

Lottery Oversight Presentation

February 15, 2018

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

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



In 11 Years, The Lottery Has Raised:

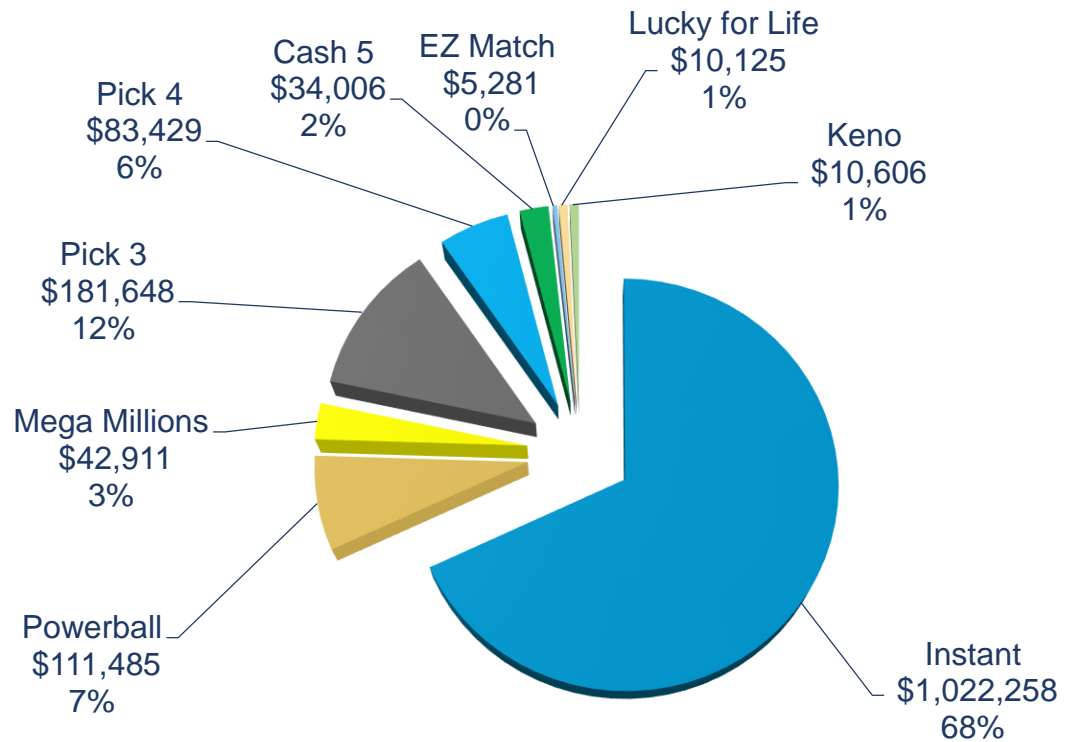
\$5,602,980,682

March 30, 2006 – February 7, 2018

Lottery Sales are Strong

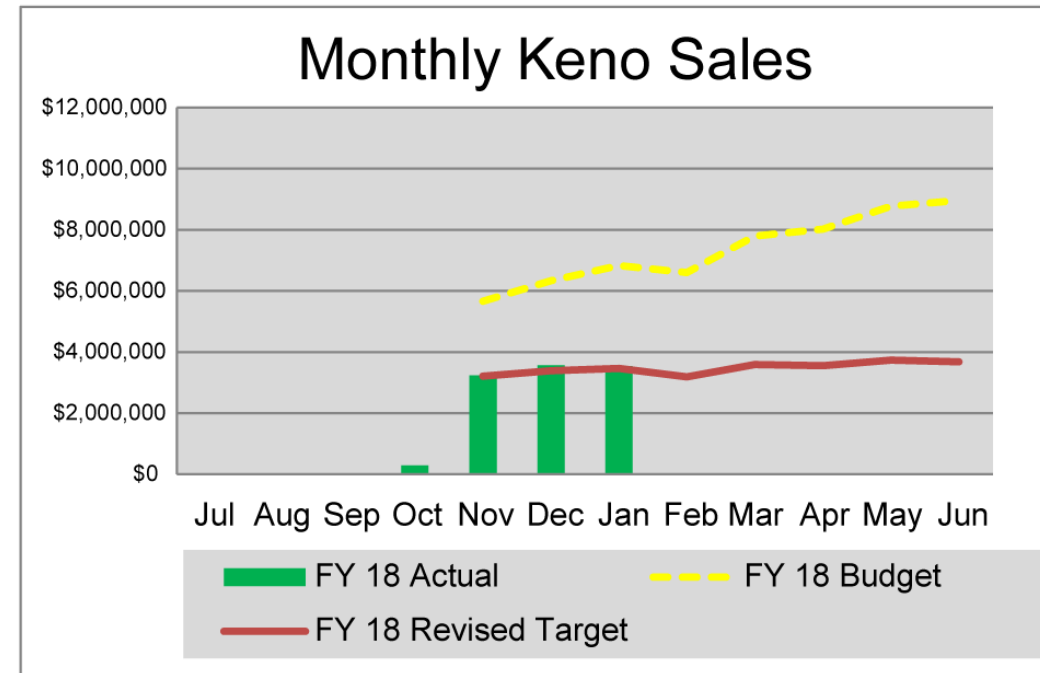
- FY 2018 sales through January 31:
\$1,501,748,632.50
- FY 2018 earnings for education through January 31: **\$386,751,090.85**

