



December 17, 2021
COMMISSION
REPORT

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NOTICE OF PUBLIC MEETING AND EXECUTIVE SESSION OF THE ARIZONA STATE LOTTERY COMMISSION

Pursuant to Arizona Revised Statute (A.R.S.) § 38-431.02, notice is hereby given to the members of the Arizona State Lottery Commission and to the general public that the Arizona State Lottery Commission will hold a meeting open to the public on **December 17, 2021, at 10:00 a.m.**, in the Arizona Lottery Board Room located at 4740 East University Drive, Phoenix, Arizona. The public is welcome to join the meeting in person, via telephone, or internet through **Google Hangouts Meet**. The following are instructions on joining the meeting via the Google Hangouts Meet:

Join the meeting online by entering the following link into your URL
meet.google.com/tei-spwe-stm

OR

Join the meeting US Toll Free by phone at 601-844-2921 when prompted enter Access Code 765 034 022 **followed by the pound key (#)**

If you are having problems with connecting, please contact 480-921-4493.

Pursuant to A.R.S. § 38-431.02(B), further notice is hereby given to the Arizona State Lottery Commission and members of the public that the Arizona State Lottery Commission may vote to go into Executive Session, which will not be open to the public, for the purpose of obtaining legal advice pursuant to A.R.S. § 38-431.03(A)(3) regarding any of the agenda items. The Commission may also vote on any item listed on the agenda. All members of the Commission will be participating by means of telephonic communication.

Call to Order

1. Call for Quorum
2. Call for Notice
3. Approval of Minutes for November 19, 2021, Public Meeting

Agency Reports

1. Director's Presentation
2. Financial Report – Presentation
3. Marketing & Products Update - Presentation
4. New Game Introduction – No Presentation

New Business

1. Discussion and possible action on Arizona Administrative Code Title 19, Chapter 3, Article 2, Retailers.
2. Discussion and possible action on new instant scratch game profiles: *Big Money* #1363, \$100 or \$200 #1364, *Hit \$50* #1365, *Hit \$100* #1366, *Hit \$500* #1367, and *Hit \$1,000* #1368.

3. Discussion and possible action on new promotion profile: *Million Dollar Giveaway 2022 #113*.

Call to the Public

Consideration and discussion of comments from the public. Those members of the public wishing to address the Commission need not request permission in advance and will be given approximately five minutes for their comments and requests. Action taken as a result of public comment will be limited to directing staff to study the matter or rescheduling the matter for further consideration at a later date to comply with A.R.S. § 38-431.02.

Announcements

The next Commission meeting will be held January 21, 2022, at 10:00 a.m.

Adjournment

Materials

A copy of the agenda and background material provided to Commission members, which is not exempt by law from public inspection, is available for public inspection at least 24 hours advance of the meeting at the Lottery Office located at 4740 East University Drive, Phoenix, Arizona.

Notice

Any amendments or additions to the agenda will be made available at least 24 hours prior to the meeting.

Dated this 8th day of December, 2021

Gregory R. Edgar
Executive Director

Persons with a disability may request a reasonable accommodation by calling (480) 921-4486. Requests should be made as early as possible to allow time to arrange the accommodation.

PUBLIC MEETING OF THE ARIZONA LOTTERY

Commission Minutes of November 19, 2021, Meeting

- PRESIDING** Chair Jeff Weintraub (Teleconference)
- COMMISSIONERS** Vice Chair Chad Wilson (Teleconference) Debra Roth (Teleconference), Julie Katsel (Teleconference), and Trent Crump (Teleconference)
- LOTTERY** Executive Director Gregory Edgar (Teleconference), Russ Harben, Deputy Director of Operations and Todd Terrell, Deputy Director of Security and Regulatory Division (In-person), Greg Chmielewski, Deputy Director for Performance and Strategic Initiatives (Teleconference), Chris Rogers, Deputy Director of Products and Marketing (Teleconference) and Raynie Hosto, Deputy Director of Customer Service and Sales (Teleconference)
- Luanne Mansanares, and Jacob Rusywick (In Person)
Shelby Alessi, Debra Andrego, Serena Arlotta, Mary Cimaglio, Anjali Dan, Ivy Gilio, John Gilliland, Susan Kalember, Cheyenne McMurtry, Melissa Pike, Allyson Saltford, Lynda Sellers, Devin Slayton, Orion Steen, Kathleen Syms, and Art Uthaisri. (Teleconference)
- GUESTS** Attorney General Representative: Pamela (Linnins) Peiser (Teleconference)
Scientific Games Representatives: Topper Wilson, (Teleconference)
Pollard Banknote Limited Representatives: Wes Brown (Teleconference)
Owens Harkey Representatives: Jessica Guffey, Noelle Hobaica, Ariana Moreno, and Angie Vollmers (Teleconference)
- PUBLIC** Brian Hemmerle and Andrew Gill (Teleconference)

Call to Order

1. **Call for Quorum:** Pursuant to the Public Notice dated October 13, 2021, the Public Meeting of the Arizona State Lottery Commission was called to order at 10:01 a.m. by Chair Jeff Weintraub.

A quorum was present, with Chair Weintraub, Vice Chair Wilson, Commissioner Roth, Commissioner Crump and Commissioner Katsel appearing via teleconference.
2. **Notice:** Notice was posted by Lisa Schartz on November 12, 2021, at 3:50 p.m., at the Arizona State Lottery, located at 4740 E. University Dr., Phoenix, Arizona.
3. **Approval of Minutes:** Chair Weintraub entertained a motion to approve the minutes of the October 22, 2021, Public Meeting. Commissioner Katsel verbally moved; Commissioner Roth verbally seconded. The vote was unanimous with Chair Weintraub verbally voting aye, Vice Chair Wilson verbally voting aye, Commissioner Roth verbally voting aye, Commissioner Katsel verbally voting aye, and Commissioner Crump verbally voting aye. The vote was unanimous and the motion carried.

Agency Reports

1. **Fiscal Year 2021 Financial Audit Presentation:** Mr. Brian Hemmerly from Henry + Horne presented information on the Independent Auditors' Report for Fiscal Year 2021.

Chair Weintraub inquired about the current assets versus the current liability in regards to the prize fund. Mr. Hemmerly informed the Commission it is restricted by statute to be used for future games or prizes to be paid out to future prizewinners and because of that, it is listed as a liability. There is not a reason for concern.

Chair Weintraub asked Mr. Hemmerly the amount of the total liability. Mr. Hemmerly, informed the Commission he did not have the exact number and asked Mr. Russ Harben if he had the exact amount. Mr. Russ Harben informed the Commission he did not have the exact number but it was approximately \$70 million of the total prize liability. This includes tickets that have not expired and unclaimed prizes.

Chair Weintraub asked Mr. Hemmerly "If the Arizona Lottery's current assets are less than the current liabilities and as Chair and CPA on the Commission, should I be concerned that the Arizona Lottery does not have enough current assets to meet our current obligations?"

Mr. Hemmerly informed the Commission that the \$70 million of the liability is still less than the total liquid assets and the vast majority is cash. In addition he does not believe there would be a liquidity issue but he would follow up on this question and provide the Commission with the information that was inquired.

Chair Weintraub is not concerned with the Lottery's financial status but is concerned that the financial report is misleading in a negative way because the Lottery is financially stronger than this report demonstrates and if there's no other way to classify the current assets he understands. The presentation is attached for the official minutes.

