	5.59%	57,597,737	42.41%
	Cash 5	59,812,487	2.46%	23,868,609	39.91%
	Mega Millions	54,332,136	2.24%	21,917,180	40.34%
	Lucky for Life	19,904,592	0.82%	8,454,414	42.47%
	EZ Match	8,462,988	0.35%	2,502,585	29.57%
	<b>Ticket Sales</b>	<b>\$ 2,428,071,579</b>	<b>100.00%</b>	<b>\$ 622,505,029</b>	<b>25.64%</b>

# FY 2018 Budget of Lottery Revenue



# How we are growing...

# Lottery Games

## MULTI-STATE DRAW GAMES



## IN-STATE DRAW GAMES



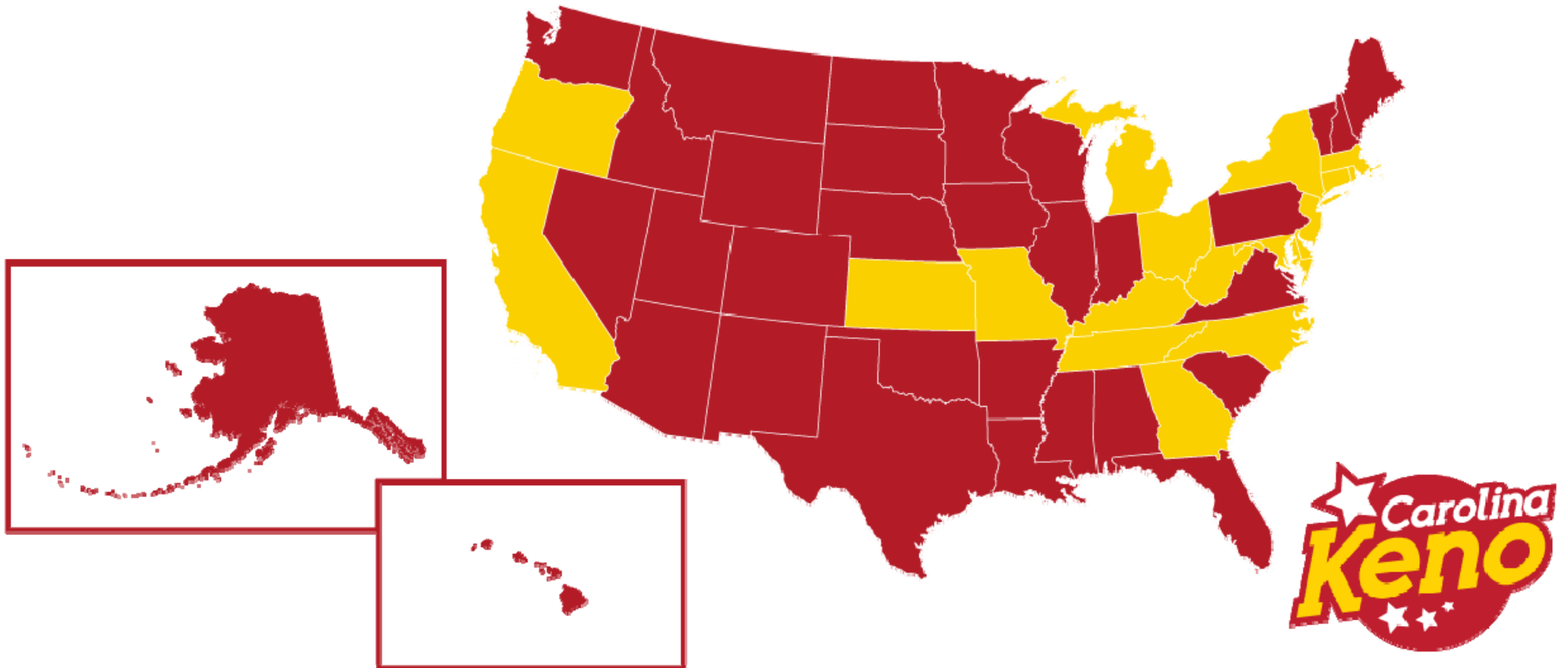
## INSTANT SCRATCH-OFF GAMES







**Over \$169.4 Million**  
in Retail Commissions Statewide  
in FY 2017

## States with Keno (19)





## Financial Estimates for Keno in North Carolina

	YEAR 1*	YEAR 2
 SALES	\$59,780,160	\$135,399,180
 RETURN	\$10,806,933	\$30,931,066

\*Eight months of sales

## Keno Focus Group Results

### No one thought Keno promised or guaranteed a win.

- 💬 *If you don't understand that not everyone who plays this game will win, then you probably shouldn't be playing the lottery. (Infrequent)*
- 💬 *I don't believe with this information here anyone could not understand that wins in Keno aren't guaranteed." (Retailer)*
- 💬 *"It is understandable that not everyone wins." (Light / Lapsed / Millennial)*
- 💬 *"Showing the odds tell players that not everyone is going to win something on this game." (Light / Lapsed / Millennial)*

### Similarly, most respondents didn't feel that Keno was uniquely designed to appeal to kids under 18.

- 💬 *"It's not appealing to kids because this game is more for the older crowd." (Infrequent)*
- 💬 *"I can't see my niece or nephew interested in this because it is not a game on an app." (Infrequent)*
- 💬 *"I don't see it being a problem with kids." (Retailers)*



**1** How much do you want to play per draw?  
See back of play slip for prize payouts.  
\$1 ☐ \$2 ☐ \$3 ☐ \$5 ☐ \$10 ☐

**2** How many numbers (spots) do you want to play?  
1 2 3 4 5 6 7 8 9 10  
☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐

**3** How many consecutive draws do you want to play?  
KENO draw happens every 5 minutes.  
1 2 3 4 5 10 20  
☐ ☐ ☐ ☐ ☐ ☐ ☐

Base Ticket Cost: Step 1 times Step 3

**4** Pick your own numbers, OR select with Quick Pick.  

1	2	3	4	5	6	7	8	9	10
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11	12	13	14	15	16	17	18	19	20
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
21	22	23	24	25	26	27	28	29	30
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
31	32	33	34	35	36	37	38	39	40
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
41	42	43	44	45	46	47	48	49	50
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
51	52	53	54	55	56	57	58	59	60
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
61	62	63	64	65	66	67	68	69	70
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
71	72	73	74	75	76	77	78	79	80
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Select with Quick Pick by checking the box below:  
Quick Pick ☐

nc lottery.com

## How to Play Carolina Keno

1. Select how much you want to play per draw.
2. Choose how many numbers (spots) you want to play.
3. How many draws in a row do you want to play?
4. Pick your own numbers from 1 to 80.