FY 2018 Ticket Sales (in thousands)



Keno by the Numbers

Region	Number of Keno Retailers
Asheville	77
Charlotte	142
Greensboro	117
Greenville	111
Raleigh	170
Wilmington	96
Grand Total	713



We estimate that Keno will return **\$6.7 million** to education by June 30, 2018

Keno Benefits Local Economies

- Since its late October launch, Keno has raised **\$1,669,044** for education
- Keno retailers across the state are seeing the benefits
 - Sales have **increased 25%** at Beantown Tavern in Matthews since installation
 - Buffalo Brothers has seen sales **increase 23%** across their four locations in Wake County
 - R Lo's Pub in Thomasville has sales **increased by 15-20%** since offering Keno



Our Partnership With Retailers Is Essential For Growth



Over \$169.4 Million
in Retail Commissions Statewide in FY 17

The average retailer made \$24,586 in commissions in FY 17

Lottery Makes Significant Investments in Retailers

Cost for Lottery

- Terminals
- Printers
- Jackpot signs
- Ticket checkers
- Vending Machines
- Training
- Point of Sale
- Maintenance

Cost for Retailers

Continuous Investments

- Weekly fee: \$15, \$780 per year

One-time Investments

- Background Check: \$75
- In Trust For (ITF) Bank Account

Retailers Receive 7% Commission

Average Retailer Commission is over \$24,000 a year

Keeping Retailer Administrative Costs Low

- Providing flexibility and convenience -



The Lottery Provides:

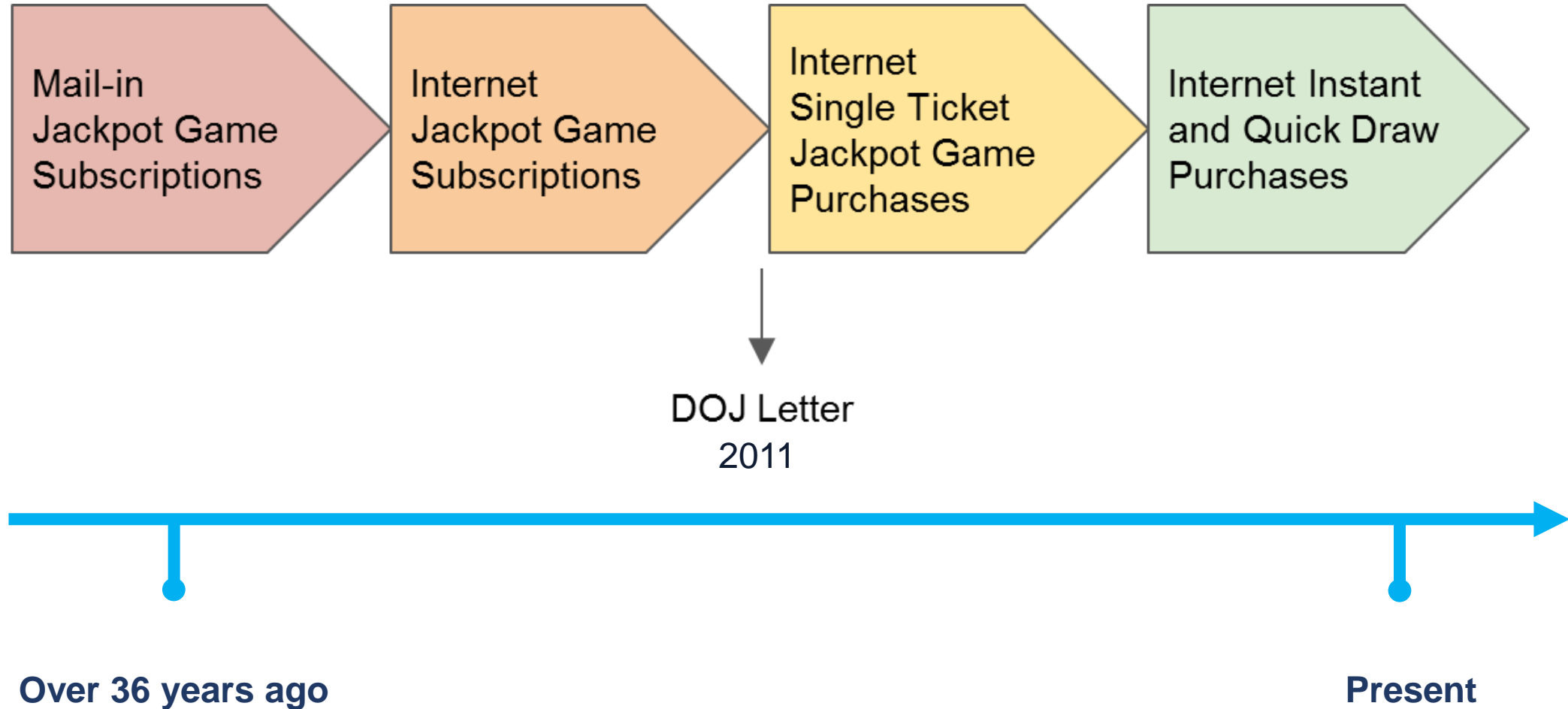
- Flex Terminal and Media Monitor
- Ticket Checker and Play Center
- Jackpot Signs*
- Vending Machine*
- Maintenance costs for equipment
- Consumables, including:
 - Thermal Paper
 - Play Slips
 - Pencils
- Point of Sale Marketing
 - Marketing Materials
 - How to Play Brochures
 - Beneficiary Brochures
- Continual Training for Retail Staff
- Responsible Gaming Materials

* For locations that meet criteria

How We Can Increase Revenue To Education...