2. **Director's Presentation:** Director Edgar gave his presentation from Desert Martini bar in Lake Havasu, AZ. This lottery retailer sold the winning \$108 million Mega Millions ticket on October 22, 2021. The Arizona Lottery presented Desert Martini with a \$50,000 check. Director Edgar continued his presentation by informing the Commission that the Arizona Lottery nominated Mike Corporon as the grand marshal of the Arizona Lottery 100 NASCAR race. He finished his presentation with an administrative update regarding the Keno RFI, and Quick Draw. The presentation is attached for the official minutes.
3. **Financial Report:** Mr. Russ Harben presented the financial information with overall sales, new projections, and financial status with a comparison of last year's sales. The presentation is attached for the official minutes.
4. **New Games Introduction** – No Presentation

New Business

1. Chair Weintraub asked if any members of the public wanted to address the Commission regarding new instant scratch game profiles: *THE GAME OF LIFE™ #1355, Lucky*

Number #1359, Red Hot 7s #1361, and Bingo Twist #1362. There were no responses from the public.

4. In accordance with A.R.S. §5-554(C), Chair Weintraub entertained a motion to approve the order and authorize the Director to issue the order regarding new instant scratch game profiles: #1355, #1359, #1361, and #1362. Vice Chair Wilson verbally moved, Commissioner Katsel verbally seconded. The vote was unanimous with Chair Weintraub verbally voting aye, Vice Chair Wilson verbally voting aye, Commissioner Roth verbally voting aye, Commissioner Katsel verbally voting aye, and Commissioner Crump verbally voting aye. The vote was unanimous and the motion carried.

Call to the Public

Chair Weintraub invited members of the public to speak before the Commission. There were no responses from the public.

Announcements

The next Commission meeting will be held December 17, 2021, at 10:00 a.m.

Adjournment

Chair Weintraub entertained a motion to adjourn. Commissioner Crump verbally moved, Commissioner Katsel verbally seconded. The vote was unanimous with Chair Weintraub verbally voting aye, Vice Chair Wilson verbally voting aye, Commissioner Roth verbally voting aye, Commissioner Katsel verbally voting aye, and Commissioner Crump verbally voting aye. The vote was unanimous and the motion carried.

Materials

A copy of the agenda and background material provided to Commission members, which is not exempt by law from public inspection, is available for public inspection at least 24 hours in advance of the meeting at the Lottery Office located at 4740 East University Drive, Phoenix, Arizona.

Notice

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Agency Reports
Report to Arizona Lottery Commission
December 17, 2021

Director's Presentation

Financial Report Presentation

Products and Marketing Update Presentation

New Game Introduction – No Presentation

New Game Introductions. The following games were introduced since the last Commission meeting: *Wild Cherry Crossword #1340*, *9s in a Line #1342* and *Full of Money #1353*.

More information on these games are available by visiting the Scratchers section at ArizonaLottery.com

No games have been ended since the last Commission meeting.

ATTACHMENT A

Dashboard Report December 2021

SERVING ARIZONA FOR 40 YEARS



8.46%

vs. Proj (FYTD)

Total Sales (FYTD)

\$553,653,985

-1.41%

vs. PYTD

29.31%

vs. Proj (FYTD)

Draw Sales

\$135,344,987^{24.4%}
%Total Sales

30.94%

vs. PYTD

Draw Sales : From
7/1/2016 - To
12/5/2021

Fast Play Sales :
From
2/11/2018 - To
12/5/2021

3.08%

vs. Proj (FYTD)

Instant Sales

\$418,308,998^{75.6%}
%Total Sales

-8.71%

vs. PYTD

34.93%

vs. Proj (FYTD)

Multi-State

\$73,579,037^{54.4%}
%Draw Sales

38.17%

vs. PYTD

In-State

\$40,290,647^{29.8%}
%Draw Sales

19.02%

vs. PYTD

Pulltab Sales : From
7/1/2016 - To
12/3/2021

Scratcher Sales : From 7/1/2016
- To 12/5/2021

14.55%

vs. Proj (FYTD)

Charitable Pulltab Sales

\$3,340,260^{0.8%}
%Instant Sales

13.71%

vs. PYTD

-

vs. Proj (FYTD)

Quick Draw

\$239,102^{15.7%}
%Draw Sales

-

vs. PYTD

Fast Play

\$21,236,201^{15.7%}
%Draw Sales

30.60%

vs. PYTD

-3.22%

vs. Proj (FYTD)

Age Rest. Pulltab Sales

\$1,536,540^{0.4%}
%Instant Sales

126.91%

vs. PYTD

22.06%

vs. Proj (FYTD)