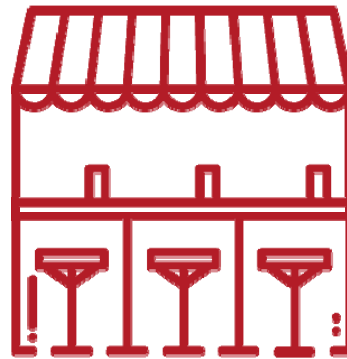
# Carolina Keno Draw Show

Goes live Oct. 29



## Expanding Partnerships

- 682 Retailers Go Live -



New Retailers	Retailers with Social Environment	New Retailer Applications Pending
132	550	107

# Where we could be...

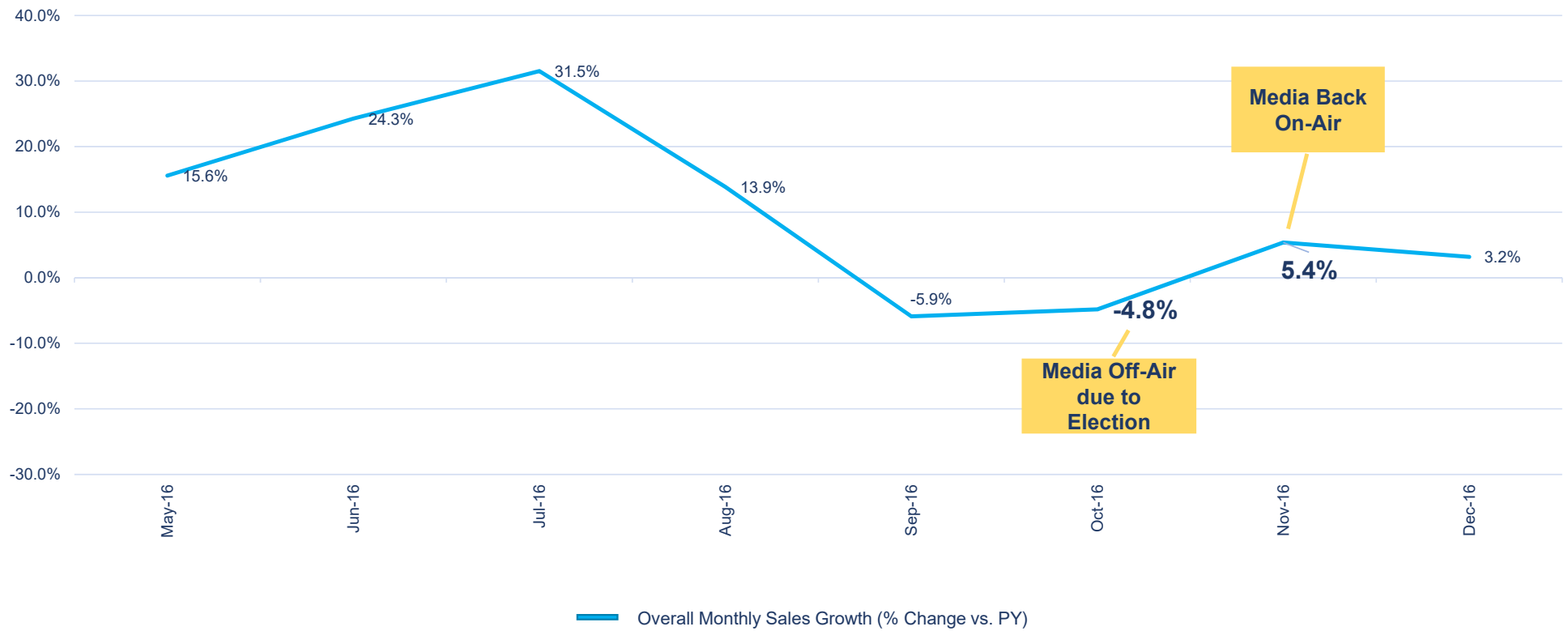
## How Increased Ad Dollars Could Benefit Return to Education



Increase to 1.5% ➡ \$34,410,672

Increase to 2.0% ➡ \$63,372,524

# Advertising Impacts Sales





# How Increased Ad Dollars Could Benefit Return to Education

1.5% Increase	2.0% Increase
<ul style="list-style-type: none"> <li>• 3 new months of Instant Scratch-Off advertised launches</li> <li>• Powerball (to \$0.044/cap above MUSL avg.) and Mega Millions advertising (build to \$0.017/cap above avg.)</li> <li>• Draw Game Promotion advertising for <b>3 months</b></li> <li>• Two (2) \$30 tickets on sale at same time and advertised</li> </ul>	<ul style="list-style-type: none"> <li>• 3 new months of Instant Scratch-Off advertised launches</li> <li>• Powerball (to \$0.044/cap above MUSL avg.) and Mega Millions advertising (build to \$0.017/cap above avg.)</li> <li>• Draw Game Promotion advertising for <b>6 months</b></li> <li>• Two (2) \$30 tickets on sale at same time and advertised</li> <li>• <b>Add additional 4th week of media to monthly instant scratch-off campaigns</b></li> <li>• <b>\$20 large format instant scratch-off game launched and advertised</b></li> <li>• <b>Keno to Go at all 7,000 traditional lottery retailers (\$0.08 weekly per cap)</b></li> <li>• <b>Keno Add-on (multiplier feature) launched with advertising</b></li> </ul>

## How Increased Ad Dollars Could Benefit Return to Education

	1.50%	2.00%
Instant Scratch-Off Initiatives	\$19,296,172	\$29,889,887
Increased Powerball, Mega Millions and Draw Game Promo advertising	\$15,114,500	\$19,805,514.93
Keno to Go and New Add-On		\$13,677,123
<b>Total Return to Education</b>	<b>\$34,410,672</b>	<b>\$63,372,524</b>
Total Gross Sales	\$184,967,561	\$307,770,574
Incremental Spend	\$13,000,000	\$26,000,000
Ratio	2.65	2.44