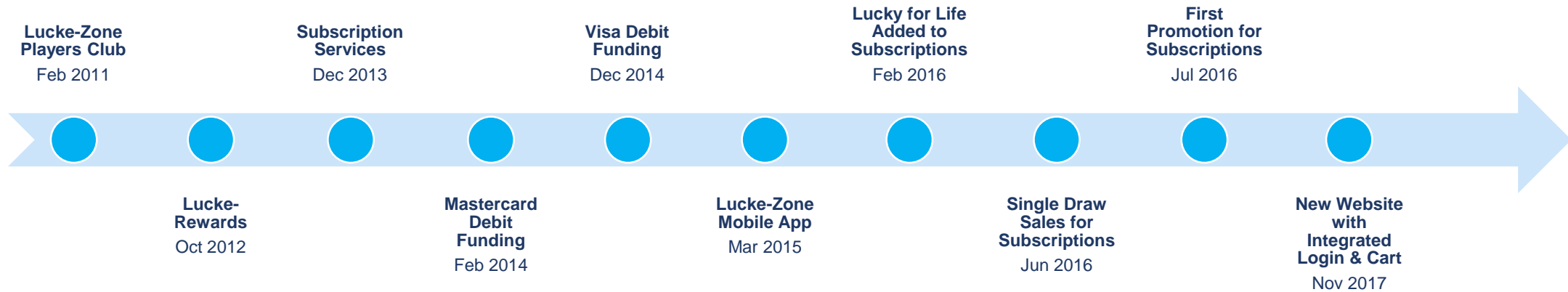
Evolution of iLottery Gaming

- Internet Options Began About 12 Years Ago -



Evolution of NCEL Web-Based Offerings

- Incremental additions to ensure success -



Ten Jurisdictions Currently Offer Web-Based Games

Jurisdiction	Game Category	Single Ticket Launch
Illinois	Jackpot	March 2012
Georgia	Jackpot, Instant, Quick Draw	November 2013
Minnesota*	Jackpot, Instant	February 2014
Michigan	Jackpot, Instant, Quick Draw	August 2014
Kentucky	Jackpot, Instant	April 2016
North Carolina	Jackpot	May 2016
New York	Jackpot Subscriptions	n/a
New Hampshire	Jackpot Subscriptions	n/a
North Dakota	Jackpot Subscriptions	n/a
Virginia	Jackpot Subscriptions	n/a

North Carolina Education Lottery Performance Audit, Prepared by Delehanty Consulting

**Minnesota's digital program was terminated in August of 2015.*

Millennial Players Are Engaged At A Higher Rate Through Digital Channels

Age Bracket	Michigan Retail Players	Michigan Digital Instants Players	Kentucky Digital Instants Players
18 to 25	2%	4%	7%
26 to 35	14%	22%	21%
36 to 45	16%	23%	23%
46 to 55	22%	24%	24%
56 to 65	28%	18%	18%
Over 65	18%	9%	7%

North Carolina Education Lottery Performance Audit, Prepared by Delehanty Consulting

**Retail players are measured as those who have submitted a retail game ticket online but have never bet on a digital lottery game*

18-35 Year-Olds Prefer Instant And Quick Draw Games

Age Bracket	Jackpot Game Player	Scratch/Quick Draw Player
18 to 25	4%	9%
26 to 35	18%	27%
36 to 45	24%	23%
46 to 55	27%	21%
56 to 65	19%	14%
Over 65	8%	6%

North Carolina Education Lottery Performance Audit, Prepared by Delehanty Consulting

**Jackpot Game Players are determined as betting 50 percent or more of their wagers on draw games.*

Scratch and Quick Draw Players are determined as betting 80 percent or more on those games.

Players falling in the middle (the gaps between above formulas) are considered mix players and are not depicted

**Adding Digital Instants Could Increase
Revenue To Education By**

\$130 Million

Over The First Five Years

North Carolina Education Lottery Performance Audit, Prepared by Delehanty Consulting