Other Pulltab Sales

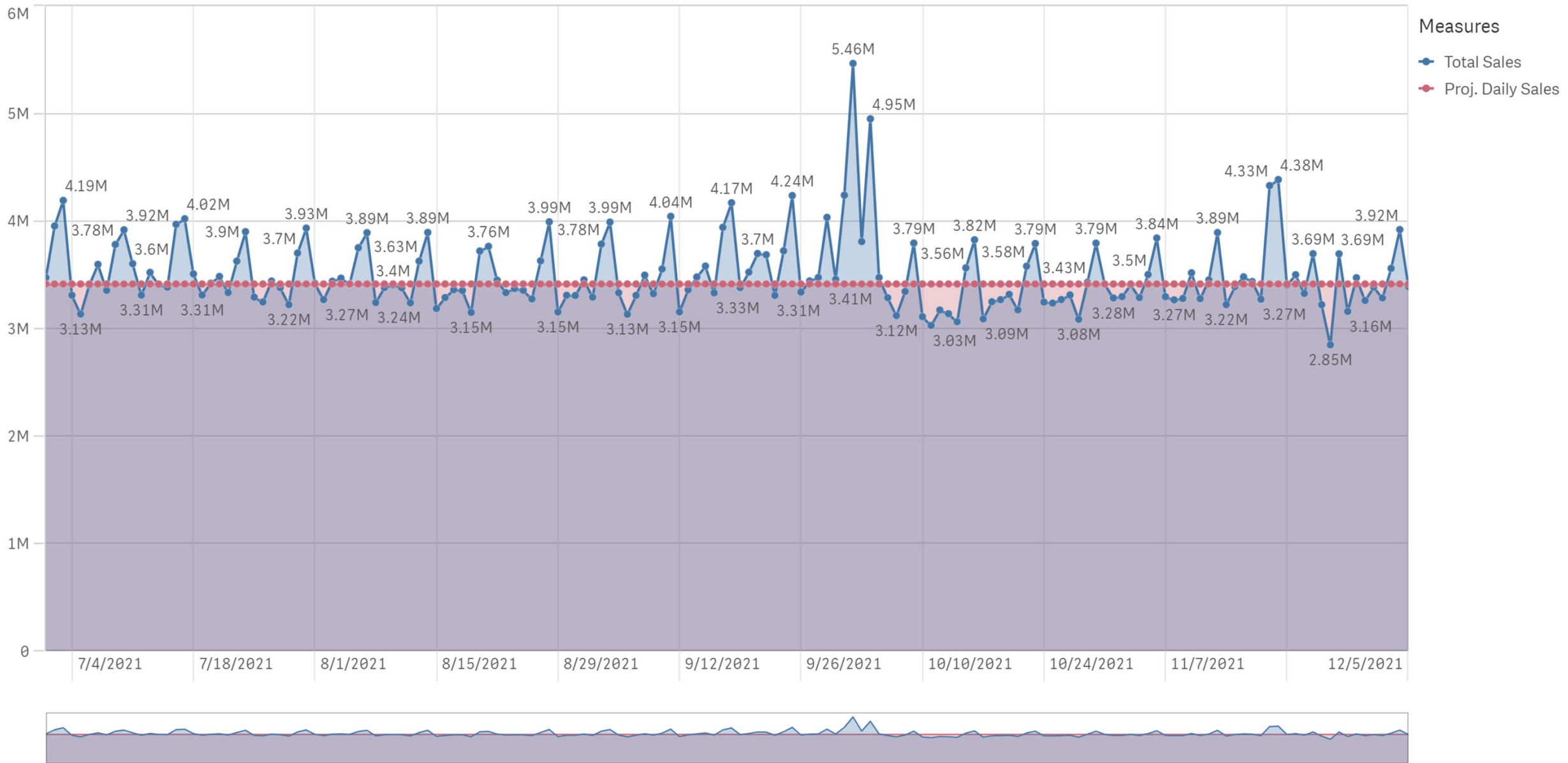
\$504,360^{0.1%}
%Instant Sales

66.79%

vs. PYTD

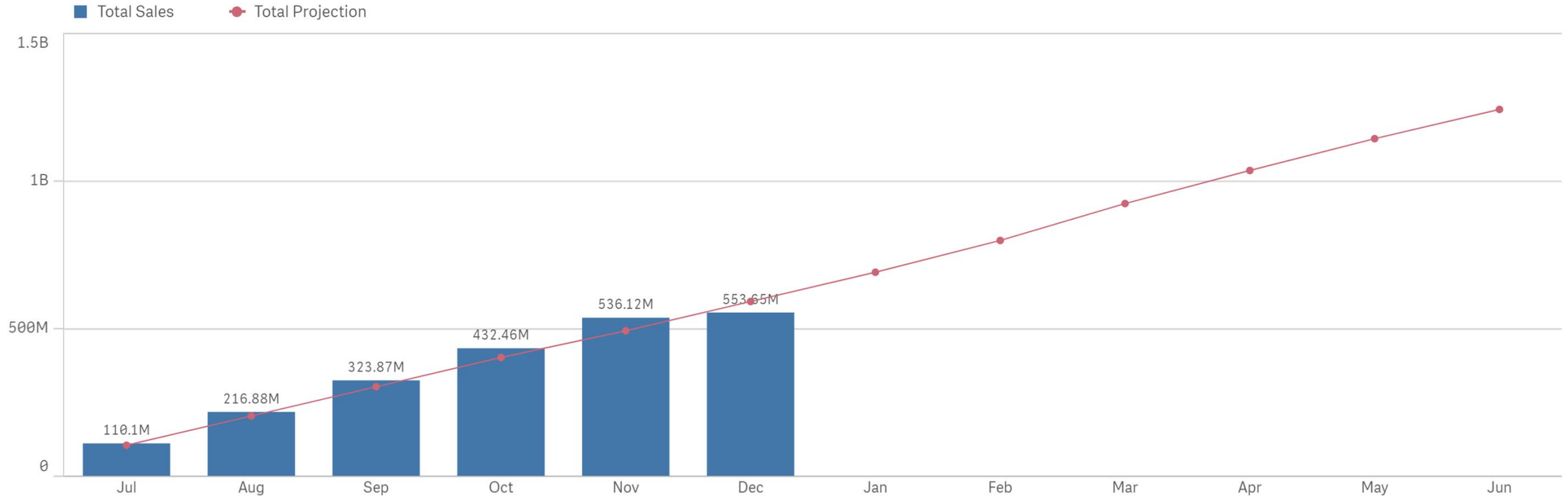


Daily Sales vs Goal



YTD Sales vs. Projection

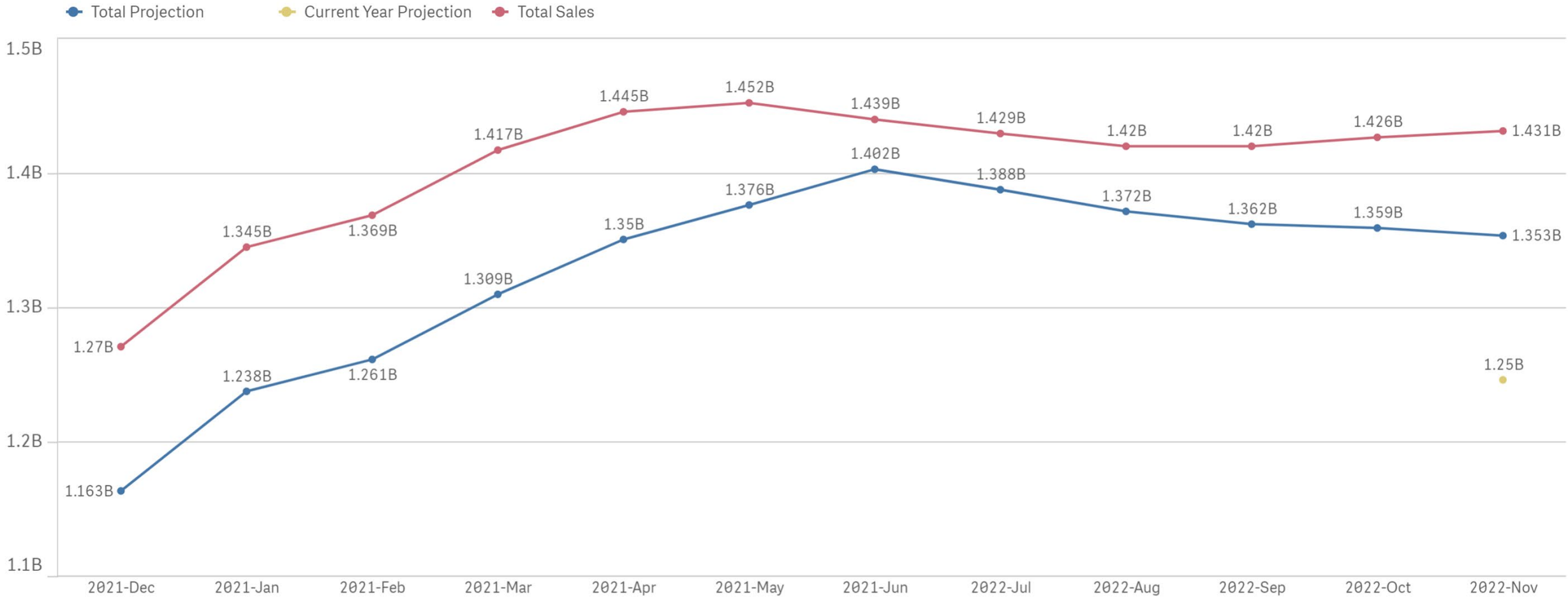
