# Stakeholder Lottery Modernization Committee Meeting
## Official Meeting Minutes

DATE:       Tuesday, January 7, 2025

TIME:       1:30 pm.

**All Attendees Participated Remotely through Zoom Conferencing System**

MEMBERS PRESENT:   Peter Brennan, Executive Director, New England Convenience Store and Energy Marketers Association (NECSEMA), Chair
Ryan Kearney, General Counsel, Retailers Association of Massachusetts (RAM)
Marlene Warner, Chief Executive Officer, Massachusetts Council on Gaming & Health (MACGH)
Alain Hauvuy, Lottery Sales Agent, Wine Beer and More, Bridgewater

MEMBERS ABSENT:   Jessica Muradian, Director of Government Affairs, Massachusetts Restaurant Association (MRA)

ALSO PRESENT:    Mark William Bracken, Executive Director, Lottery
Christian Teja, Chief iLottery Officer, Lottery
Gregory Polin, General Counsel, Lottery
Steven Martins, Chief Revenue Officer, Lottery
Christian Gonsalves, Deputy General Counsel, Lottery
Delwin Dickinson, Director of Modernization, Innovation and Performance, Lottery
Liz Giffen, Director, Digital Operations, Lottery
Benjamin Wood, Assistant Director, Stakeholder Engagement, Lottery
Judy Rampino-Moore, Executive Assistant, Lottery
Leslie Zella, Legal Assistant, Lottery

Zac Strickler, Director of Digital Gaming Operations, Michigan Lottery
Nicholas Foster, Project Manager, Michigan Lottery
Andrew Coker, Digital Marketing and Analytics Manager, Michigan Lottery
Keesha Garrett, Corporate Responsibility Director, Michigan Lottery

## I. Opening of Meeting

### a. Notice regarding recordings

 Chairman Peter Brennan opened the Stakeholder Lottery Modernization Committee ("Committee") meeting at 1:32 p.m.

 Chairman Brennan stated:

 "Pursuant to the Commonwealth's Open Meeting Law, Massachusetts General Laws, Chapter 30A, Section 20, the Committee would like to advise that any person may make a video or audio

recording of this open meeting. However, the Committee is obligated to inform attendees of any recording at the beginning of the meeting, so we ask that those who are making any recording identify themselves now as doing so."

Judy Rampino-Moore, Lottery Executive Assistant, identified herself as making a recording.

**b. Notice regarding remote participation**

Chairman Brennan referenced the Massachusetts Open Meeting Law, Massachusetts General Laws, Chapter 30A, section 20, and identified the Committee members as present: General Counsel Ryan Kearney, Chief Executive Officer Marlene Warner, Lottery Sales Agent Alain Hauvuy, and himself Chairman Peter Brennan. Chairman Brennan stated that the Committee members will be participating remotely for this meeting pursuant to Chapter 2 of the Acts of 2023, which permits remote participation by all Committee members and allows the use of adequate alternative means, such as audio or video conferencing, to ensure public access to the deliberations of the Committee.

Chairman Brennan noted that the Committee members are all participating by a conference call and asked the Committee members to identify any sort of technical difficulty. Chairman Brennan also stated that the Committee members may participate in any votes scheduled to take place at today's meeting. All votes must be taken by roll call.

## II.     Approval of minutes from meeting held on December 3, 2024

Chairman Brennan sought a motion to accept the minutes from the meeting held on December 3, 2024. CEO Marlene Warner made a motion to accept the minutes and General Counsel Ryan Kearney seconded the motion.

Chairman Brennan, recognizing there was no further discussion, moved the motion to a roll call vote. Sales Agent Alain Hauvuy: yes; General Counsel Ryan Kearney: yes; Chief Executive Officer Marlene Warner: yes; and Executive Director Peter Brennan: yes. The Motion carried.

The minutes were approved at 1:34 p.m.