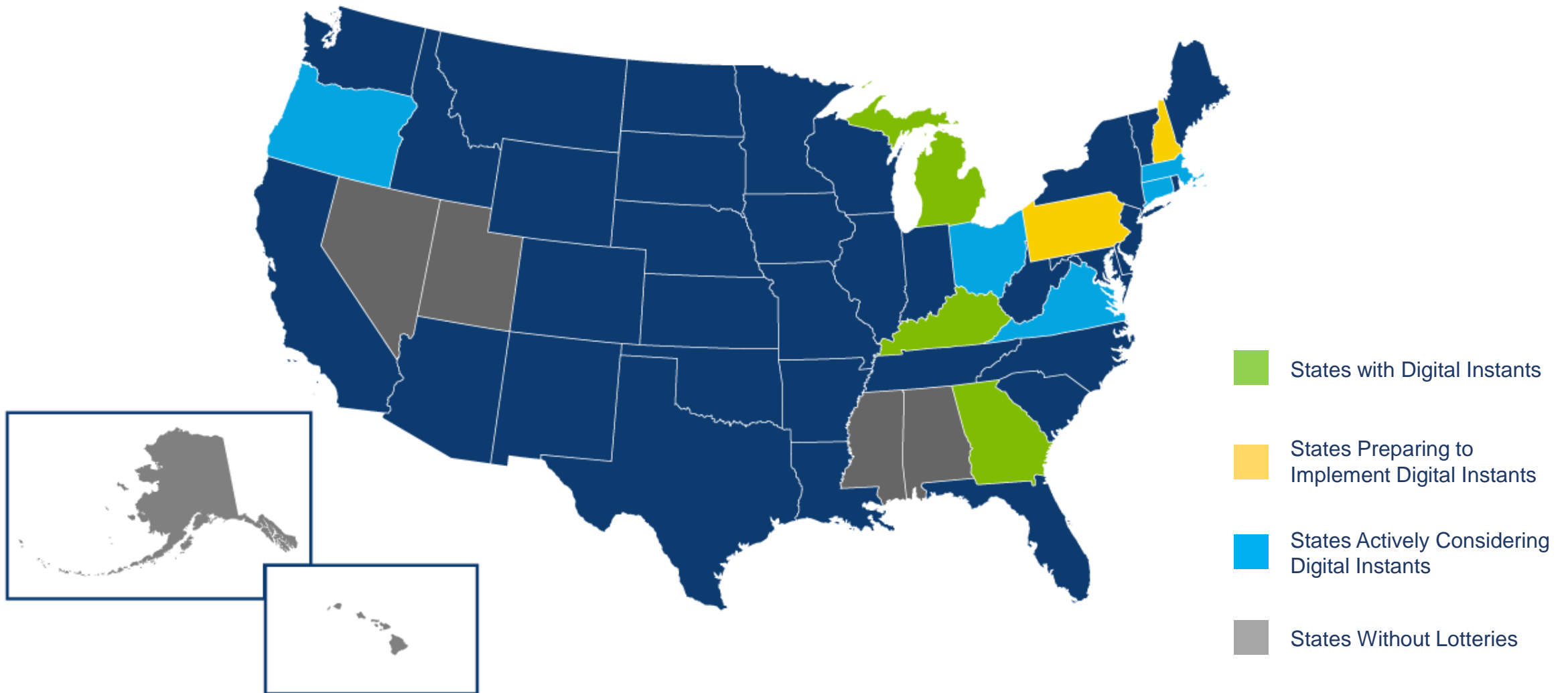
Projected Digital Instants Gaming Revenues for Education

North Carolina Education Lottery Performance Audit, 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

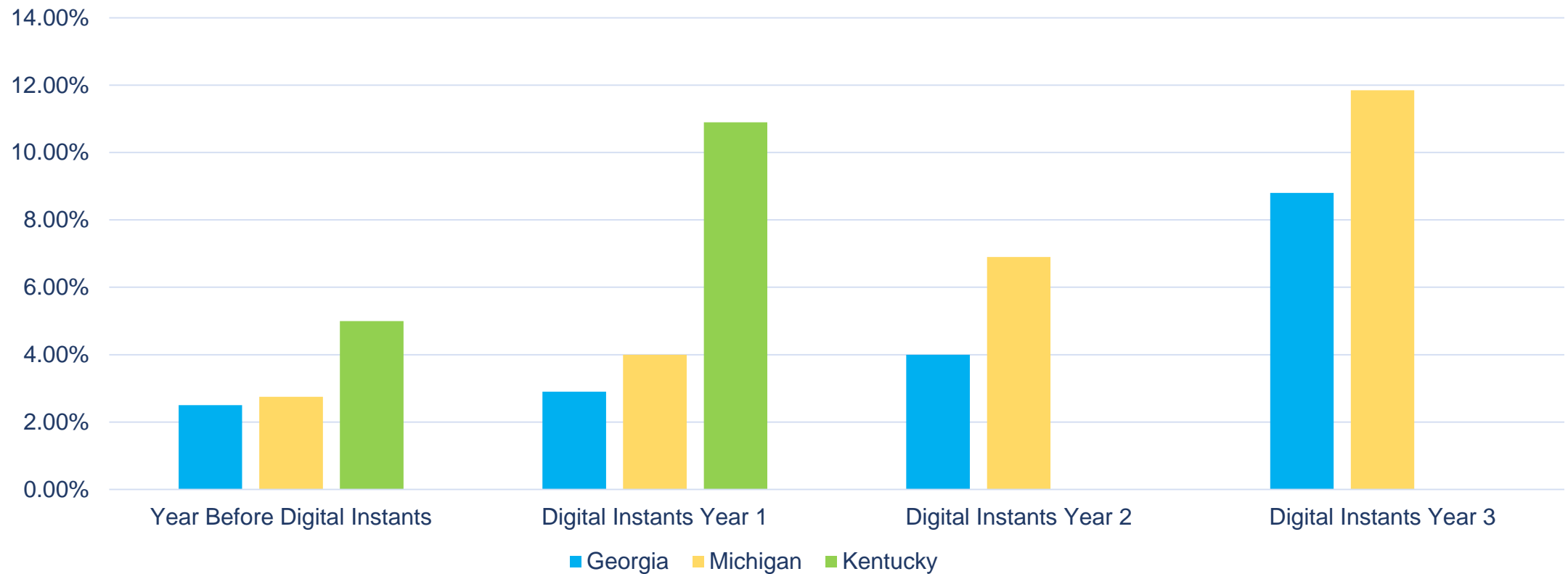
TOTAL	\$ 71,226,316	\$ 130,040,539	\$ 351,524,221
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States Are Already Adding Digital Instants To Web-Based Offerings