FY 2022 Total Sales vs. Projection



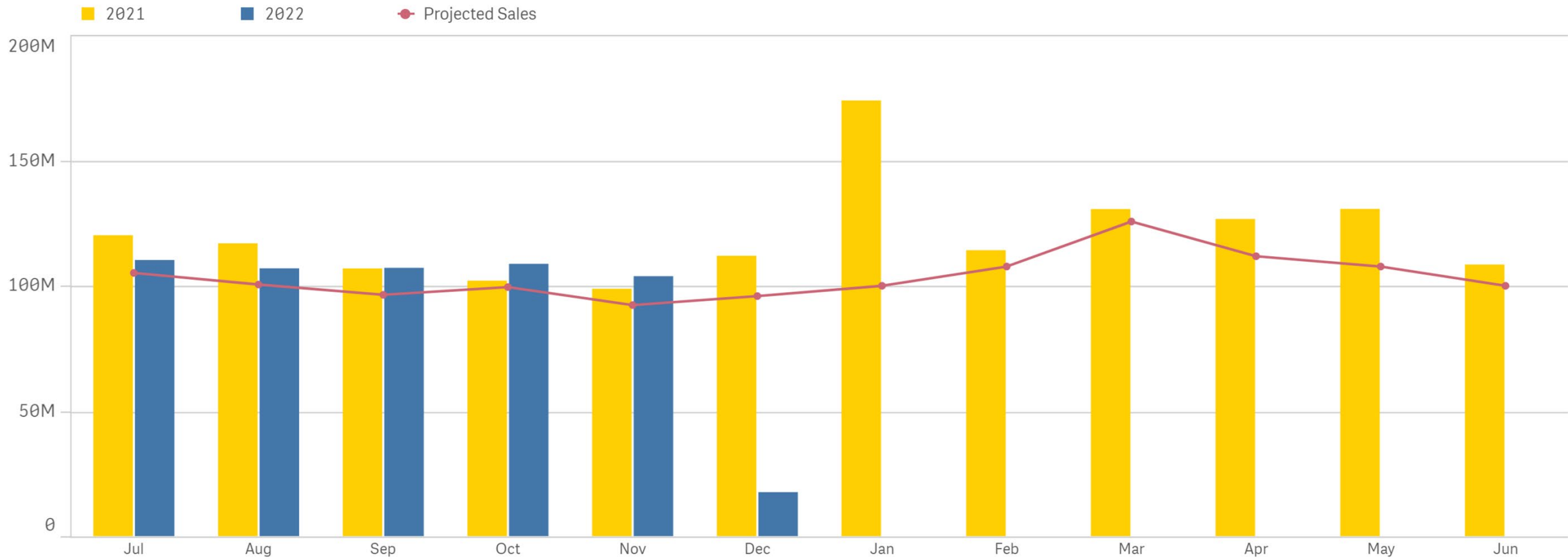


Rolling 12 Month Total Sales

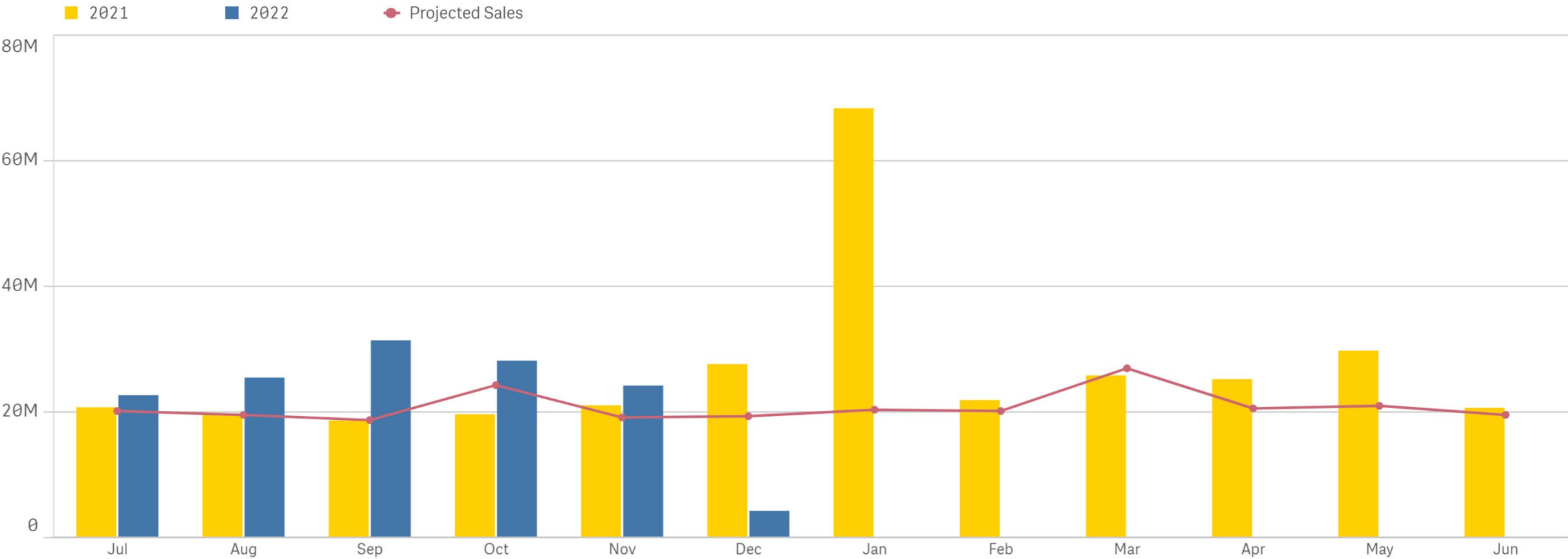
Rolling 12 Month Sales



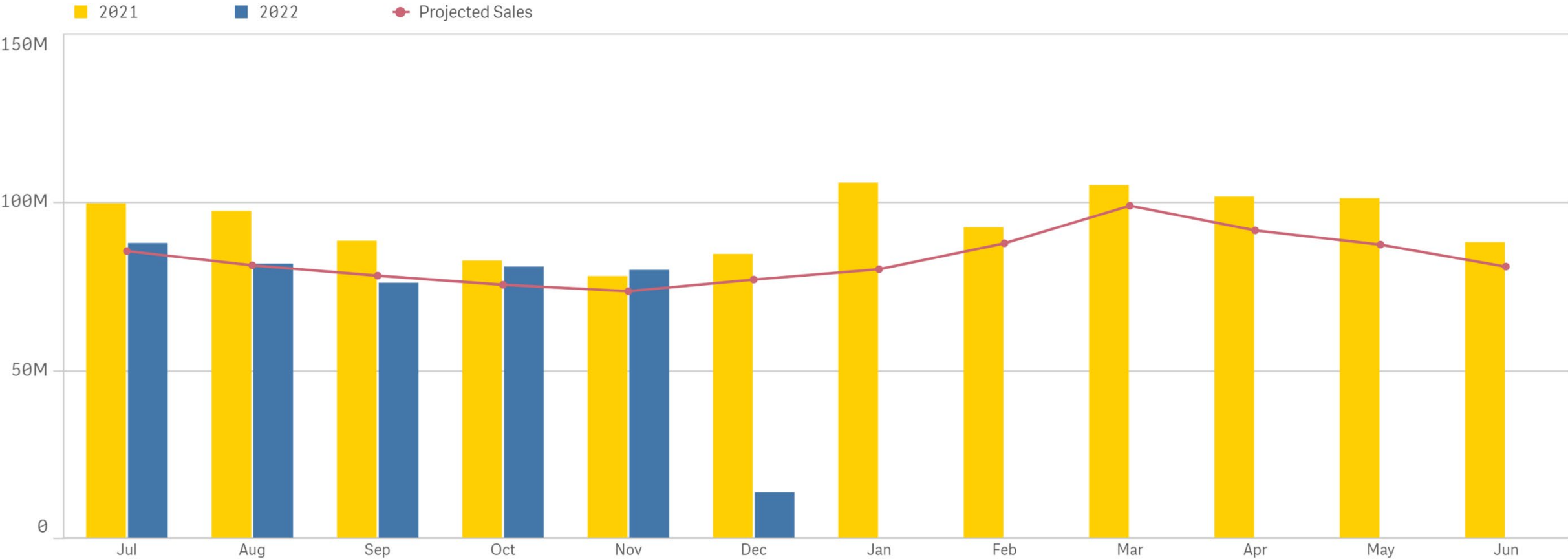
Total Sales FY 2021 vs. 2022 vs. Projection