## III.    Discussion with Michigan Lottery officials regarding their iLottery Operations and Responsible Gambling efforts

Chairman Brennan announced that members from the Michigan Lottery were in attendance to talk about their iLottery program. He then turned the meeting over to Zac Strickler, Director of Digital Gaming Operations at the Michigan Lottery.

Director Strickler introduced himself as the iLottery Director and stated that as the Director, he and his team support anything that is through the online platform whether it is related to iLottery sales or through the Michigan Lottery's website or mobile app.

Keesha Garrett introduced herself as the Corporate Responsibility Director for the Michigan Lottery in the Office of Compliance and Legal Affairs and stated that part of her role is focusing on Responsible Gambling in Michigan.

Nick Foster introduced himself as the Manager of Digital Applications who oversees the teams that keep the Michigan Lottery's platforms updated.

Andrew Coker next introduced himself as the Digital Marketing Manager focusing on revenue and growing the business.

Director Strickler reported that the Michigan Lottery officially initiated an iLottery procurement process in the beginning of 2013 and it finished at the end of 2013. The first games went live in 2014, which were online eInstant games. He directed the members' attention to the meeting materials showing retail Instant growth versus the iLottery growth for the first ten years. Director Strickler pointed to the years between 2014 and 2015 and described the growth as being "ridiculous" due to the fact that the chart only represents sales for a month and a half of that first fiscal year. He noted that comparing that first year of growth is not accurate because it shows the comparison from 1.5 months to the following 12 months. He elaborated that the Michigan Lottery began selling Instant games in August 2014, and in January 2016, it began selling draw games online.

Director Strickler provided his perspective regarding iLottery being introduced into Michigan. He noted that the Michigan Lottery, although not as strong as Massachusetts, is a strong lottery, and so he would be reporting on overall sales along with the launch and growth of the iLottery program.

Director Strickler referred to the chart in the presentation outlining instant tickets as being one of the largest factors affecting overall lottery revenue and overall lottery contributions. Showing fiscal years 2014 through 2023, he reported on the small revenue generated during the first year of iLottery and the significant growth early on. He believed that in every jurisdiction there's a certain percentage of people who want to buy online and over the years the growth slows down comparatively.

Director Strickler related a conversation he had with a retailer who voiced his opinion regarding iLottery "stealing" all of his customers. Director Strickler disputed this assertion by showing the retailer financial reports and sharing information that showed, after ten years while the iLottery program was running, there was significant retail growth. Director Stickler said that it is a completely false narrative that iLottery cannibalizes retail sales. He stated that he felt it was important to relay that even after 10 years one of their top retailers had this impression and it is just not accurate.

Director Strickler referred to the chart Retail Instant Growth versus iLottery Growth – First Ten Years, showing Michigan's double digit percentage growth year-over-year through to 2021. He pointed to the growth of iLottery, mirroring instant ticket growth, and stated that double digit growth is hard to achieve.

Director Strickler reported on instant ticket growth in dollars. He stated that instant tickets sold at retail are the vast majority of Michigan's business so when there's an eleven percent growth in instant ticket sales versus a hundred percent growth in iLottery, the dollar amount doesn't come close. He pointed to the two bars on the chart comparing instant tickets and iLottery showing a much larger dollar growth with instant tickets over ten years.

Chairman Brennan referred to the vast difference on the chart showing instant tickets' higher growth and asked what the difference was between eInstant tickets and physical scratch tickets and why aren't eInstant tickets as popular. Director Strickler explained that if a person goes to the store to purchase milk or to get gas, instant tickets are inside and in front. It's a tradition going back decades and a product people are used to. It's something they can hold in their hands and physically scratch. He added that it also comes down to prizing options. An eInstant ticket doesn't support some of the very high prizes that are seen with scratch tickets. He stated that eInstant tickets top out at $250,000