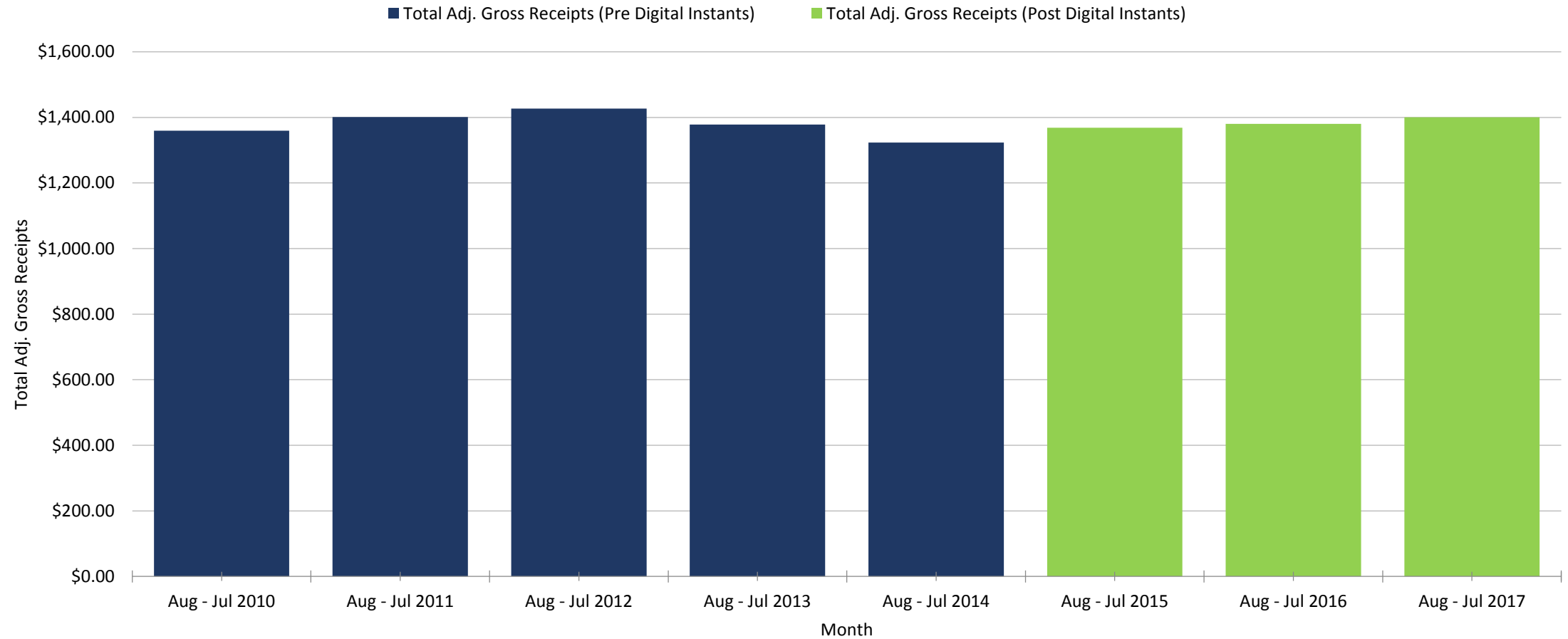
All Lotteries Experienced Positive Retail Sales Growth After Digital Instants Launch

