



**SOUTH CAROLINA EDUCATION LOTTERY
BOARD OF COMMISSIONERS MEETING
MINUTES
March 22, 2011
2 P.M.**

A meeting of the Board of Commissioners of the South Carolina Education Lottery was held on Tuesday, March 22, 2011, at 2 p.m., in the first-floor conference room located at 1333 Main Street, Columbia, South Carolina, with the following Board of Commissioners participating:

Tim Madden, Chairman
Jimmy Bailey, Vice Chairman
Moffatt Burriss, Treasurer
Dr. Edward Keith
Karen Ballentine
Peter Bristow
Nancy Latham
Sam Litchfield
Deedee Vaughters

The Chairman called the meeting to order and welcomed new Board members Nancy Latham, appointed by the Speaker of the House of Representatives and Karen Ballentine, Peter Bristow, and Deedee Vaughters, appointed by the Governor.

Chairman Madden provided a brief overview of lottery operations, including, Standing Committees, statutory and regulation requirements, and the duties and responsibilities of the Board.

Approval of Minutes

On motion of Commissioner Burriss, seconded by Commissioner Keith, the Board unanimously approved the minutes of the November 2, 2010, meeting.

Beneficiary Message

Paula Harper Bethea, Executive Director, introduced two college students, Tamara Fant and Emanuel Johnson who receive lottery funded scholarships. Ms. Fant is seeking a dental hygienist degree from Midlands Technical College. Mr. Johnson is majoring in electrical engineer at Benedict College and receives the LIFE Scholarship. Both spoke to

the Board about the personal impact lottery funds had on their ability to pursue their respective career goals. Mr. Johnson will be the first in his family to graduate from college and, with the help of lottery funds, he explained he was able to do so without incurring debt for him or his family.

Kymm Hunter, Communications and Marketing Coordinator at Benedict College, was recognized to brief the Board on the overall impact of lottery proceeds for students.

Reports

Social Media

Commissioner Burriss, Chair of the Marketing and Retailer Relations Committee, provided an update on social media. He explained the Committee had previously reviewed social media concepts such as Facebook and Twitter. Certain matters relating to Facebook, affecting all lotteries, have been resolved recently with the help of NASPL (North American Association of State and Provincial Lotteries). In a collaborative effort by staff (Internal Audit, Marketing and Product Development, Legal, IT, and HR) strict policies and procedures have been developed for the launch of SCEL's Facebook page. Staff will provide the Board with an update at the May 11th Board meeting.

Marketing Report and Quarterly Advertising Review

Jay Johnson, Director of Marketing and Product Development, reviewed the advertising material which was provided to the Board in advance of the meeting. One DVD for this quarterly review¹ included:

- Television Broadcast: Holiday Instant Tickets, Palmetto Cash 5 "7 Days a Week," Powerball® jackpot (\$20M, \$25M, \$35M), and Mega Millions® jackpot (\$12M, \$16M, \$24M, \$32M);
- Player Information Display: Holiday Instant Tickets, Raffle winners, Powerball® jackpot winners, Palmetto Cash 5 "7 Days a Week," Powerball® "Watch to Win" Promotion, Pick 3 "Front/Back Pair," and Powerball® \$1M winners;
- Website Banner Ad: Pick 3 "Front/Back Pair;"
- Play Station Poster: 2010 Holiday Instant Ticket, Pick 3 "Front/Back Pair," Powerball®, and Carolina Millionaires Club; and
- Radio: Holiday Instant Tickets, Powerball®, and Palmetto Cash 5.

The second DVD included: a 2010 Holiday: Instant Tickets and Stocking POS, Ticket Topper, Pick 3: Ticket Topper and T-Shirt, "New Games" Play Station Writing Surfaces, Palmetto Cash 5 Wallet Card, Columbia Claims Center Wallet Card, and a Claims Center Closing Flier.

Mr. Johnson presented a draft version of a video interview with DAODAS (S.C. Department of Alcohol and Other Drug Abuse Services) Director, Bob Toomey and Mrs.