whereas there are very large prizes with scratch tickets. It's the ubiquity, the availability, and accessibility in the market. With iLottery, there are a variety of regulatory things that come along. There are payments that are processed through ecommerce methods and with that comes anti-money laundering rules to manage, fraud that needs to be controlled, and "know your customer" process where age needs to be verified to make sure whoever is on the platform is who they say they are. There is a variety of information a player needs to provide, such as their social security number and driver's license. He reasoned that if a player had to provide their social security number every time they walked into a gas station to purchase a scratch ticket, there would be a challenge at retail. There are things some people are not going to do such as sign up on a certain platform and give certain information. Clearly, a person is not going to go onto an online site to purchase orange juice, but they could go into a store and purchase orange juice and add a scratch ticket to that purchase.

Director Strickler referred back to the chart "Retail Instant Growth Vs. iLottery Growth" and stated that this comparison chart is the dollar growth year-over-year for years two through ten and it shows that the dollar amounts for retail products far exceed the growth of iLottery.

Director Strickler moved on to discuss instant ticket growth in percentage. He pointed out that bigger growth is seen percentagewise on iLottery because it's a new program and it's being grown out. He urged the Committee that if they're hearing concerns or having conversations with any of the other stakeholders, they must understand that when these programs are launched, if the sales are going up, generally, the other sales are also going up. They don't often mirror one for one, but they often go in tandem.

Director Strickler next reported on a slide showing an overall view of how iLottery might fit into overall sales and revenue. He focused in on the consistent increase in distribution to Michigan's beneficiary – K through 12 Public Schools. He showed a slight drop off from 2021 to 2023 but stated that the percentage of iLottery sales for those years as the total beneficiary distribution is showing a bigger percentage and doesn't accurately account for some of the costs for the program. He gave an example showing FY23 with total revenue at 24.72 percent, but the reality is that costs sometimes are a little bit higher with iLottery than retail total costs. Mathematically, the number would be somewhere between that and the net sales as part of the overall sales. He stated that with an iLottery program that runs eInstant games, there can be a lot of back-and-forth wagers throughout the day so the number that the Michigan Lottery focuses on is the net sales. He referred to net sales as "wagers – minus – wins" and referred to net revenue as "wagers – minus – wins – minus – promotional dollars." The focus is not on top line sales because a lot of prizes get paid out as well. Michigan prefers to report on the net sales. He recommended to factor in approximately 15 percent for things such as costs as rule of thumb.

Director Strickler briefly referred back again to retail instant ticket growth versus iLottery growth as it related to the COVID-19 spike. He showed that Michigan had a 74 percent growth in iLottery sales and a 23 percent growth in retail sales. This was when most entertainment places were closed down and the economy was strong along with the distribution of stimulus and unemployment checks. This accounts for the spike in iLottery because people were not leaving their homes. The trajectory of growth minus that year shows a 28 percent growth the year before and the 25 percent growth the year after.

Director Strickler next reported on online account holders. He referred to a slide showing online account holders as: 7.9 million Michigan residents being 18 or older, 2.1 million fully registered accounts, 1 in 4 Michigan adults registered, and 1 in 16 logged in this month. He related the fact that if one were to go into a Walmart, one in four of those adults are registered with the Michigan Lottery and one in eight has made a deposit online. He explained that money can be spent on Michigan's

mobile app in two different ways.  A player can make a deposit that goes into a player wallet that can be used to play draw and eInstant games or a player can make a shopping cart purchase and purchase through that cart directly.  He reiterated that one in eight adults have done that and one in sixteen logged on to the website or mobile app this month.  He noted that the Michigan Lottery accepts Visa, MasterCard, Discover, and both debit and credit cards to purchase lottery products both at retail and online.  The Michigan Lottery also uses Automated Clearing House ("ACH") to electronically transfer funds between bank accounts, PayPal, Venmo, and Apple Pay.  Google Pay will be added to this list in a few months.