## Current Web-Based Offerings



Subscription Services launches for Powerball, Mega Millions and Carolina Cash 5



Subscription Services launches for Lucky For Life

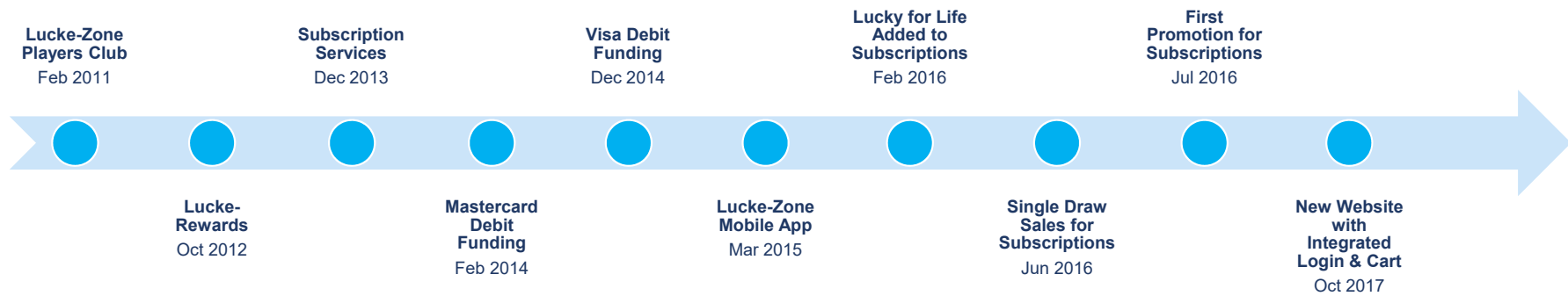
December  
2013

December  
2014

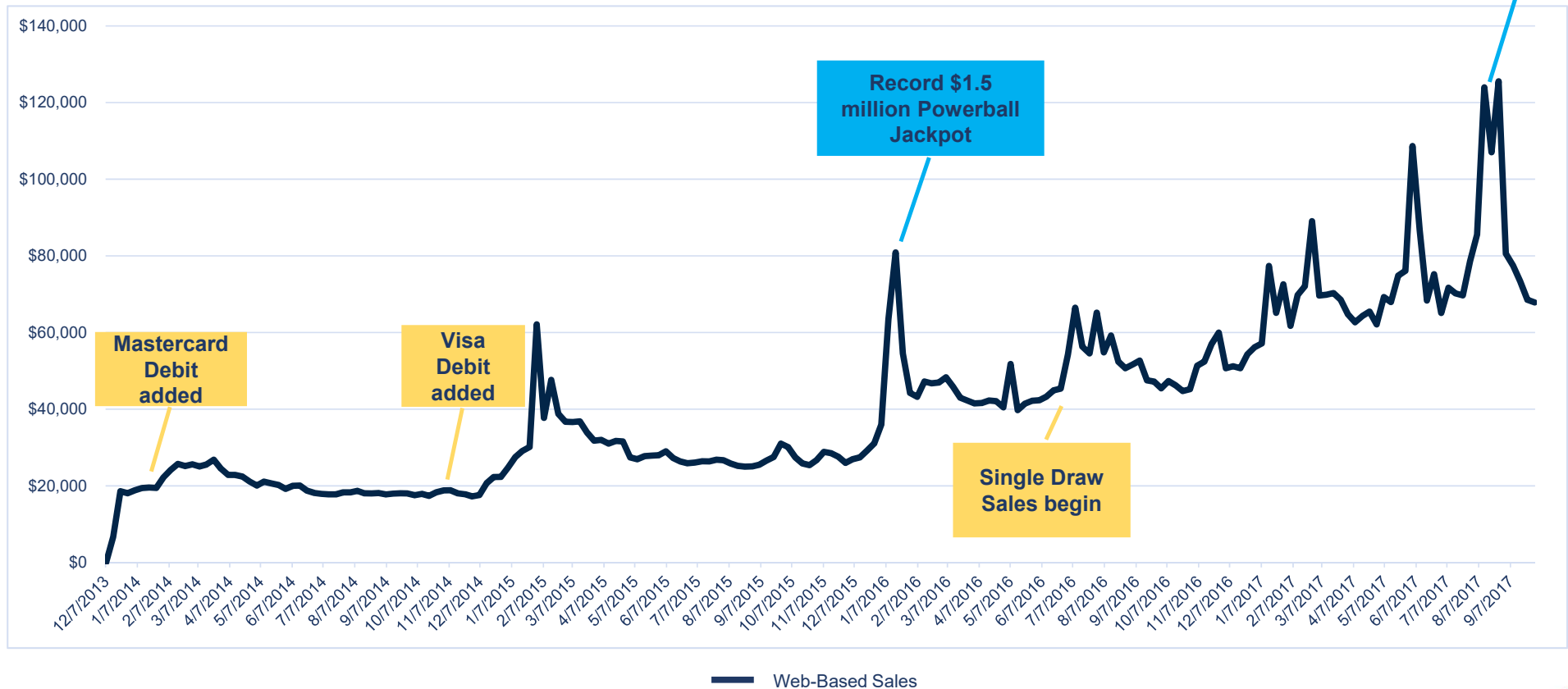
December  
2015

February  
2016

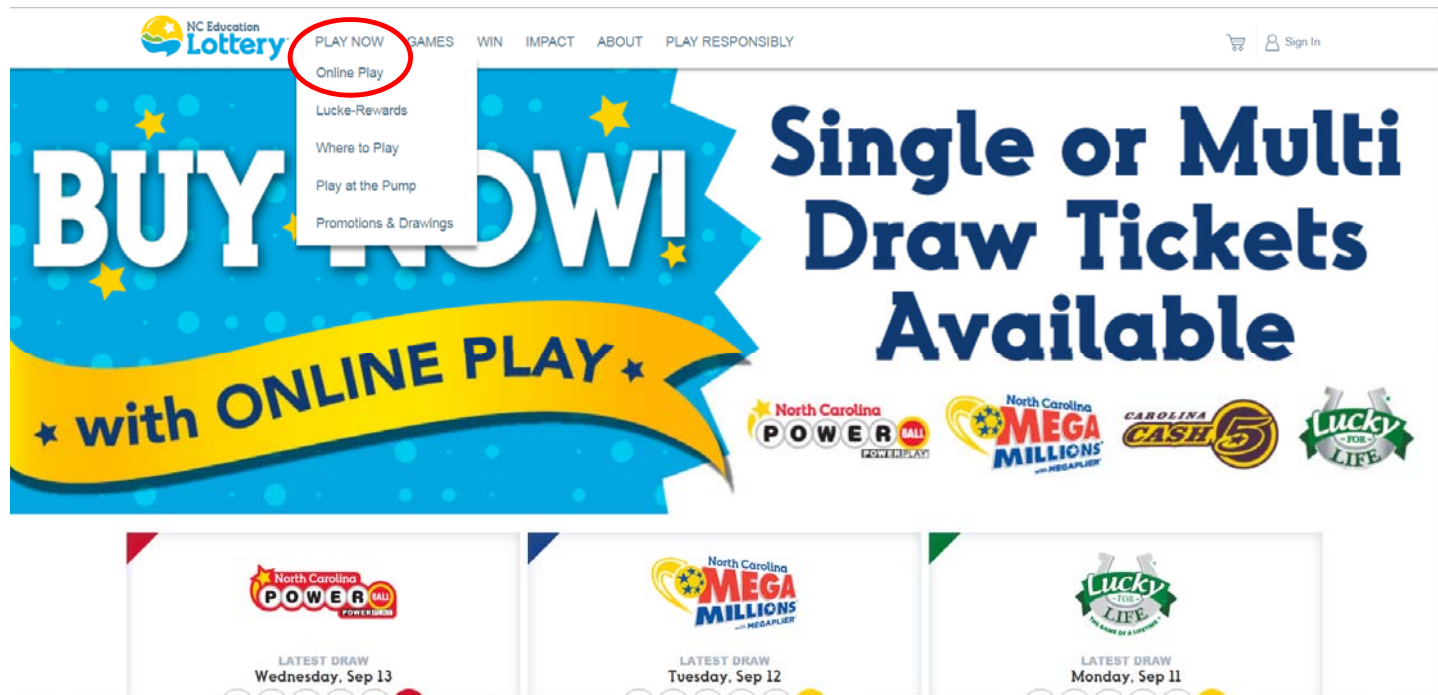
# Evolution of NCEL Web-Based Offerings



# Expanding Web-Based Offerings Increases Sales




## New Website with Integrated Login and Cart



# New Player Dashboard

- With Account Status and Quick Links -

[PLAY NOW](#) [GAMES](#) [WIN](#) [IMPACT](#) [ABOUT](#) [PLAY RESPONSIBLY](#)