North Carolina Education Lottery Performance Audit, Prepared by Delehanty Consulting



Detroit Casino Sales Before and After Digital Instant Launch

- No negative impact on sales, sales remain constant -



Each Lottery Integrated Retail and Digital Channel

- Players receive incentive to purchase via retailer, retailers still receive commission on sale -

“ Overwhelming evidence indicates that iLottery [Digital Instants] does not harm retail, however each lottery seems to have taken very deliberate steps to differentiate and integrate the two channels. NCEL should consider a similar approach by exclusively retaining certain games for retail sale while also implementing prepaid mechanisms ”

- Digital Instants Benchmarking Study,
Prepared by Delehanty Consulting



**We Protect The Interests Of Those
Who Play Our Games**

Our Commitment to Responsible Gaming



- Provides \$1 million a year as the only sponsor of the N.C. Problem Gambling Program.



- Includes the phone number for the North Carolina Problem Gambling Helpline and a Play Responsibly message on all lottery tickets and advertising.







- Supports National Campaigns with advertising to raise awareness about the signs of problem gambling and available treatment options.



- 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.

N.C. Is The Youngest U.S. Lottery To Obtain Top Certification For Responsible Gaming From The World Lottery Association

New Jersey	Indiana	California	North Carolina
			
Inception 1969	Inception 1989	Inception 1984	Inception 2006 Level 4: December 2017

Online Play Provides Significantly More Responsible Gaming Measures Than Retail

Current Online Play Responsible Gaming Controls

- Verifying player is legally able to purchase tickets -



- **Membership Requirement**

- Must upgrade account with additional information to purchase online.
- Verify identity by:
 - Providing documentation of name
 - Providing documentation of address
 - Providing telephone number
 - Providing last four digits of social security number

Current Online Play Responsible Gaming Controls

- Verifying player is over 18 years of age -



- **Age and Identity Verification**
 - Uses ID verification service IDology
 - Validates the identity of online players
 - Identifies potential risks
- **Geo-fencing for Online Play Purchases**
 - In compliance with the Interstate Wire Act (1961)
 - Verifies player location utilizing two location validation services:
 - LocationSmart for mobile transactions
 - Digital Element for desktop transactions

Current Online Play Responsible Gaming Controls

- Setting limits helps control for potential issues -



- **Wallet Funding/Balance Limits and Winnings Disbursement Controls (including Anti-Money Laundering Safeguards)**
 - Establishes thresholds for:
 - Player wallets, \$500/day and \$2,000 total
 - Winnings Wallet, \$1,000 per withdrawal
 - Claiming prizes, greater than \$599.99
- **Play Limits**
 - Maximum \$70 weekly spend on a rolling basis

Current Online Play Responsible Gaming Controls

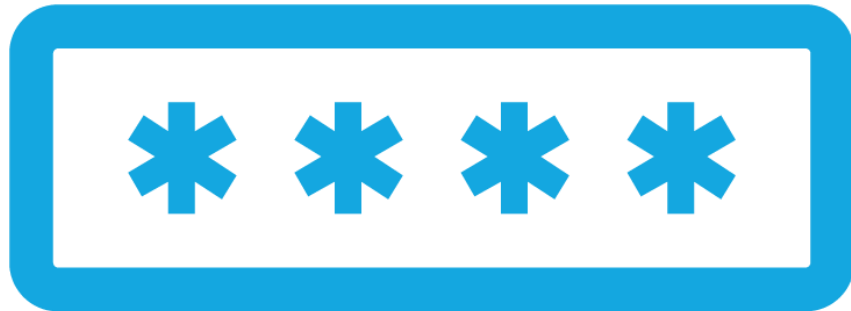
- Allowing players to be in control of their play -



- **Player-Enabled Limits and Change Waiting Period**
 - Players can set their own play limits
 - Limits from \$10 to \$70 per week
 - Includes a 24-hour waiting period before any increase in the spending limit takes effect
- **Self-Exclusion**
 - Voluntary self exclude for time-period
 - Locks account so player cannot purchase games