General Counsel Kearney asked if Michigan allows credit and debit cards to be used at brick and mortar and if so is there a mechanism to reimburse or compensate a brick and mortar retailer for the interchange fee associated with that.  Digital Marketing Manager Andrew Coker explained that yes, credit and debit cards could be used, and Michigan offers an incentive program to retailers each quarter based on the previous year sales, and if they hit certain metrics and achieve their goal, they receive a one percent kickback on what their instant ticket sales were for the quarter.  If they accept credit and debit, they receive an additional one percent.

Director Strickler provided a breakdown of Player Activity.  He stated that over the last fiscal year, 64 percent of players who log-in are making their purchases both at retail and online, and keep in mind that some of the online only players may be making purchases at retail.  The way it can be known if a player is making purchases at retail is if they're scanning the tickets on the platform or entering a ticket for a Second Chance prize.  He reported on an even split of players who only play at retail and players who only play online.  Looking at traffic month-to-month, a little more than half of the active logins are retail only players who are required to log-in to scan their tickets.

Director Strickler provided numbers from the previous year noting that on average, 63.1 million tickets were scanned, 20 tickets per month were scanned per player, and 4 games per month were scanned per player.

Director Strickler noted that the Michigan Lottery has 10,500 retailers who he described as incredibly important, and everything is done to make sure that they know that they're supported in their business and part of that is trying to make a connection between iLottery and retail.  When a player buys both online and at retail and they buy both draw and instant they are the Lottery's most valuable player.  That is the goal.

Director Strickler revealed that the Michigan Lottery has a product called an Online Game Card.  He explained that it's not a card, it's a paper ticket that prints from the terminal much like a Powerball ticket and is purchased at a Michigan Lottery retailer to add funds to their Lottery account for online game play.  If a player buys a $50 Online Game Card at a retailer's location, they can go on to the online platform and enter a code to put that money into their player wallet.  This is a good way for a player who wants to use cash or who doesn't want to have a credit card in the system to still make a deposit and play online.  Director Strickler reported on a product instituted a few years ago called a Withdraw Voucher.  He stated that it is the second fastest way on the platform to make a withdrawal, but the goal of it wasn't speed, the goal was to send players into a store who were online.  With a Withdraw Voucher, if a player wins $20 and wants to cash out, they can go online, request a withdrawal, choose "Withdraw Voucher at Retail" and is generally approved in 15 minutes.  That voucher can then be printed or shown on their phone where the retailer will scan it, mark it in the system as paid, and then that player will receive their cash.  He regarded it as one of the Lottery's best ideas because the player and the retailer are important.  If the player buys more lottery with it, that's good, but that player has money in their hands, and they might buy other products like chips and soda.  He believed that this function wasn't available until about year seven and depending on what iLottery

system the state is using, this may or may not exist as an already available option. Also, some of these things may be system dependent or lottery dependent. CEO Marlene Warner asked if there was a maximum for that. Director Strickler explained that as of now the maximum is $200 per voucher and that was done because of concerns about cash in the till and was kept to $200 per the recommendation of the sales teams. In addition, players can request up to five in a day. He added that this functionality did not exist in Michigan a couple of years ago. There was a changeover in the terminals having a wand that can read the screen and so with that came some tech dependencies. Chairman Brennan asked if the retailers are responsible for purchasing that technology. Director Strickler explained that these are the Lottery's terminals, and they use IGT for their central retail gaming system. When a player goes to a gas station to purchase a draw ticket, the terminal prints it out of an IGT machine.