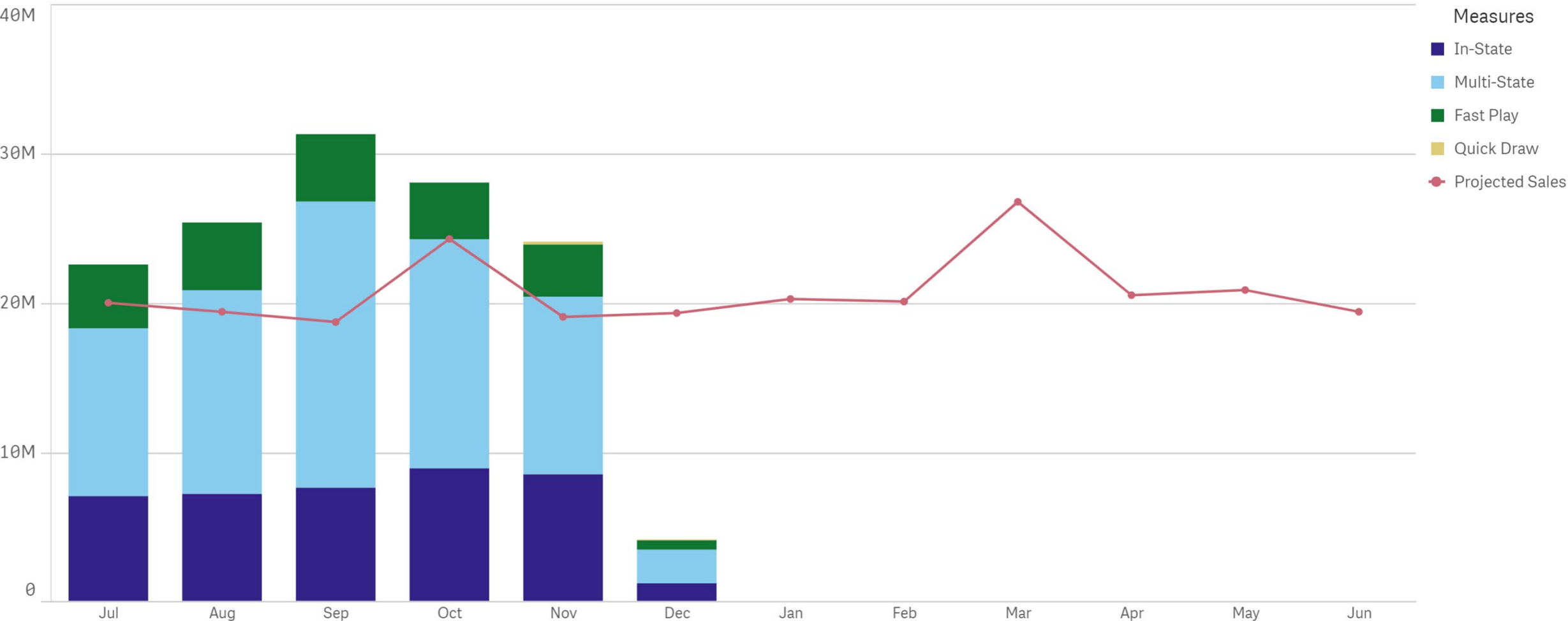
Draw Sales FY 2021 vs. 2022 vs. Projection