Jayalan ▲

13  
POINTS  
COLLECT





0  
DRAWS  
ENTER

1  
TICKETS  
BUY

2  
MSGs  
FUND

0  
CART  
OPTIONS

### Online Play



#### Create Tickets

Number of Draws: 1 Draw ⓘ

QP Express: 1 ⓘ

Select Group: No Group ⓘ

Pick your numbers or Quick Pick:

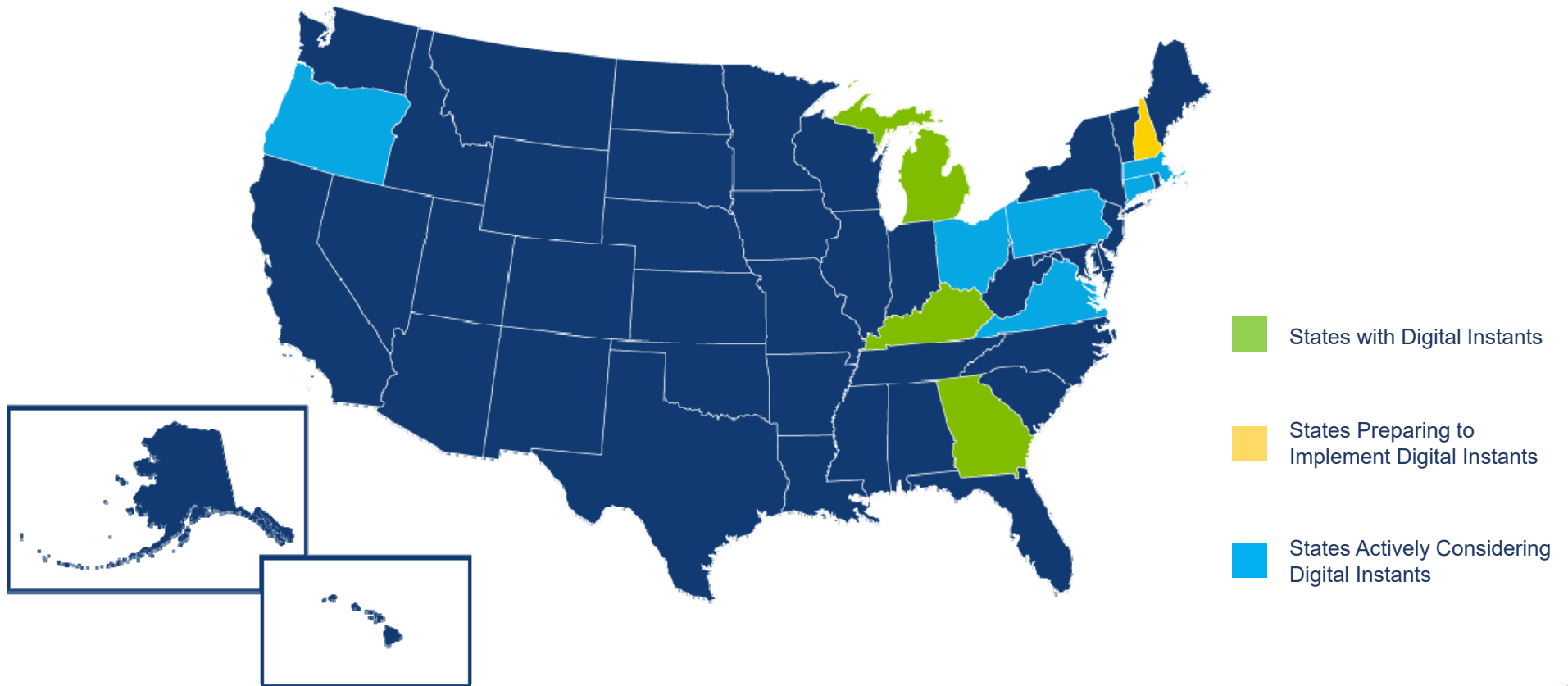
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[Quick Pick](#) [Clear Picks](#)

[INFO](#) [NUMBERS](#)

JACKPOT ESTIMATE

## States are Already Adding Digital Instant Games to Web-Based Offerings





**Adding Digital Instants to Web-Based Offerings  
Could Increase Revenue to Education by**

**\$130 Million**

**Over the First Five Years**

# Projected Digital Instants Gaming Revenues for Education

Digital Instants Benchmarking Study, Prepared by Delehanty Consulting

	Low	Probable	High
Year 1	\$ 4,604,969	\$ 6,405,297	\$ 9,984,438
Year 2	\$ 8,477,718	\$ 16,460,065	\$ 43,396,414
Year 3	\$ 13,166,793	\$ 26,967,079	\$ 80,312,328
Year 4	\$ 18,643,407	\$ 34,970,294	\$ 98,183,394
Year 5	\$ 26,333,430	\$ 45,237,804	\$119,737,647
<b>TOTAL</b>	<b>\$ 71,226,316</b>	<b>\$ 130,040,539</b>	<b>\$ 351,524,221</b>

# Digital Instants Provides Additional Opportunities for Responsible Gaming

## Current Online Play Responsible Gaming Controls:

- Membership Requirement
- Age and Identity Verification
- Geo-fencing for Online Play Purchases
- Wallet Funding/Balance Limits and Winnings Disbursement Controls (including Anti-Money Laundering Safeguards)
- Play Limits
- Player-Enabled Limits and Change Waiting Period
- Self-Exclusion
- PIN Transaction Requirement
- Limited Funding Types