Director Strickler was happy to report that last year $11.9 million in Withdraw Vouchers were redeemed at retail locations and was up 22 percent. $12 million dollars was sent back into the retail stores. When looking at percentages, 99 percent of retailers had a Withdraw Voucher cashed. In addition, there were $14 million in coupons redeemed at retail. He reported on a variety of things where the Lottery awards coupons and second chance activities. The Lottery offers a randomized prize pool that awards certain things such as entries into drawings and vouchers to take to a store for a credit off of their store purchase. He reported on an engagement tool offered on the website called "Spin to Win" which is another way that sends players back into the store. There are also cashing commissions for instant tickets that has resulted in over $1.1 million in vouchers being sent back into retail. Chairman Brennan asked what the commission structure was if a customer brings those vouchers into a retail location. Director Strickler explained that it's the same that is done with other tickets. If it's a sale, it's the same commission as a draw ticket that prints out at the terminal. If it's a cashing one, it's the same commission which is 2 percent for cash and 6 percent on the ticket sale. Every state's structure is different and highly dependent on volume and the number of retailers. He described it as a little bit of a wild west in understanding all the different states and the way they handle it.

General Counsel Kearney commented on the outlier of the sales growth seen in 2020, and then the dip there after, and asked Director Strickler if he could comment if that dip was a reaction to the outlier year, the economy, or inflationary impacts. Director Strickler explained that in FY22 the dip was significant and during that year there were dips with all lottery sales throughout the country. There were a variety of factors, but the downward trend in growth had already happened because the COVID-19 pandemic was coming to an end, and all the other entertainment options opened back up with people dividing up their budgets as they did before COVID-19. Once all the unemployment and stimulus money had dried up, people who were in an advantageous position jobwise were no longer in that position. The economy was down, wars were happening, high gas prices, and a variety of other factors were already happening during FY22. He noted that in FY22, some states, in particular Michigan, exploded with literally every other commercial advertising gambling. Online gambling became available along with fifteen casinos in Michigan who all launched their platforms. Sports Betting became available, and all of those casinos launched and presented extremely competitive offers. They have publicly stated in recorded meetings that they're looking at the long-term and plan to operate in the red for years as a means to acquire a long-term player base. State lotteries don't have that luxury and in Michigan, there's a constitutional mandate to maximize contributions for the Michigan School Aid Fund, and so it isn't able to run in the red because schools will suffer. He stated that right now the environment in Michigan is extremely competitive. He advised the Committee to keep in mind that every state has different laws and rules, and in Michigan, the constitution limits some of the products that can be launched and whatever is sold online has to be the same as something that's sold at retail, whereas some other states don't have that rule. He explained that when a player purchases an eInstant ticket in Michigan it functions the same way as a paper

ticket does. The digital screen is just a fancy way of scratching off a ticket, but in the background, the mechanics work the same way. States such as Virginia, New Hampshire, and Pennsylvania offer progressive prizes on eInstants, and he advised the Massachusetts Lottery to do that if they can. He stated that the growth seems to go in tandem and believes that it happens because lotteries that launch iLottery are driven to maximize their contributions and drives them to maximize retail products because retail is going to be the majority of the business.

Chairman Brennan asked if Michigan's promotional spend at brick and mortar retail dipped with the advent of iLottery. Director Strickler explained that on the contrary, the promotional spend went up more and part of that was due to the Second Chance opportunities through instant tickets. The Michigan Lottery started to award real money online games as part of Second Chance reward. Chairman Brennan asked if he thought that would be the right thing for Massachusetts to do. Director Strickler stated that the Massachusetts Lottery needed to make its own decisions but it's the right thing for the Michigan Lottery. The more mature the iLottery program is, there's that player base to connect with and there are a lot of tools to communicate with those players for all products, and the retail players are going to remain retail players. Very few retail players that start playing online stop playing retail. The players who start playing online are the ones who really weren't playing that much at retail anyway. In terms of promotional spend, he believed that decision is separate but can be supported more because it awards and communicates opportunities for coupons and other things such as buying draw games at retail to players who only play online. It benefits both sides and it's really up to how it's used.