Instant Sales FY 2021 vs. 2022 vs. Projection



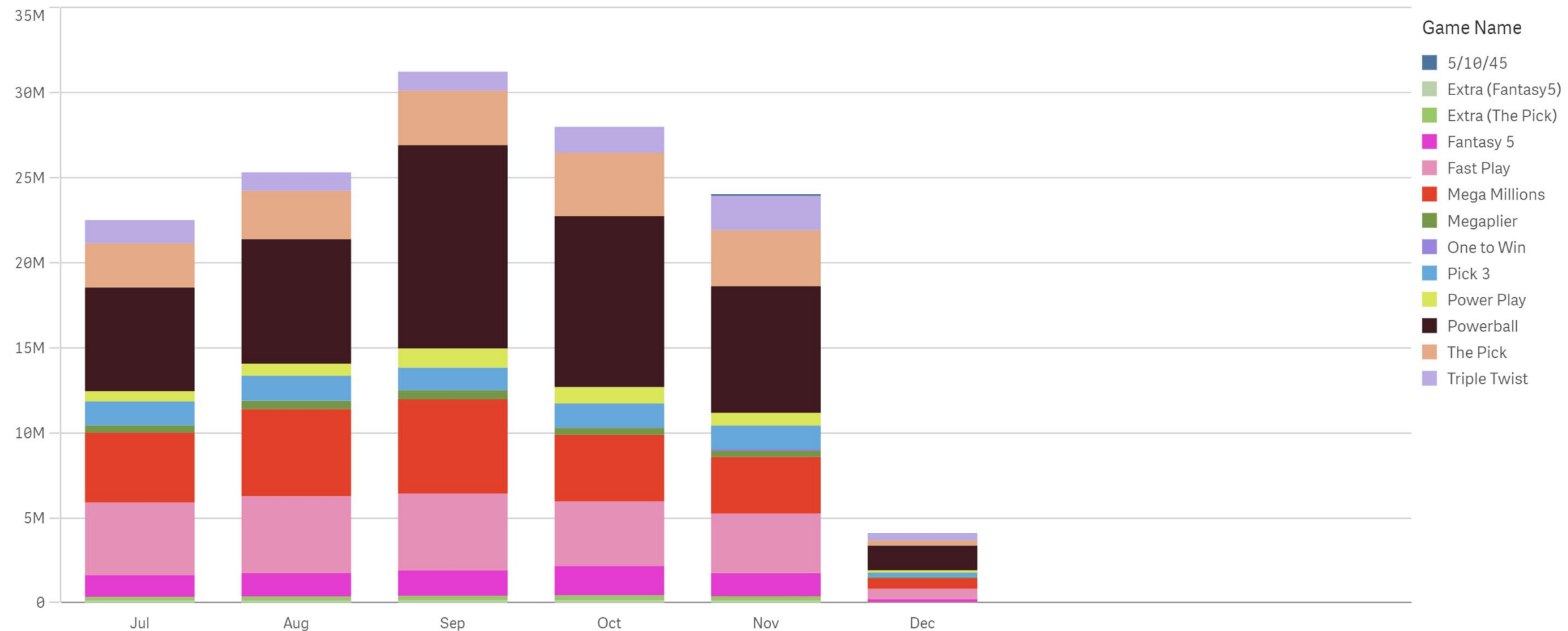
FY 2022 Draw Sales by month





Draw Sales by Game

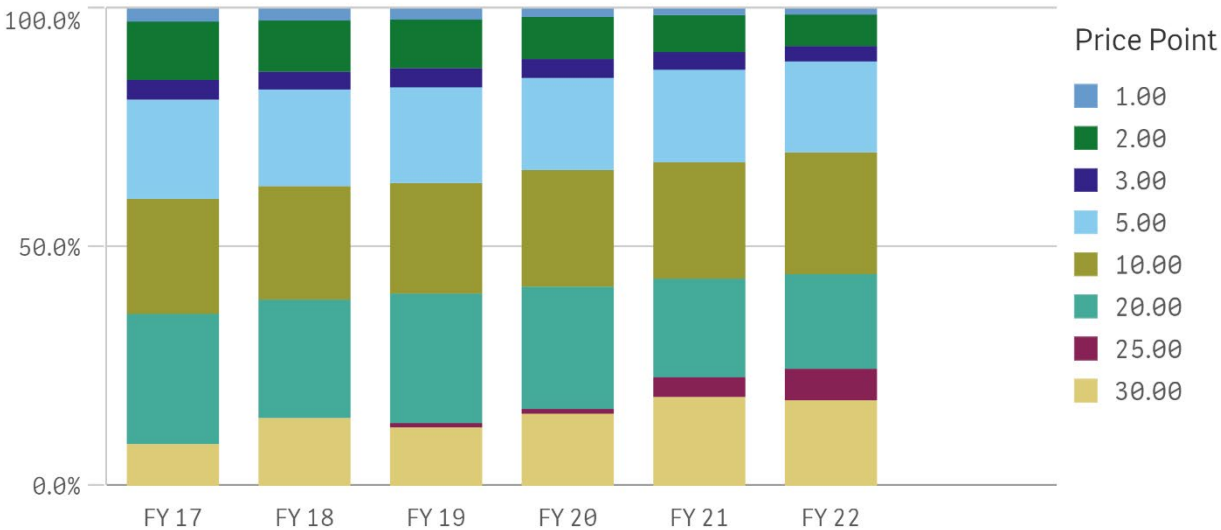
FY 2022 Draw Sales by Game



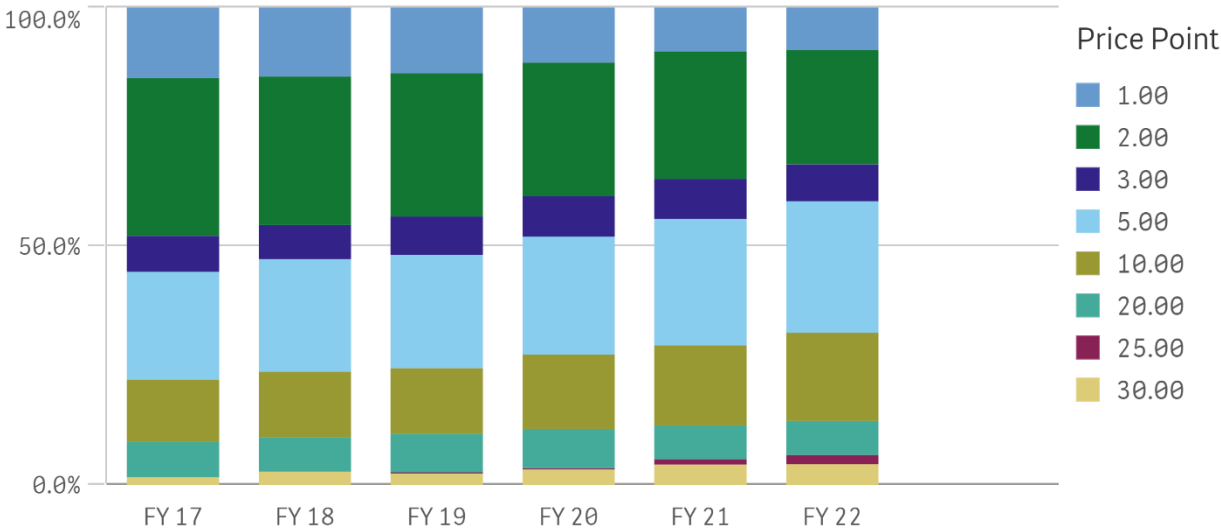


Scratcher Sales by Price Point

Based on Dollars Sold



Based on Tickets Sold

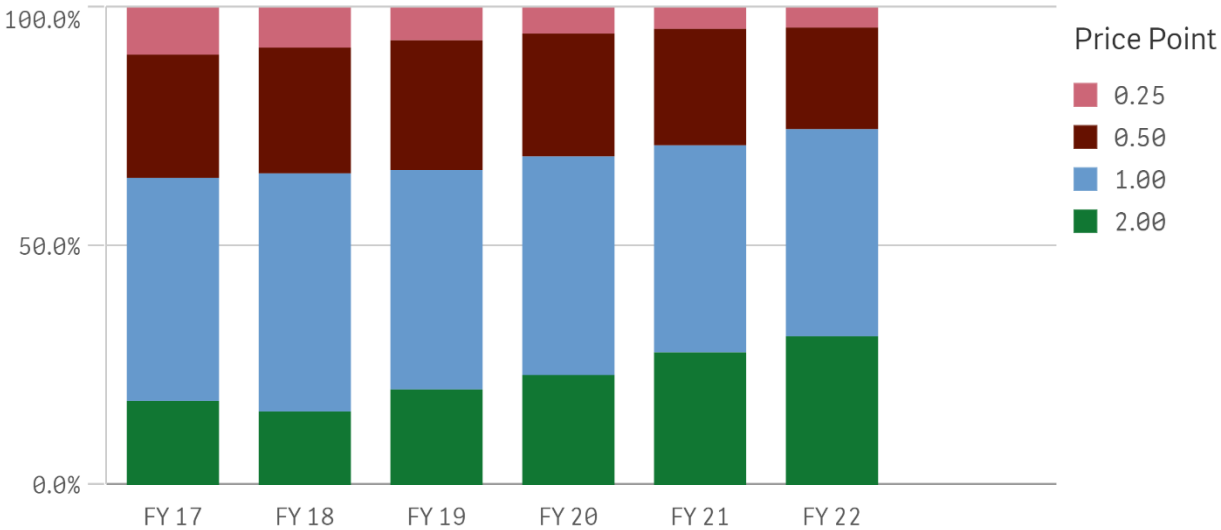


Price Point	FY 18	FY 19	FY 20	FY 21	FY 22	Price Point	FY 18	FY 19	FY 20	FY 21	FY 22
1.00	\$17,675,313	\$17,327,856	\$15,243,692	\$14,836,696	\$5,068,580	1.00	17,675,313	17,327,856	15,243,692	14,836,696	5,068,580
2.00	\$76,286,420	\$76,045,580	\$74,204,632	\$86,605,472	\$27,326,920	2.00	38,143,210	38,022,790	37,102,316	43,302,736	13,663,460
3.00	\$26,204,778	\$30,416,967	\$33,795,897	\$40,770,039	\$13,246,773	3.00	8,734,926	10,138,989	11,265,299	13,590,013	4,415,591
5.00	\$144,423,905	\$150,294,810	\$163,624,105	\$214,810,495	\$78,711,520	5.00	28,884,781	30,058,962	32,724,821	42,962,099	15,742,304
10.00	\$168,662,410	\$173,763,390	\$207,204,520	\$271,076,850	\$105,498,530	10.00	16,866,241	17,376,339	20,720,452	27,107,685	10,549,853
20.00	\$176,364,760	\$204,007,420	\$217,273,740	\$228,944,840	\$81,701,280	20.00	8,818,238	10,200,371	10,863,687	11,447,242	4,085,064
25.00	\$0	\$6,504,400	\$8,628,650	\$45,939,625	\$27,327,725	25.00	0	260,176	345,146	1,837,585	1,093,109
30.00	\$101,269,350	\$91,917,900	\$128,434,380	\$206,849,550	\$74,055,150	30.00	3,375,645	3,063,930	4,281,146	6,894,985	2,468,505

