



STATE OF OKLAHOMA  
OKLAHOMA LOTTERY COMMISSION  
OFFICIAL MINUTES

June 20, 2017

The Oklahoma Lottery Commission, established pursuant to the provisions of the Oklahoma Education Lottery Act, Sections 701 et seq. of Title 3A of the Oklahoma Statutes, held a meeting March 21, 2017 at 1:30 p.m. The Meeting was held in the Conference Room of the offices of the Oklahoma Lottery Commission at 3817 North Santa Fe Avenue, Oklahoma City, Oklahoma. In compliance with the Open Meetings Act, 25 O.S. § 301 et seq., the agenda for this meeting was posted at the main and side building entrances, in addition to the main internet office window of the Centennial Business Building at 3817 North Santa Fe Avenue, Oklahoma City, Oklahoma on June 19, 2017 at 9:00 a.m. and was sent electronically to the offices of the Board members on June 19, 2017 and was posted to the website on June 19, 2017. The agenda is attached as Exhibit A.

**AGENDA ITEM 1:**

CALL TO ORDER. Chairperson David Ostrowe called the meeting to order at 1:30 p.m. The roll of Board members was called to establish quorum.

Board members present were:                   David Ostrowe  
   Matthew Felty  
   James Orbison  
   Jack Sherry  
   Ralph E. "Ted" Blodgett

Board members absent were:                   Nevyle Cable  
   George R. Charlton, Jr.

Based on the result of the roll call, the Chair declared a quorum was present.

Others in attendance were: Lyn Martin-Diehl, Assistant Attorney General; Rollo Redburn, Executive Director; and Krista Jenkins, Board Assistant. Others present were Jay Finks, Mary Martha Ford, Scott Moulton, Tyler Telley, Greg Fields, Audra Eccles, Jamie Evans, William McAdaragh, and Brandie Reisman.

**AGENDA ITEM 2:**

ANNOUNCEMENT OF FILING OF REGULAR MEETING NOTICE AND POSTING OF THE AGENDA IN ACCORDANCE WITH THE OPEN MEETINGS ACT. The Chair called upon Ms. Jenkins to verify that proper public notice was made with regard to the June 20, 2017 regular meeting, in accordance with the Open Meetings Act. Ms. Jenkins verified that all necessary steps had been taken to remain in compliance with the Act.

**AGENDA ITEM 3:**

**READING AND APPROVAL OF MINUTES.** (Exhibit B) Mr. Felty moved that the reading of the minutes of March 21, 2017 Regular meeting be waived and approved as published and distributed. Mr. Orbison seconded the motion. The Chair ordered a roll call with the following results:

Roll Call Vote:	Mr. Ostrowe	Yes
	Mr. Felty	Yes
	Mr. Orbison	Yes
	Mr. Sherry	Yes
	Mr. Blodgett	Abstain

THE RESULT WAS FOUR VOTES IN THE AFFIRMATIVE, NONE OPPOSED, AND ONE ABSTAINED.

THE MOTION PASSED.

**AGENDA ITEM 4:**

**UPDATE FROM THE LOTTERY'S EXECUTIVE DIRECTOR:** Mr. Redburn gave a presentation regarding Legislative update. HB 1837 has passed the Oklahoma House of Representatives and Senate and has been signed into law by Governor Mary Fallin. The existing law requires 35% minimum profit, which comes off the top and reduces prize payout offered to players. The law change that was passed directs the first \$50 million to the Educational Lottery Trust Fund to be appropriated by the Legislature under the current education formula, which is 45% to common education, 45% to higher education and career technology, 5% to the Teachers' Retirement Fund, and 5% to the School Consolidation Fund. The bill then establishes the Legislature will appropriate funds that come in above the \$50 million on a cash basis for Pre-K through third grade reading programs and for STEM programs. The bill sets an administrative expense cap of 3%. The current budget being presented is at 1.7%. The cap excludes marketing and advertising costs, prize funds, commissions paid to retailers, contract fees paid for gaming system vendors and instant ticket providers, and any emergency related capital expenditures. Mr. Finks, our PR firm, Saxum, and our lobbyists, were recognized for their efforts in getting the bill passed.

Mr. Redburn also outlined the Lottery and Scientific Games are currently working on a replacement for the back office and gaming system. User Acceptance Testing is progressing at this time and will continue for a time with a go live date of somewhere between July 30 and August 31, 2017. Ms. Ford and her team were recognized for their continued efforts on this project.

The Lottery requested an opinion from the Attorney General regarding accepting second chance drawing entries on a web application and accepting sweepstakes entries on a web application. The Attorney General answered no, neither is allowed. This answer was expected. The purpose of seeking the opinion was to have a definitive answer on what the law allowed to aid in finding Legislative support in getting the law changed to allow the Lottery to do these things.