General Counsel Kearney followed up by asking that in terms of Michigan's marketing and advertising budget, when online lottery was implemented, did the law give additional monies to pursue and promote the program and what did that look like, what should be expected, and what needs to be looked for in terms of properly rolling iLottery out. Director Strickler said that he will relate what he has heard as he wasn't in his position in 2014 and is merely repeating information that has been passed down. He stated that there really wasn't a change in the Michigan law that suddenly authorized iLottery and he believed iLottery was already authorized. There was a national opinion regarding the Wire Act that made it more tenable to move forward with an iLottery program and is what many states did at that time such as Illinois and Georgia. By 2014 there were three states that were all selling iLottery. He recalled that opinion was issued in 2012 and kicked it off for other lotteries who were motivated to do this. Regarding the advertising funds, that didn't change, it was a decision by the Lottery about how that is handled. The majority of the advertising funds continued to be spent on retail and the Michigan Lottery did a lot of cross promoting. He explained that the Lottery ran a Detroit Lions football theme with a scratch off ticket, a pull tab, and an online instant ticket and they all did really well with the pull tabs selling out fast. The Lottery had to cancel the promotions for January because the instant tickets sold out. Online games did great. The advertising was done for all three of those products through mass media, TV and radio, as well as different print sources. Director Strickler stated that the questions needed to be asked were, "where do you align, how do you use it, where do you cross promote, and where do you promote the same thing using the same ad?" He recalled trying to get ticket checkers into retail. The ticket checker is 100 percent a retail thing. A player needs to have a ticket to get their ticket scanned, and this is a way to connect, communicate, and provide back to those players and know what they want, what they buy, means of purchase, and their budget and so the Lottery tries to promote the ticket checker alongside the retail and advertising as much as possible and as a part of that, people are exposed to all products.

Executive Director Mark Bracken introduced himself and thanked the members of the Michigan Lottery for presenting today. He asked if they could put a dollar amount on what Michigan spends on

advertising. He clarified that he's less concerned about advertising for online lottery and would like to hear more about Michigan's advertising budget for retail operations. Director Strickler explained that it is 1 percent of gross sales but often it's not all used because some legislators were concerned about overuse. He stated that the Michigan Lottery budget was approximately $50 million and two years ago, out of that $50 million budget, about $35 million was spent on retail. Director Strickler expressed his disbelief when Executive Director Bracken revealed that the advertising budget for the Massachusetts State Lottery was $4.5 million last year and $6 million this year. Director Strickler stated that the Michigan Lottery has about $44 million worth of billboards. Executive Director Bracken asked what the total sales were at retail in Michigan. Director Strickler stated approximately $4 to $5 billion a year. Executive Director Bracken reasoned that the Michigan Lottery is spending at least $35 million for $4 to $5 billion in sales as compared to the Massachusetts State Lottery doing $6.2 billion in sales and spending $6 million. Director Strickler clarified that during Michigan's top year all sales, including iLottery, were $5.046 billion. Chairman Brennan agreed that more promotional spend by the Massachusetts Lottery is good for retailers and he supported it.

Chairman Brennan recognized CEO Marlene Warner with a question. CEO Warner asked if she could hear a little bit about Responsible Gaming, what changed when Michigan went from selling traditional lottery products to selling iLottery products, what the Lottery provides versus what the vendor provides, and if she could get a sense of the demographics of the various players and how the aspects of safety are addressed. Director Strickler shared the Michigan Lottery's website showing Responsible Gambling as one of its main navigation points. He stated that the Michigan Lottery was the first in the country to receive Internet Compliance Assessment Program ("iCAP") certification through the National Council on Problem Gambling. He stated that since the beginning, the Lottery uses a variety of different activities and tools that confirm that the user has looked at Responsible Gaming information in order to register. Communications are sent out each month regarding Responsible Gaming activities with certain times of the year where that is stepped up even more. He advised the Committee to go on to the Michigan Lottery website and see the variety of safeguards and tools that are set up. He pointed to examples of the self-exclusion tool and a default deposit limit amount which he described as a weekly default amount that can be deposited. He noted that there are a variety of ways that allow players to set up something that controls their budget. The website also offers the ability to review play history and a cool off tool has been added which is similar to self-exclude. He pointed to a Loss Limit tool which is a feature that provides a player to set a dollar limit that controls their total losses each day. Director Strickler asked Director Garrett if she could elaborate on his summary and share her views.