Current Online Play Responsible Gaming Controls

- Players cannot purchase games with a credit card -



- **PIN Transaction Requirement**
 - Required to enter a PIN for every purchase in Online Play
- **Limited Funding Types**
 - Players may only fund their wallet using:
 - ACH bank transfer from a checking account
 - MasterCard debit card, or VISA debit card

New Digital Instants Responsible Gaming Controls

- Increasing responsible play options for players -



- **More Options to Set Purchase Limits**
 - Choose daily, weekly, and/or monthly deposit limits
 - Included option to set loss limits
- **Play Breaks**
 - More options for:
 - Short-term play breaks
 - Long-term exclusions

How Sweepstakes Differ from Digital Instants...

Sweepstakes Example



<https://www.youtube.com/watch?v=SNkG4Ma53aw>

Digital Instants Example

MICHIGAN LOTTERY

WIN UP TO \$6,250

TRIPLE 777TM

Find **7 7 7** in the same row, win the prize shown for that row.

Find  and instantly win the prize shown.

3	8	4	\$25
5	5	3	\$0.25
8	3	8	\$0.25
777	PRIZE		
777	PRIZE		
777	PRIZE		
777	PRIZE		

114510030600

  7   \$0.25  \$1.75  **SCRATCH ALL**

SELECT TICKETS TICKET COST TOTAL COST TOTAL WINS

https://www.michiganlottery.com/instant_online_games?LotSrc=ilotteryGlobalTopNav_InstantGamesOnlineLink

Digital Instantants Are Similar To Lottery Scratch-Offs

North Carolina Education Lottery
Peppermint 7's Dazzler Scratch-off



Michigan Lottery
Triple 7's Digital Instant Game

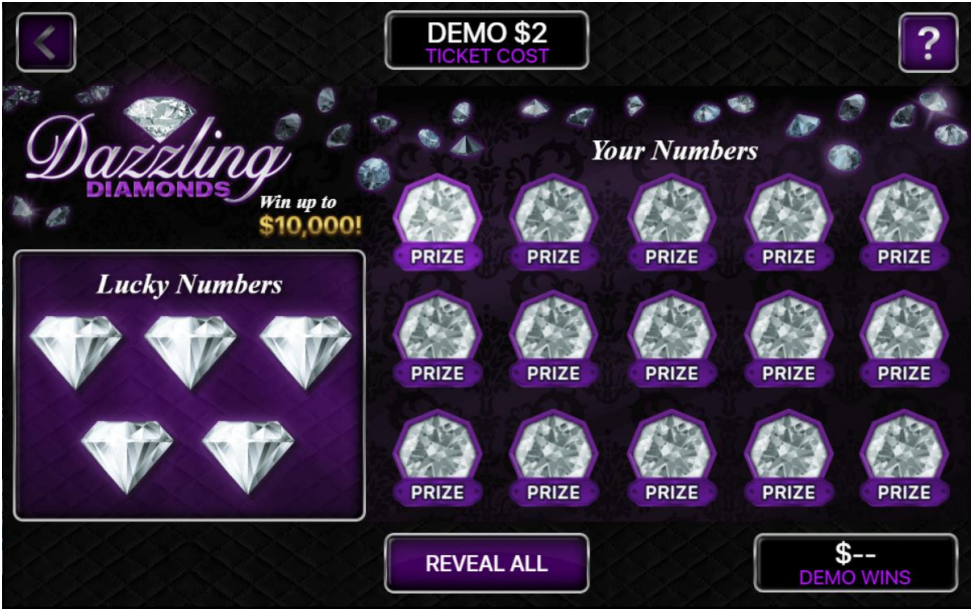


Digital Instantants Are Similar To Lottery Scratch-Offs

North Carolina Education Lottery
\$250,000 Diamond Dazzler Scratch-off



Kentucky Lottery
Dazzling Diamonds Digital Instant Game



Digital Instant Games are Similar To Lottery Scratch-Offs

North Carolina Education Lottery
Blackjack Tripler Scratch-off



Michigan Lottery
Blackjack Doubler Digital Instant Game



Digital Instants RFP Potential Timeline

- Incremental change is necessary for successful implementation -





Questions?