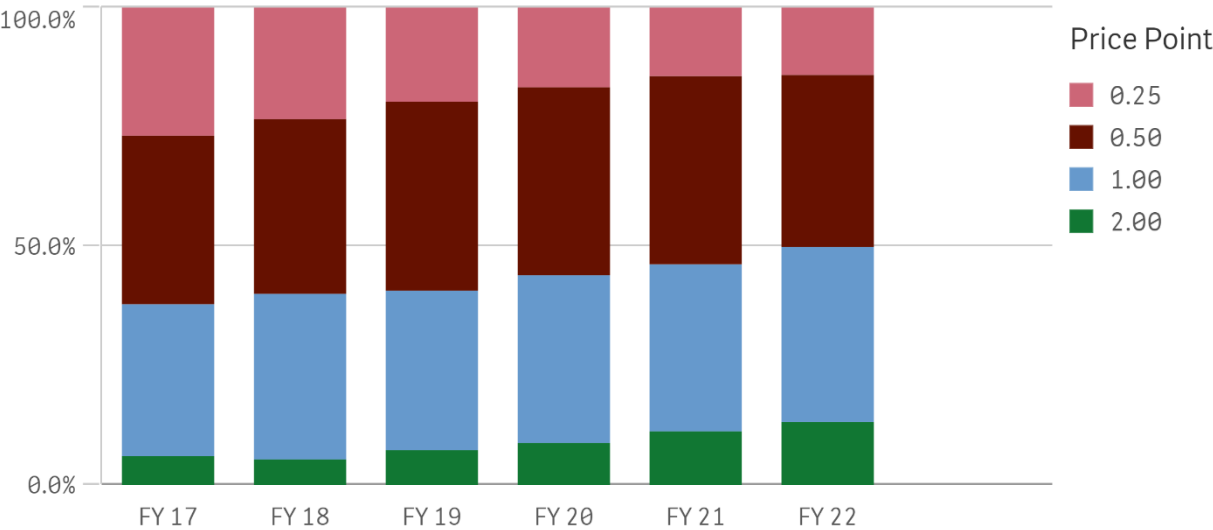


Pull Tab Sales by Price Point

Based on Dollars Sold

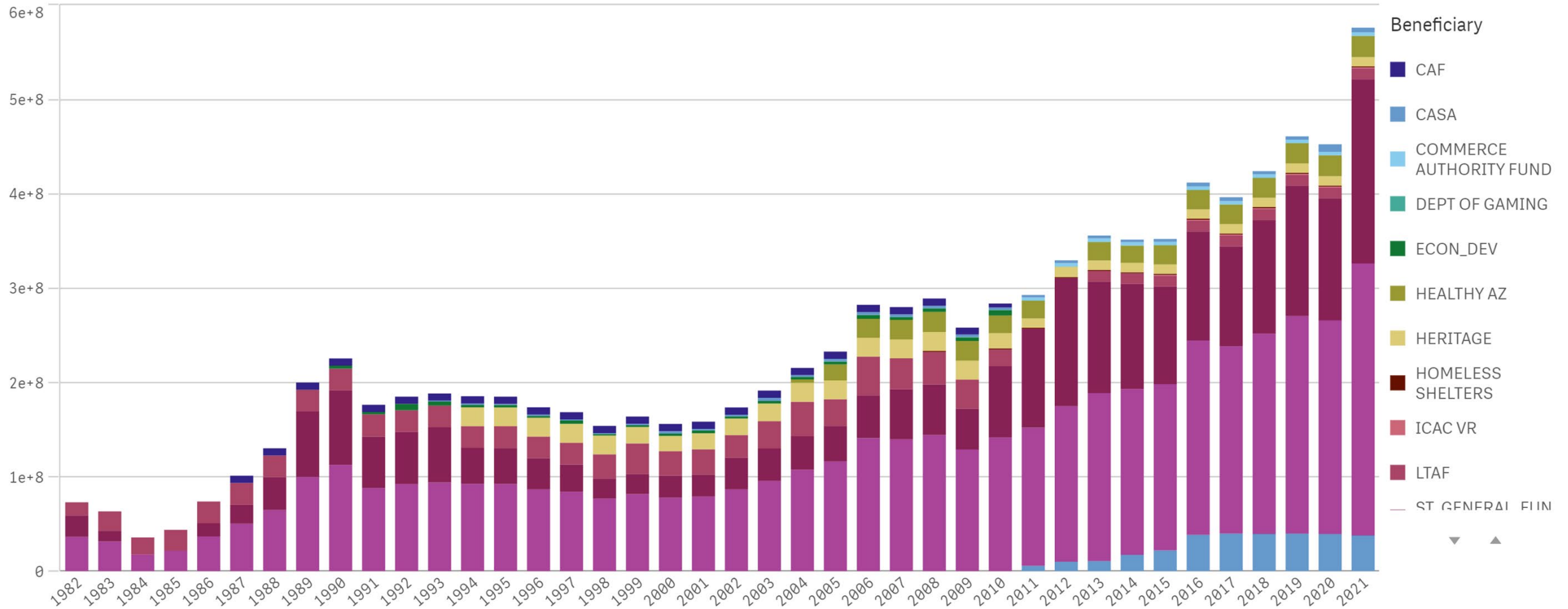


Based on Tickets Sold



Price Point	FY 18	FY 19	FY 20	FY 21	FY 22
0.25	\$732,186	\$673,764	\$438,438	\$532,824	\$224,100
0.50	\$2,291,940	\$2,699,880	\$2,069,850	\$2,926,590	\$1,143,600
1.00	\$4,350,480	\$4,556,220	\$3,691,860	\$5,201,460	\$2,331,780
2.00	\$1,338,600	\$1,983,840	\$1,851,960	\$3,333,960	\$1,673,040

Price Point	FY 18	FY 19	FY 20	FY 21	FY 22
0.25	2,928,744	2,695,056	1,753,752	2,131,296	896,400
0.50	4,583,880	5,399,760	4,139,700	5,853,180	2,287,200
1.00	4,350,480	4,556,220	3,691,860	5,201,460	2,331,780
2.00	669,300	991,920	925,980	1,666,980	836,520



[illegible]



Instant Game Monthly Sales

Month	SCRATCHERS	CHARITABLE PULL-TABS	AGE- RESTRICTED PULL-TABS	TOTAL INSTANT SALES CURRENT FY	TOTAL INSTANT SALES PREVIOUS FY	% of Change
Jul	\$86,488,811	\$647,940	\$318,600	\$87,567,671	\$99,384,233	-11.9%
Aug	\$80,371,017	\$670,650	\$280,800	\$81,430,467	\$97,119,403	-16.2%
Sep	\$74,728,577	\$642,000	\$281,580	\$75,720,197	\$88,263,674	-14.2%
Oct	\$79,563,793	\$618,060	\$263,520	\$80,573,893	\$82,373,823	-2.2%
Nov	\$78,517,803	\$658,260	\$344,520	\$79,592,943	\$77,737,189	2.4%
Dec	\$13,266,477	\$103,350	\$47,520	\$13,423,827	\$84,322,031	-84.1%
Jan	\$0	\$0	\$0	\$0	\$105,529,691	-100.0%
Feb	\$0	\$0	\$0	\$0	\$92,265,908	-100.0%
Mar	\$0	\$0	\$0	\$0	\$104,752,484	-100.0%
Apr	\$0	\$0	\$0	\$0	\$101,407,455	-100.0%
May	\$0	\$0	\$0	\$0	\$100,871,525	-100.0%
Jun	\$0	\$0	\$0	\$0	\$87,800,985	-100.0%



FY22 Year-to-date Financial Status

Overall

Percent of Year Elapsed

42.19%

Percent Used

40.78%

Percent Spent by Appropriation

1. Operating:

56.59%

2. Advertising:

48.86%

3. Instant Printing:

44.99%

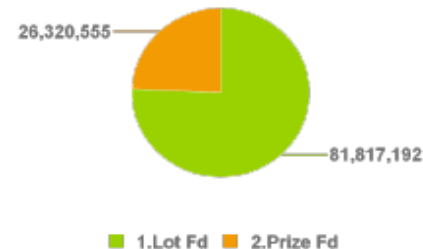
4. Sales Commissions:

34.72%

5. On-line Vendor Fees

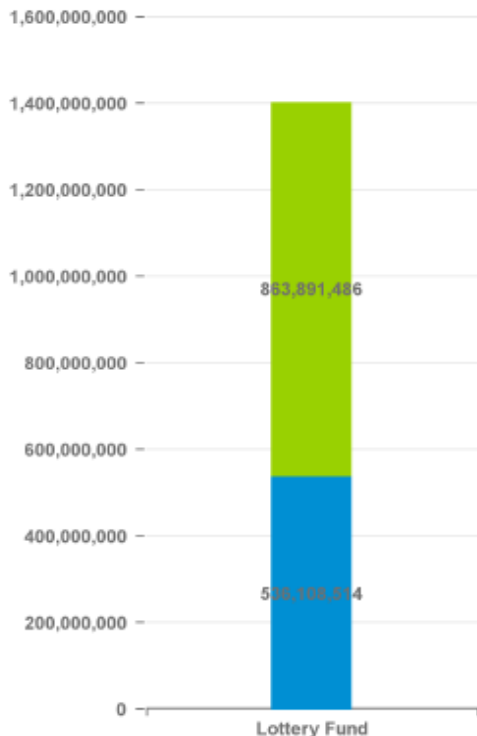
48.04%

Cash Balance by Fund



Budget by Appropriation Type and Object Class

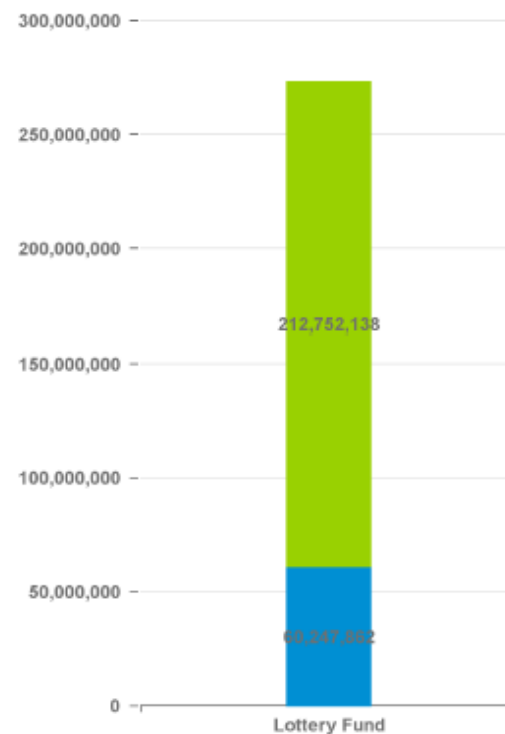
Sales Goal: \$1.25 Billion



Rem. Revenue Budget YTD Revenue

Appropriation	Object Class	Budget	Expenditures	Encumbered	Remaining	% Used
1. Operating:	0000 - Appropriation Budget	9,377,900	-	-	9,377,900	
	6000 - Personal Services	-	1,770,931	-	-1,770,931	
	6100 - Employee Related Expenditures	-	732,723	-	-732,723	
	6200 - Professional And Outside Services	-	371,025	420,423	-791,448	
	6500 - Travel - In-State	-	66,901	83,108	-150,009	
	6600 - Travel - Out-Of-State	-	5,884	-	-5,884	
	7000 - Other Operating Expenditures	-	536,066	996,292	-1,532,357	
	8100 - Capital Outlay	-	-	-	-	
	8400 - Capital Equipment	-	-	231,728	-231,728	
	8500 - Non-Capital Equipment	-	4,503	1,972	-8,475	
	9100 - Transfers Out	-	60,150	25,000	-85,150	
	Total:	9,377,900	3,548,182	1,758,524	4,071,194	56.59%
2. Advertising:	0000 - Appropriation Budget	15,500,000	-	-	15,500,000	
	7000 - Other Operating Expenditures	-	4,169,116	3,404,314	-7,573,430	
	Total:	15,500,000	4,169,116	3,404,314	7,926,570	48.86%
3. Instant Printing:	0000 - Appropriation Budget	34,507,200	-	-	34,507,200	
	7000 - Other Operating Expenditures	-	6,451,142	9,074,314	-15,525,456	
	8400 - Capital Equipment	-	-	-	-	
	Total:	34,507,200	6,451,142	9,074,314	18,981,744	44.99%
4. Sales Commissions:	0000 - Appropriation Budget	81,969,900	-	-	81,969,900	
	7000 - Other Operating Expenditures	-	28,458,173	-	-28,458,173	
	Total:	81,969,900	28,458,173	-	53,511,727	34.72%
5. On-line Vendor Fees:	0000 - Appropriation Budget	10,720,100	-	-	10,720,100	
	6200 - Professional And Outside Services	-	5,006,739	143,261	-5,150,000	
	Total:	10,720,100	5,006,739	143,261	5,570,100	48.04%
Grand Total:		152,075,100	47,633,353	14,380,412	90,061,335	

Beneficiary Transfer Goal: \$239 Million



Rem. Transfers Transfers

New Business Item #1
Arizona Administrative Code Title 19, Chapter 3, Article 2, Retailers
Arizona Lottery Commission
December 17, 2021

This report has been provided to the Lottery Commission regarding amendments to Article 2 of the Arizona Administrative Code relating to Lottery retailers. The Lottery received an exemption from the current rule moratorium imposed by the Governor in order to proceed with these changes. The Commission is requested to approve the amendments and authorize the Executive Director to adopt the amendments for Article 2, Retailers.

The Lottery's Retailer rules prescribe the requirements and procedures for Arizona retail businesses that sell Lottery game products. The rules are being amended to implement improvements in Lottery business processes and recent changes to Lottery statutes. Laws 2021, Chapter 234 (HB2772) permits the Lottery to develop a Keno game for distribution by certain qualified retailers. These rules include the licensing requirements for Keno. Additionally, the retailer rules are being amended to include flexible sales and licensing models for qualified retailers interested in selling only some specific Lottery products. Amendments have also been made where necessary to tighten compliance provisions with respect to inventory and stolen ticket reporting procedures, and to improve the clarity and understandability of the rules.

The proposed changes for Article 2 were filed with the Secretary of State and published in the Arizona Administrative Register on November 5, 2021. An oral proceeding was conducted on December 6, 2021, to allow the public a chance to comment on the proposed rules. No oral or written comments were received.

The attached rule package contains the Notice of Proposed Rulemaking. The preamble includes the statutory authority for the rule amendments, an explanation of the rules, and the economic, small business and consumer impact of the proposed rules. The text of the amended rules follows the preamble.

The Lottery Commission will vote on whether to authorize the Director to adopt the rules at the Commission meeting. If approved, staff will file the rules with the Governor's Regulatory Review Council for final review and approval.

Attachments (Commissioners only)

New Business Item #2
Instant Scratch Game Profiles
Report to Arizona Lottery Commission
December 17, 2021

This report has been provided to the Lottery Commission regarding game profiles planned for Arizona Lottery instant scratch games. The Commission is requested to approve these game profiles. After Commission approval, staff will commence with plans for printing, distribution, and sales of these games.

NEW GAME PROFILES

Attached for the Lottery Commission's action is new instant scratch game profiles: *Big Money #1363, \$100 or \$200 #1364, Hit \$50 #1365, and Diamond 9s #1371.*

Big Money #1363. This \$10 game has a top prize of \$100,000. This game will be printed at a quantity of approximately 2.1 million tickets.

\$100 or \$200 #1364. This \$20 game has a top prize of \$200 and will be printed at a quantity of approximately 3.4 million tickets.

Hit \$50 #1365. This \$1 game has a top prize of \$1,000 and will be printed at a quantity of approximately 3.3 million tickets.

Hit \$100 #1366. This \$2 game has a top prize of \$10,000 and will be printed at a quantity of approximately 2.4 million tickets.

Hit \$500 #1367. This \$5 game has a top prize of \$50,000 and will be printed at a quantity of approximately 3.0 million tickets.

Hit \$1,000 #1368. This \$10 game has a top prize of \$100,000 and will be printed at a quantity of approximately 2.4 million tickets.

Attachments (Commissioners only)

New Business Item #3
Million Dollar Giveaway 2022 Second Chance Promotion Profile #113
Report to Arizona Lottery Commission
December 17, 2021

This report has been provided to the Lottery Commission regarding the Million Dollar Giveaway 2022 Second Chance Promotion Profile. The Commission is requested to approve this Promotion Profile.

NEW PROMOTION PROFILE

Attached for the Lottery Commission's action is new Promotion Profile: Million Dollar Giveaway 2022 Profile #113.

Million Dollar Giveaway 2022 Promotion Profile #113

Starting March 1, 2022 players will be able to enter winning and non-winning tickets from designated instant scratch, Fast Play, Draw and Quick Draw games for a chance to win cash prizes.

Attachments (Commissioners only)