Director Garrett stated that during September 2023, the Michigan Lottery incorporated videos that help the player understand how to set up the tools. This allows those with different learning styles to be able to understand how to use the tools better. She directed the Committee's attention to the website and reported that the Responsible Gaming brochures that are available at retail are also available online as well as in different languages. During March 2024, the Lottery launched PSA videos, "Do You Wonder," that shares common myths as it relates to lottery play and something that hasn't been done in over 20 years. Director Garrett revealed that the Responsible Gambling program is aligned with the iCAP certification and everything that the Lottery does centers around the iCAP.

CEO Warner asked about the number of people who have a registered account and the percentage of people who are utilizing those online tools. Director Garrett explained that the monthly report shows how many people use it. In addition, there's a report that shows how often someone navigates to the RG ("Responsible Gaming") page.

CEO Warner thanked the Michigan Lottery for their time and left the meeting at 2:35 p.m.

Executive Director Bracken asked Director Garrett if the self-exclusion list ties into any state-wide list and has there been any push by the Gaming Regulators or groups to tie it in. Director Garrett explained that the exclusion list was standalone and although there have been discussions, it has not been pursued. Executive Director Bracken revealed that was something the Massachusetts State Lottery was looking into as they go through this process.

Chairman Brennan asked if the Michigan Lottery had any statistics on the percentage of players using credit cards as a primary purchase method. He elaborated that the use of credit cards are not allowed in Massachusetts for lottery products. He stated that from an RG standpoint it's about people getting into trouble buying lottery tickets and spending more than what they have and then using credit cards. Director Strickler stated that it's a separate point of sale at retail stores and it can be tracked online of what payment methods are being used. Credit and debit cards combined are the most significant forms of payment.

Sales Agent Hauvuy thanked the Michigan Lottery for their time and congratulated them in their efforts in driving revenue back into the stores and keeping the larger payouts at retail. He commented on the structure of the commission in Massachusetts and noted that nothing has changed during the last 50 years. He believed that it would help retailers to be authorized to accept credit and/or debit cards and if the commission was a little higher, it would relieve the worry of the ACH fee. He commented on the return on investment and the amount of money that was spent to roll iLottery out and asked if the rate of return has been worthwhile. Director Strickler replied that yes, it has been worthwhile. He explained that typically, iLottery programs are a revenue share when they are set up. They don't need to be set up that way but in just about every state the iLottery system is going to be paid by some percentage of the online sales. He described it as a nice setup because everybody has the same interest and there's not really any money being spent unless money is being made and depending on what state, what's being spent is a percentage of that money.

Sales Agent Hauvuy commented on hearing that iLottery has increased sales by 15 percent and assumed that the majority of that increase is because of new customers. Director Strickler clarified that out of the total sales, iLottery is about 15 percent of total contributions to the beneficiaries and not total sales. Sales Agent Hauvuy asked how many of that 15 percent are new customers. Director Strickler explained that a lot of them are new customers, and 82 percent are still playing at retail. Sales Agent Hauvuy asked for clarification and asked if the majority of online customers were not coming from brick and mortar. Director Strickler stated that there might be some players that are playing both, but there are some players that are only playing online and a lot of Michigan's efforts over the last few years has been to have that crossover more. He said that he didn't have the information available but six years ago, it was possibly around 40 percent. He stated that it's been a point of pride for the Michigan Lottery to increase the number of players who are using the platforms and playing at retail because initially the new players are the players who want to play online.