¹ SCEL's enabling legislation requires a quarterly review by the Board of "all past lottery advertising and proposed concepts for major media campaigns to ensure that the advertising did not and does not target with the intent to exploit specific ethnic groups or economic classes of people, and that the content is accurate and not misleading."

Bethea which was produced in-house. In addition to discussing SCEL's "Play Responsibly" initiatives and the services available for gambling addiction, the video also included lottery players' unscripted responses to the question of what playing responsibly means to them.

No objections or concerns were expressed regarding the advertising materials submitted to the Commissioners for review. It was therefore the consensus of the Board that SCEL's past advertising and proposed concepts for major media campaigns did not and do not target, with the intent to exploit, specific ethnic groups or economic classes of people, and that the content is accurate and not misleading.

Financial Update

Dale M. Rhodes, Director of Finance, was recognized to brief the Board. FY11 Gross revenue through February is approximately \$16.6M above FY10 for the same period. Instant sales are \$26.1M above and online sales are \$9.5M below the same period of time of FY10. The online decrease is primarily due to a \$24.8M drop in Powerball® sales.

Through February of FY11, SCEL transferred \$167.7M to the Education Lottery Account (ELA) compared to \$177.7M for the same period in FY10. The difference is predominately due to an increase in the number of winners with large claims and increased instant tickets sales relative to online games.

The percentage allocation of total revenue (The Lottery Dollar) in FY11 from July 1 – February 28, 2011, was:

- 63.4% Prizes
- 25.9% Net Proceeds
- 7.0% Retailer and Sales Commissions
- 1.5% Gaming Costs (Vendor)
- 1.4% SCEL Internal Administrative Costs
- 0.8% Advertising

Executive Director's Report

Staff is preparing the FY12 budget to present to the Board for approval at the May meeting. Staff is mindful of the economic challenges and the overall goal to maximize transfers to the ELA by striving to do more with less.

SCEL recently closed the Mt. Pleasant and Greenville Claims Centers as the operating costs outweighed the business need. The closing of the claims centers results in a costs savings of approximately \$110K per year in direct personnel costs (and total annual savings of at least \$200K for all costs associated with the claim center). Over the past twelve months, through this action and attrition, the number of FTEs (full time employees) has been reduced by 11 positions.

Staff is exploring the concept of having “agents” act as cashing centers to cash winning tickets between the range of \$501 and \$4,999. Staff will brief the Board if the concept develops further.

Mrs. Bethea also briefed the Board on the results of the recent enhancement to Palmetto Cash 5 (adding a Sunday evening draw for a total of seven per week) and the additional play feature to Pick 3 (“front pair” and “back pair”). Palmetto Cash 5 Sunday sales now average \$44K per week, approximately \$30,000 more with the additional draw date. The Pick 3, “front pair/back pair” component has increased sales by approximately 2.3% per week. Both enhancements were well received by the players and refreshed the games.

Although Powerball® sales continue to be down (due primarily to jackpots being hit with greater frequency), players are beginning to embrace Mega Millions®. Sales have been much stronger in the past four to five months.

The SCEL Sales team was recently recognized in the National Convenience Store magazine. Mrs. Bethea quoted a portion of the article: “States [with] a strong retail sales team, such as...South Carolina, are great assets to growing lottery sales and effective implementation of programs and new games.” She expressed her pride in the recognition earned by the sales team and gave accolades to the entire SCEL staff.

Other Business

There being no further business, the meeting was adjourned.

/s/
Timothy E. Madden, Chairman

As required by § 30-4-80, notification for this meeting was posted at SCEL headquarters, 1333 Main Street in Columbia. As provided in the Board bylaws, the meeting notice and agenda were also posted on the SCEL website, sceducationlottery.com, and sent via facsimile transmission pursuant to requests made by media outlets and other organizations. These notifications included the time, date, place and agenda of the meeting.