## New Digital Instants Responsible Gaming Controls:

- Increased Purchase Limit Options
- Play Breaks

## Integrating Retail and Digital Instant Channel



# Michigan Lottery

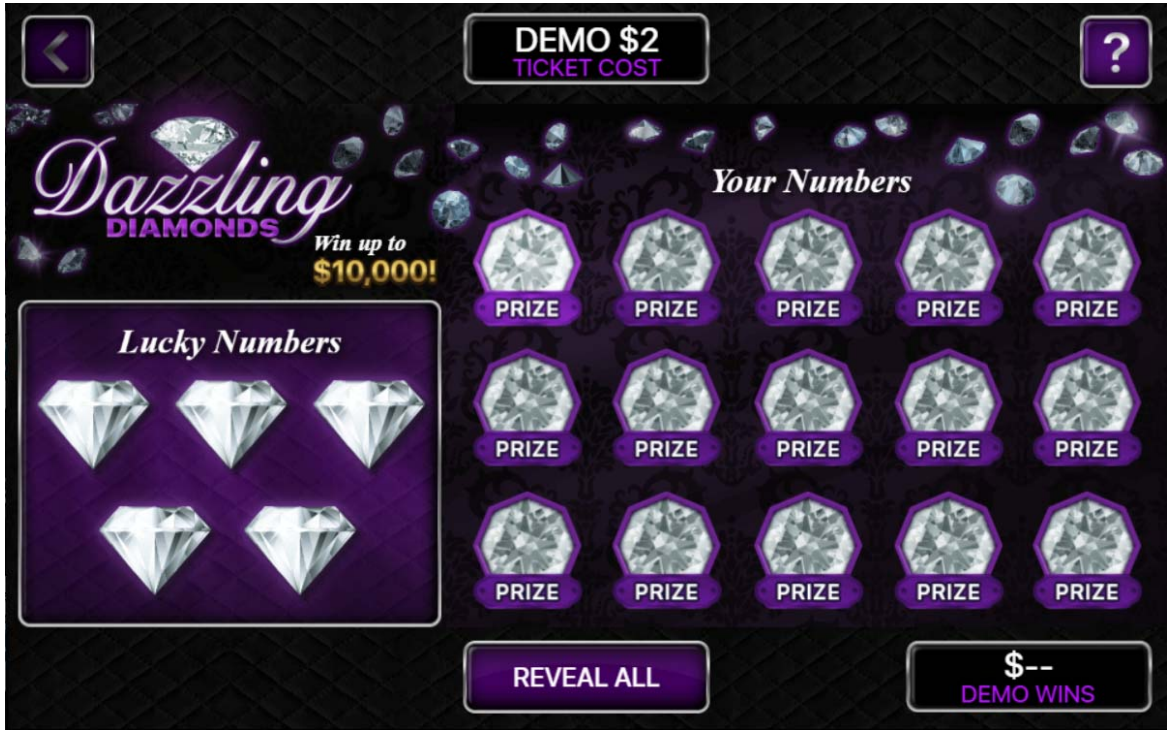


# Georgia Lottery





# Kentucky Lottery

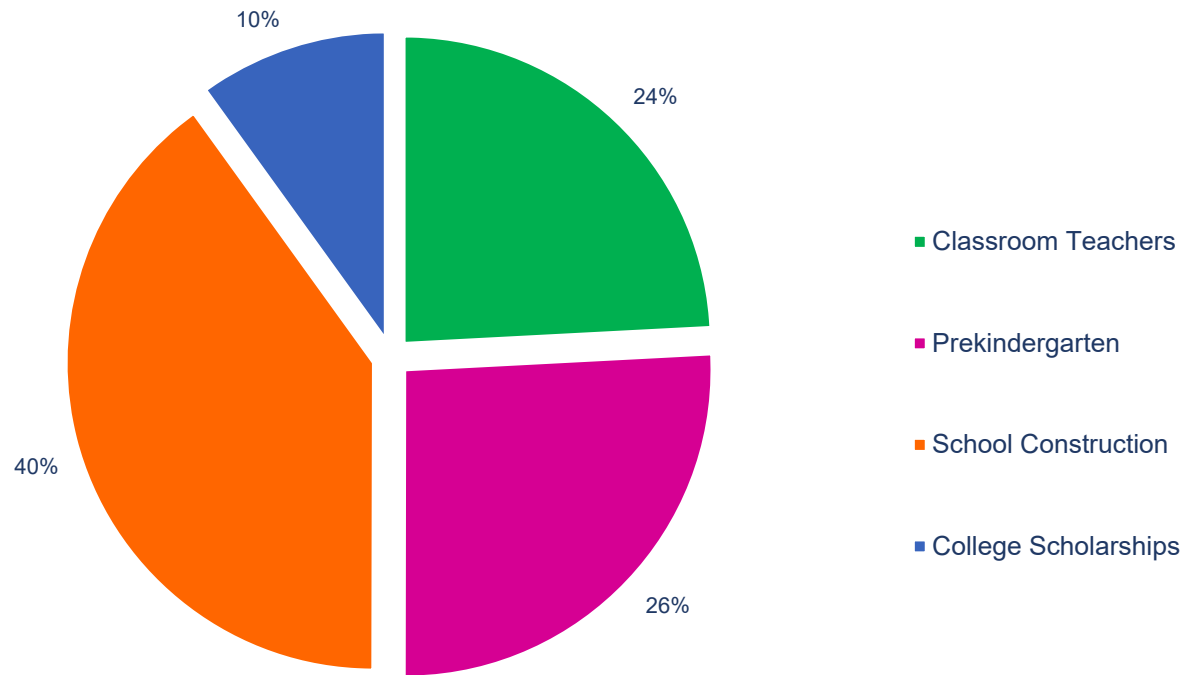






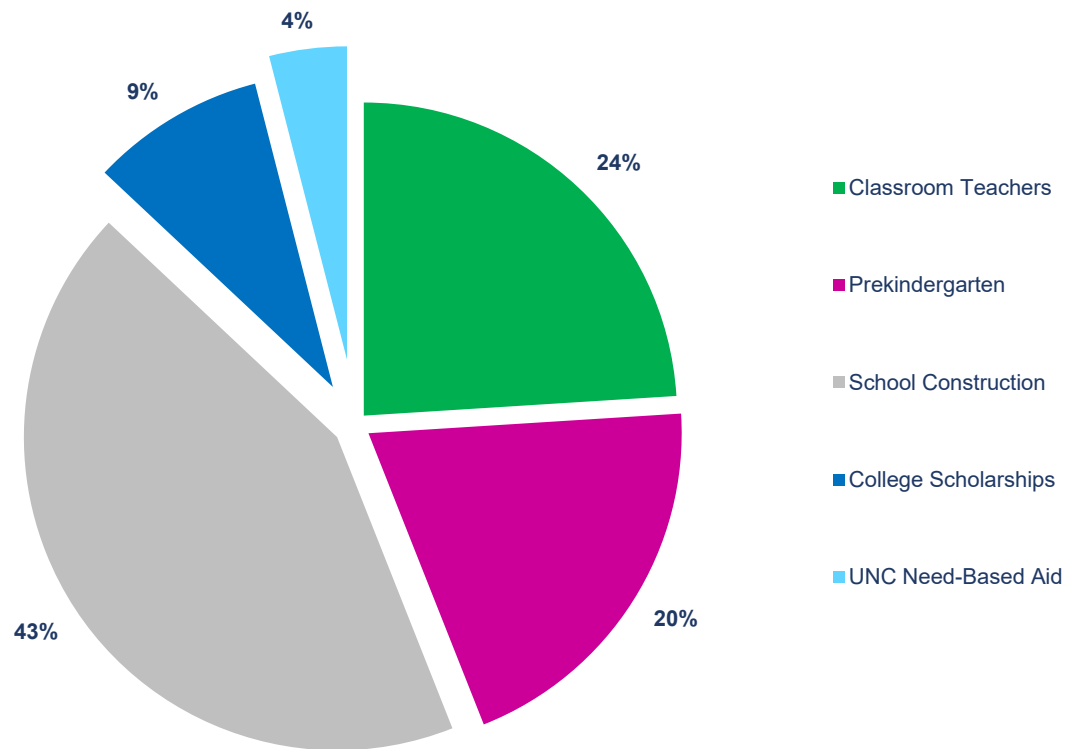
# Questions?