Sales Agent Hauvuy asked that before Michigan rolled out iLottery, were instant ticket sales decreasing. Director Strickler confirmed that they were. Sales Agent Hauvuy then asked if they've gone up since the roll out of iLottery. Director Strickler stated that around the same time that iLottery launched, instant tickets sales were increasing but at a much smaller rate. He pointed out that those things were happening because of the efforts in both product lines and he didn't believe they affected each other very significantly, especially during the beginning of iLottery. He stated that they affect each other a bit more now because of the crossover activities as well as being more mature, but early

on, iLottery was running separately from retail. The significant increases in retail were because of the efforts being made within those programs. He stated that when he looked at other lotteries that were adding online products, he saw the same thing where other product lines were not being cannibalized. He believed that the reason lotteries want to launch new product lines is because of how important it is for them to make more money for their beneficiaries, and because that's their drive, that drive stays in all product lines.

Director Strickler noted that Michigan has an Affiliate Program where those who own a website that receives traffic, can sign up. The Affiliate Program will pay a commission to Affiliate partners who send new players to the Lottery. This is when a player comes from their site, signs up, spends money on lottery, and the Lottery pays an amount of money to that affiliate for acquiring a player. He noted that Kroger, which is a very large grocery store chain in Michigan, approached the Lottery and are interested in this program. He related that he spoke to a person, who has a loyal player base, who is interested in a pilot program where he gets players to sign up online and have the Lottery give him a commission. Michigan, as its next step at maturity, is working on this with retailers.

Director Strickler reported on Club Keno, Michigan's traditional Keno that plays at retail and at retail establishments. These are eInstant tickets that have a Keno look and feel. He called the Committee's attention to the Club Keno page on the Michigan Lottery's website. He explained that a player cannot buy Club Keno online, but the website offers mobile apps where players can enter their ticket number and view the play and the results as if they were in a store. These tickets are only available for in-store purchase.

Director Strickler concluded his presentation and mentioned that the Michigan Lottery has used the same iLottery vendor for their platform which is NeoPollard ("NPi") and is publicly available on https://www.michigan.gov/msl which is Michigan's government page.

## IV.  <u>Discussion of agenda items for future meetings</u>

Chairman Brennan recapped that the plan for next month's meeting was to invite representatives from Virginia to talk about their experiences. He stated that going forward swipe fees and potential reimbursement on debit cards need to be addressed and a meeting would be dedicated to that. In addition, the Committee should be prepared to issue a report with recommendations to the Massachusetts State Lottery at the conclusion of this Committee and an outline of that should begin to be put together. Future meetings will also include a meeting dedicated to Responsible Gaming practices and how that can best be adopted.

Executive Director Bracken stated that he has reached out to some of the vendors, and they are open to come in to present. He asked to confirm the February date and said he would reach out to his colleague in Virginia to present from their Responsible Gaming side, the online Lottery side, and possibly for the March meeting, to invite a vendor to come in to speak about RG initiatives from an online platform perspective. The Committee agreed and Executive Director Bracken said he would confirm the date with them.

Executive Director Bracken and the Committee thanked the members of the Michigan Lottery for their time and their presentation.

**V.**      <u>**Other Business – Reserved for Matters not Reasonably Anticipated at the Time of Posting**</u>

After asking if there was any other business to discuss, Chairman Brennan sought a motion to adjourn the meeting. General Counsel Ryan Kearney moved to adjourn and Sales Agent Alain Hauvuy seconded the motion.

Chairman Brennan, recognizing there was no further discussion, moved the motion to a roll call vote. Sales Agent Alain Hauvuy: yes; General Counsel Ryan Kearney: yes; and Chairman Peter Brennan: yes. The Motion carried.

The SLMC meeting adjourned at 2:57 p.m.

List of Documents and Exhibits Used:

- January 2025 Stakeholder Lottery Modernization Committee Meeting Book
- January 2025 Michigan Lottery Digital Gaming Operations – Mass Stakeholder Meeting.ppt