#### **AGENDA ITEM 5:**

REPORT OF AUDIT AND FINANCE COMMITTEE: Mr. Blodgett met with the finance committee before the board meeting. Mr. Blodgett stated that due to low Powerball numbers we are below where we were projected to be. Mr. Redburn completed the report by saying we will end FY17 by providing the state \$53 million. That is \$3.84 million more than was appropriated which the Legislature will have as cash to be able to use when they return to Session in February. There could be a slight variance due to some final projects during the remainder of this fiscal year. Total projected transfers to the state through FY17 are \$805 million. Through FY18, it is projected to be a total of \$863 million given to the state since the inception of the Lottery.

Mr. Ostrowe outlined that the Lottery received Satisfactory on the latest BKD internal controls audit.

#### **AGENDA ITEM 6:**

SALES / REVENUE UPDATE: Mr. Finks gave a presentation regarding FY17 sales and the projected contribution to Education. The Lottery is projected to come in at \$150 million, which is 20% lower than prior year. Current sales are down vs prior year mainly due to a world record Powerball jackpot in 2016 that has not been repeated in 2017. Instant ticket sales are as low as they have ever been because of player response to our low prize payouts, which are associated with the current minimum mandated 35% profit. The overall contribution to education is projected to not only meet the legislature's appropriation, but also come in slightly ahead of early projections.

For FY18 our profit goal is \$58 million. The Lottery commitment is \$50 million, of which \$47.5 million (95%) was appropriated by the 2017 Legislature for FY18.

The sales goal for FY18 is close to 200 million, nearly a 30% increase in sales.

Late in October of 2017, Mega Millions tickets will increase in cost to two dollars from one dollar. Hot Lotto will end around the same time and a replacement game, Lotto America, will start mid-November. The largest FY18 sales increase is expected in Instant Tickets, with a goal of 60% over FY17, of which 12% can be attributed to the elimination of free tickets as prizes

#### **AGENDA ITEM 7:**

DISCUSSION AND POSSIBLE ACTION REGARDING FY-2018 BUDGET: Mr. Finks outlined the FY-2018 budget. Mr. Orbison motioned for approval of the proposed budget as presented. Mr. Felty seconded the motion. The Chair ordered a Roll Call to approve.

Roll Call Vote:	Mr. Ostrowe	Yes
	Mr. Felty	Yes
	Mr. Orbison	Yes
	Mr. Sherry	Yes
	Mr. Blodgett	Yes

THE RESULT WAS FIVE VOTES IN THE AFFIRMATIVE AND NONE OPPOSED.  
THE MOTION PASSED.

**AGENDA ITEM 8:**

- a. Contract Amendment: Sales Force Automation System (SFA) Contract – Scientific Games: The Chairman chose to appoint a three-person committee to conduct a review of the values received versus the cost of the proposed contract and present findings to the board at the September board meeting. Mr. Orbison, Mr. Blodgett, and Mr. Felty are the members of the committee.
- b. Contract Renewal: Public Affairs – Saxum: Mr. Finks presented the terms of the Saxum contract. Mr. Felty motioned to approve the contract as presented. Mr. Orbison seconded the motion. The Chair called for a vote.

Roll Call Vote:	Mr. Ostrowe	Yes
	Mr. Felty	Yes
	Mr. Orbison	Yes
	Mr. Sherry	Yes
	Mr. Blodgett	Yes

THE RESULT WAS FIVE VOTES IN THE AFFIRMATIVE AND NONE OPPOSED.  
THE MOTION PASSED.

**AGENDA ITEM 9:**

DISCUSSION AND POSSIBLE ACTION REGARDING CHANGES TO MEMBERSHIP OF COMMITTEES OF THE BOARD OF TRUSTEES: Mr. Ostrowe named Mr. Blodgett to the A&F Committee. Mr. Felty motioned to approve. Mr. Orbison seconded.

Roll Call Vote:	Mr. Ostrowe	Yes
	Mr. Felty	Yes
	Mr. Orbison	Yes
	Mr. Sherry	Yes
	Mr. Blodgett	Yes

THE RESULT WAS FIVE VOTES IN THE AFFIRMATIVE AND NONE OPPOSED.  
THE MOTION PASSED.

**AGENDA ITEM 10:**

New Business: No new business.

**AGENDA ITEM 11:**

ADJOURNMENT. The Board adjourned by general consent.

**OFFICIAL MINUTES:**

The action taken by the Oklahoma Lottery Commission on the items for consideration after motion duty made and seconded has been noted herein and made a part of these minutes. The Board caused the entire proceeding of the meeting, excepting any executive sessions, to be recorded on a digital audio recording device to be retained as a record in the office of the Board.

Minutes Approved by Board of Trustees on September 19, 2017.