# History of Allocation of Lottery Funds



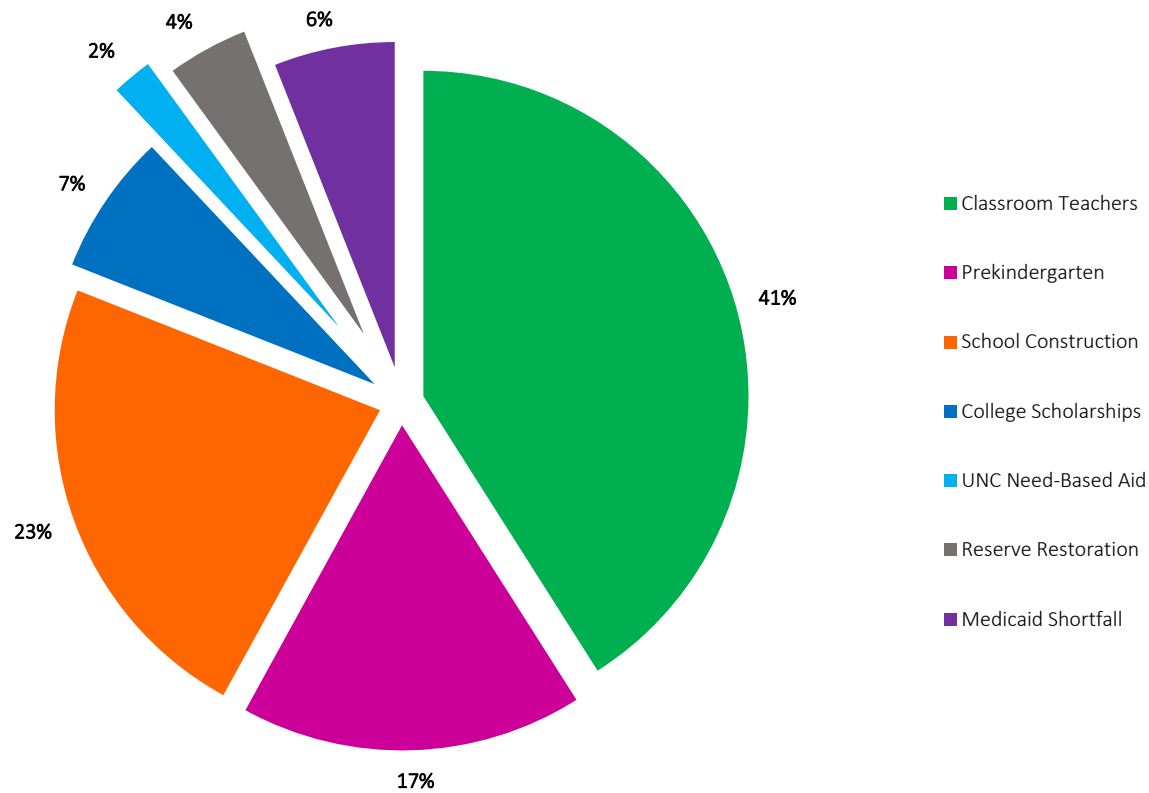
2007 Lottery Allocation

# History of Allocation of Lottery Funds



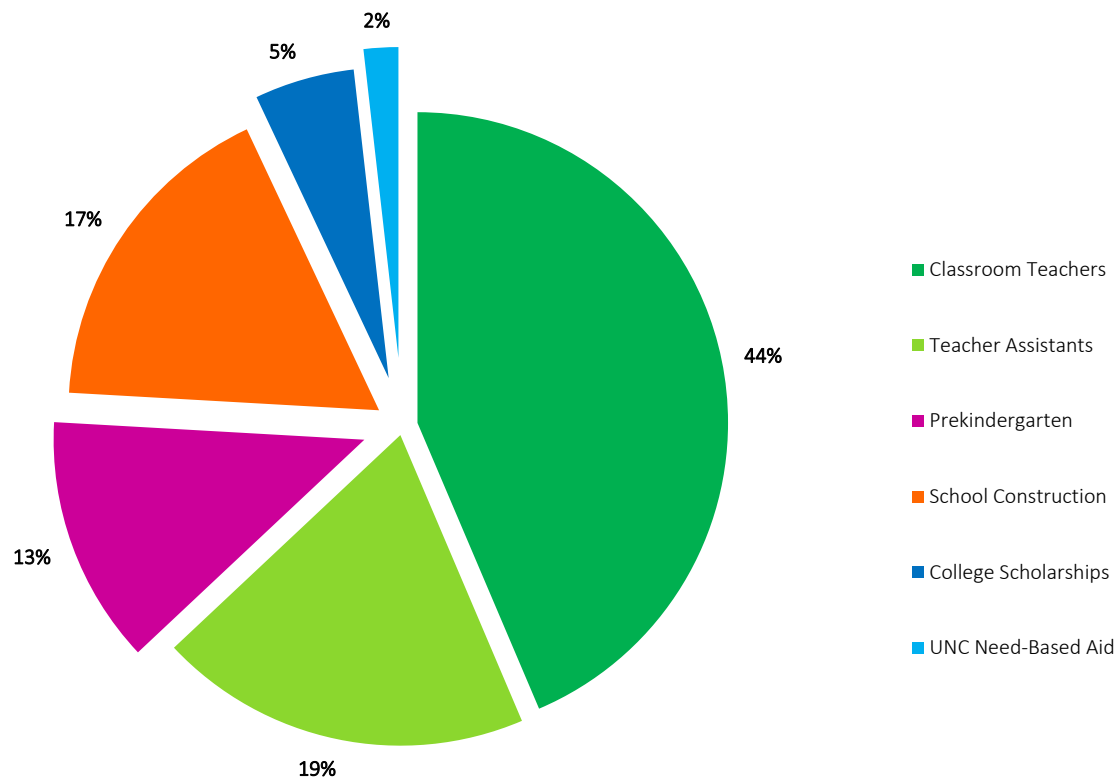
2010 Lottery Allocation

# History of Allocation of Lottery Funds



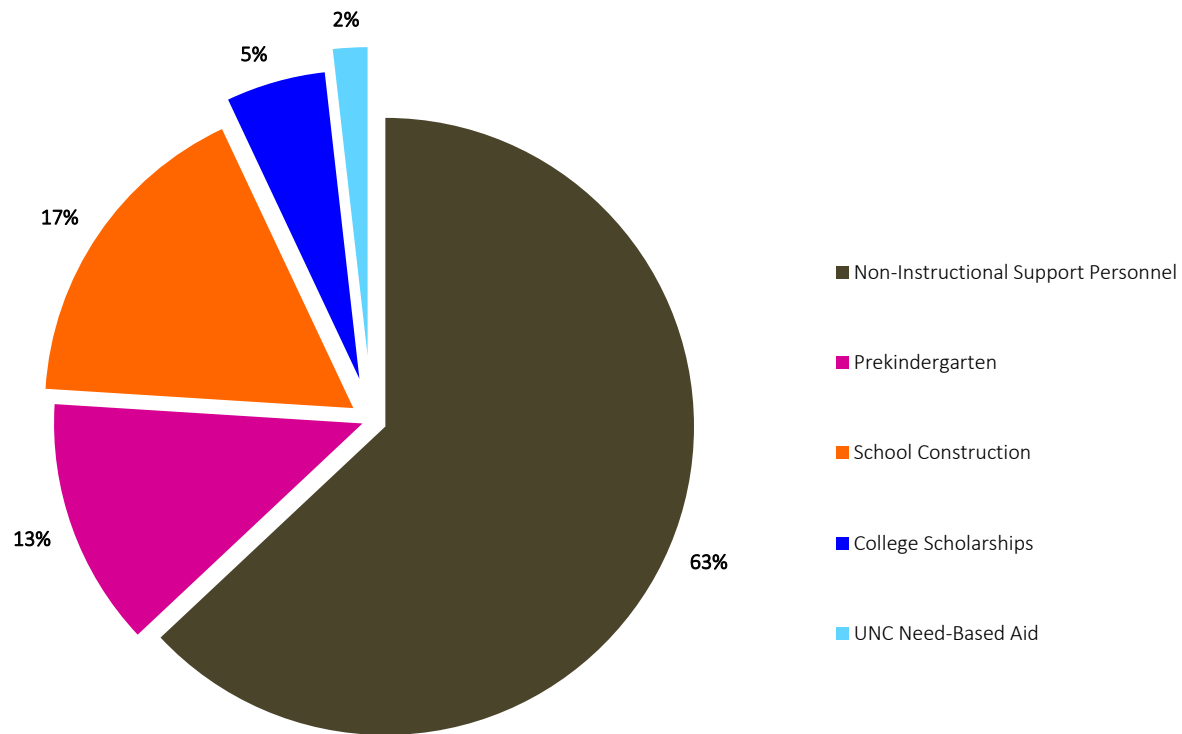
2011 Lottery Allocation

# History of Allocation of Lottery Funds



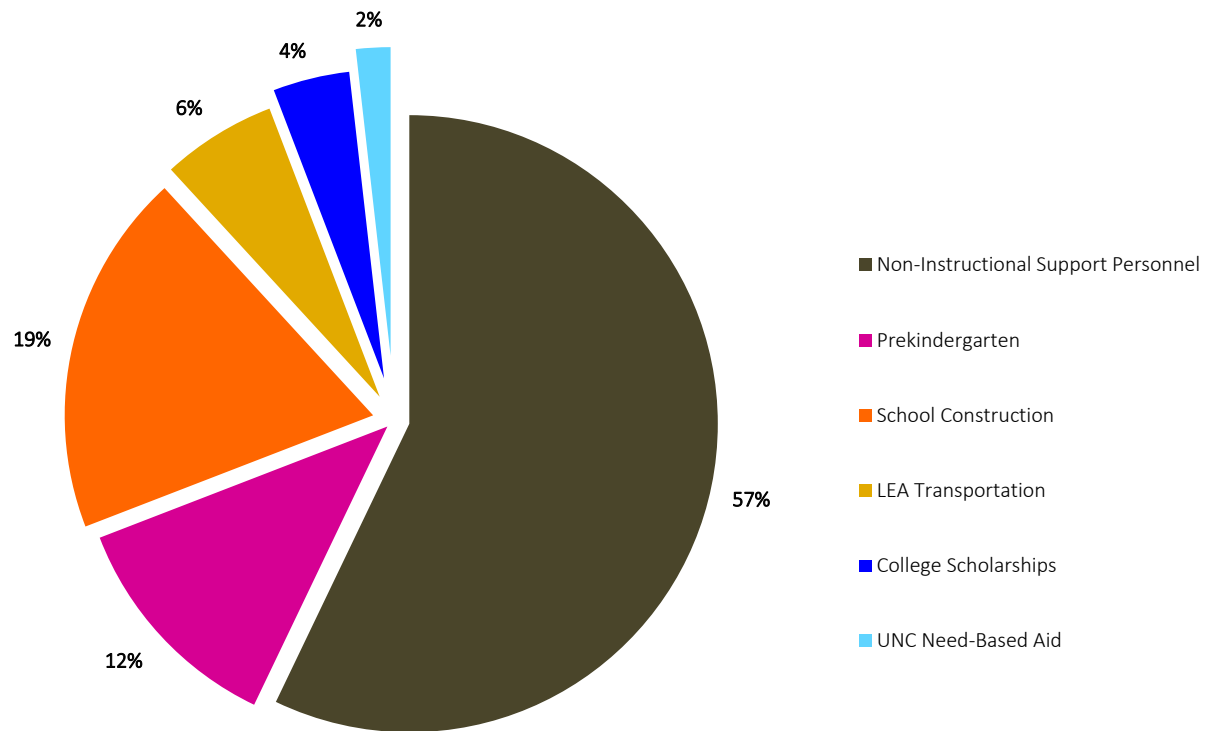
2015 Lottery Allocation

## History of Allocation of Lottery Funds



2017 Lottery Allocation

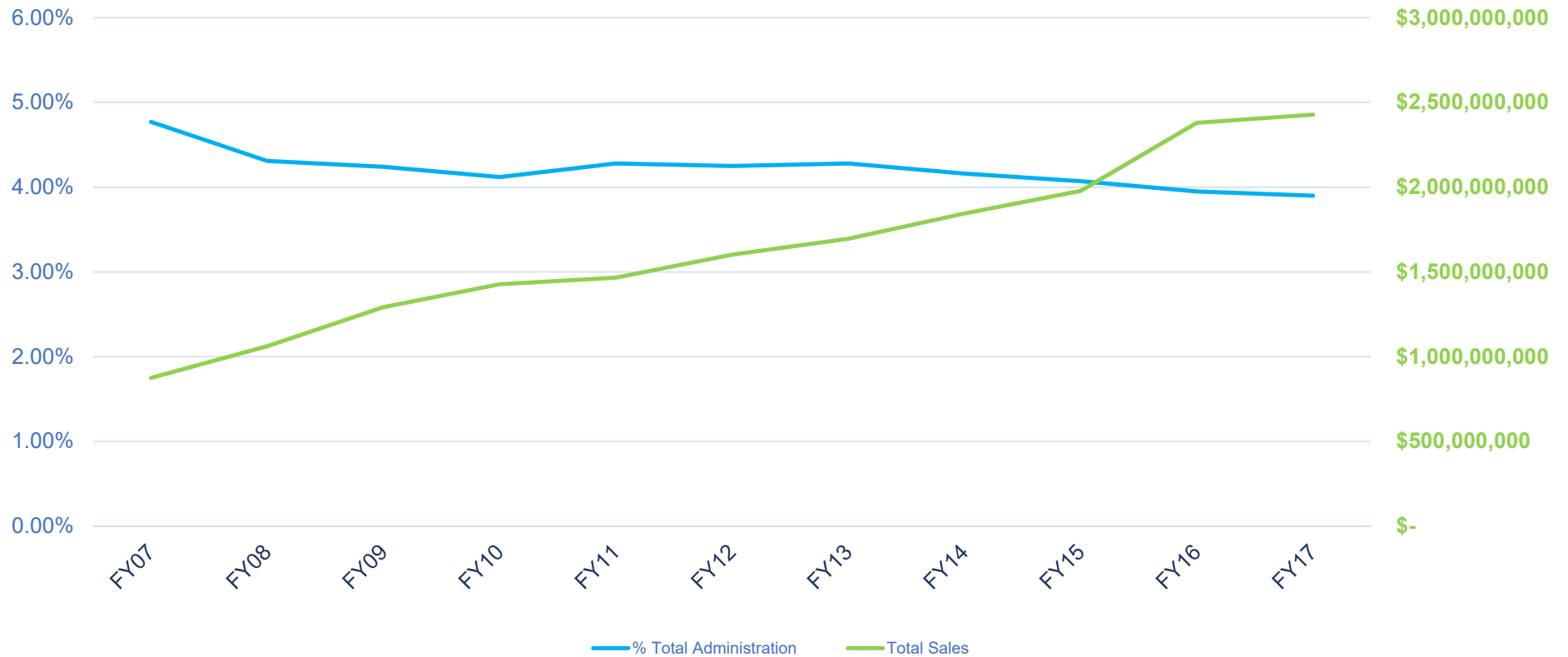
# History of Allocation of Lottery Funds



2018 Lottery Allocation

# Operating Efficiently and Effectively to Grow Sales

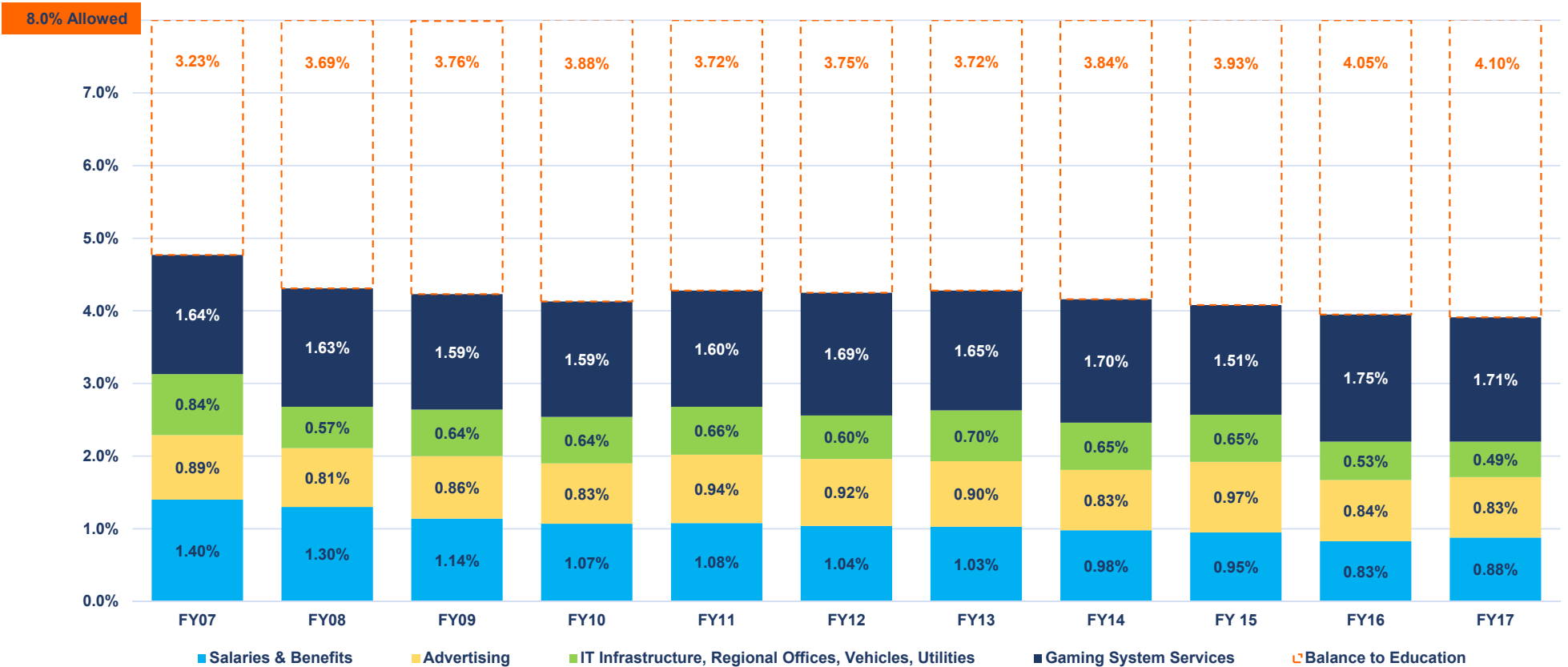
- We are a \$2.4 billion business spending only 3.91% on administrative costs in FY 2017 -





# Administrative Costs as a Percentage of Revenue

*Lottery has used, on average, about half of what's allowed for administrative costs.*



## Commitment to Responsible Gaming

The lottery's goal is to have a lot of people playing a little, not a few people playing a lot. We do not need sales from problem gamblers to be a successful lottery.



The lottery partners with the National Council on Problem Gambling and provide \$1 million a year to the state program, its only source of funding.

## Commitment to Responsible Gaming



Each March, the lottery supports National Problem Gambling Awareness Month with advertising to raise awareness about the signs of problem gambling and available treatment options.

2%

Estimates are that about 2% -- six to eight million Americans, including somewhere between 195,000 and 340,000 North Carolinians -- will experience an issue with some form of problem gambling during their lifetime.



The lottery trains and educates all employees and retailers to recognize the signs of problem gambling and to empower them with knowledge of how to refer anyone to where they can get help.



The phone number for the North Carolina Problem Gambling Helpline, and a Play Responsibly message, is shared in all lottery tickets and advertising.