

**SOUTH CAROLINA EDUCATION LOTTERY
BOARD OF COMMISSIONERS MEETING MINUTES
February 19, 2025
10:00 a.m.**

The Board of Commissioners of the South Carolina Education Lottery (SCEL) met on Wednesday, February 19, 2025, at 1333 Main Street, Columbia, South Carolina, First Floor Conference Room, with the following members, participating:

Sam Litchfield, Chairman
Keith Munson, Secretary/Treasurer

Jay Young
Patrick Earle

The Chairman called the meeting to order at 10:07 a.m. and welcomed guests.

Approval of Minutes

On motion of Commissioner Munson, seconded by Commissioner Earle, the attending Commissioners approved the December 4, 2024, Minutes unanimously.

Action Items

a. Quarterly Advertising and Marketing Review

The Chairman recognized the Marketing Committee Chair, Patrick Earle, to provide an update from the February 18, 2025, Marketing and Retailer Relations Committee meeting. Commissioner Earle reported the Committee discussed SCi-Q, a new, automated, smart ticket dispenser from Scientific Games. The goal of the automated, smart ticket dispenser is to provide lotteries and retailers better solutions for inventory control, better security, better reporting, time optimization, better space, and full inventory in dispensers. SCEL desires to implement SCi-Q among 400 selected retailers.

Next, Chairman Litchfield recognized Ammie Smith, Director of Product Development, and Josh Whiteside, Director of Marketing, to give the Advertising and Marketing Review. Ms. Smith opened with a snapshot of the Mega Millions relaunch, which will take place April 5. She reviewed the major changes, which, among other things, includes an increased price to \$5 per ticket, an increased starting jackpot of \$50M, an imbedded multiplier, and a minimum prize of \$10. Mr. Whiteside reviewed the following Mega Millions point of purchase (POP) advertising:

Billboard –general game and jackpot information; Online Ad; PID (Player Information Display) – (10 Second Video - MP4 File); Play Station Poster – Mega Millions (Left and Right); Ticket Topper; Wallet Card; Window Poster; and Writing Surface.

Mr. Whiteside also reviewed general advertising for other products: The PID, January, February, and March Scratch-Off Games (Video - MP4 Files); Menu of Games, Game Odds – Horizontal and Vertical; Sticker – All-In-One; and Digital Billboard – Magnificent Millions and Poker Night.

Mr. Whiteside also provided a Carolina/Clemson Series update. Mr. Whiteside showed pictures of the winners from both the Carolina/Clemson Second-Chance drawing, held at the respective

schools' basketball games, during which both participants won \$100k. Ms. Smith shared a note from the Carolina Second-Chance winner expressing his gratitude to the staff during the process.

At the conclusion of the presentation and questions, the Chairman stated, without objection, that the Board's consensus of the attending Commissioners is that the advertising presented 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.

b. Media Buy Plan for FY 2026

The Chairman recognized Mr. Whiteside to present the media buy plan for FY 2026, a summary of which was included in the meeting materials. Staff has routinely requested Board approval of the Media Budget in February because it allows the media placement team at Chernoff Newman more time to negotiate the best rates and secure better slots in the available inventory. In addition, by securing inventory earlier, there is an increased cost savings to SCEL for pre-booking this media. Mr. Whiteside noted that the recommended changes are mostly to incorporate new platforms that were unavailable in previous fiscal years, both in the Streaming Video space and the Mobile Advertising space. We are also seeing the effects of inflation in the Outdoor Advertising space, along with our Sports Sponsorships with schools and across the state. The accompanying chart provided to the Board showed the detailed FY 2026 Media Budget request, which essentially shows a 3.6% increase from \$10,042,200 to \$10,403,200. On motion of Commissioner Earle, seconded by Commissioner Young, the attending Commissioners unanimously approved the Media Buy Plan for FY 2026.

Reports

a. Financial Update

The Chairman next recognized Brain Ford, Chief Financial Officer, to give his financial update. Mr. Ford reported that during the first seven months of FY 2025, Transfers decreased to \$320.9M from \$353.8M, a decrease of \$32.9M (9.3%). Overall Game Revenues decreased by \$64.5M to \$1,311.7M (4.7%). The decrease to Overall Game Revenues is the product of some continued downward pressure on Scratch-Off Games and a lack of large jackpot runs relative to FY 2024. Despite this decrease, SCEL is positioned to exceed the current FY 2025 Board of Economic Advisors' Estimate of \$527.2M.

Scratch-Off Game Revenues decreased by \$12.3M (1.4%) to \$897.4M. Revenue associated with \$1 Scratch-Off Tickets increased \$.1M (.4%). Revenue associated with \$2 Scratch-Off Tickets decreased by \$5.1M (14.8%). \$3 Scratch-Off Tickets increased \$2.0M (7.1%) to \$31.1M. Revenues associated with \$5 Scratch-Off Tickets were \$130.2M, down \$3.2M (2.4%) compared to last year. Additionally, \$10 Scratch-Off Ticket Revenues were down \$8.8M (1.7%) at \$493.1M, compared to \$501.9M last year. \$20 Scratch-Off Ticket Revenues increased \$2.6M (1.4%) to \$194.4M. Across the industry, Scratch-Off Game Revenues are under pressure, particularly in the lower price points. Most jurisdictions across the country have observed a shift in player preference to the larger prize structures associated with higher price points. In an effort to mitigate current trends, SCEL has made efforts to modify Scratch-Off Game launches, ticket quantities, and top prizes. The overall Game Margin on Scratch-Off Game Revenues decreased \$6.5M (2.7%). The overall Game Margin Percentage on Scratch-Off Games decreased .3%, to 26.5%, compared to 26.8% during the same period last year.

Terminal Game Revenues were \$414.3M, a decrease of \$52.2M (11.2%). Again, the decrease was largely due to a lack of large jackpot runs on Powerball and Mega Millions compared to the prior year.

Pick 3 Revenue was down \$3.3M (2.0%) at \$163.4M through the first seven months of FY 2025. Pick 3 Game Margin decreased \$1.1M (1.2%) compared to the previous year. Pick 3 Game Margin Percentage increased to 52.7%, compared to 52.3% last year. Pick 4 Revenue was down \$1.3M (1.3%) at \$93.7M. Pick 4 Game Margin increased \$12.8M (35.1%). Pick 4 Game Margin Percentage increased 14.1% to 52.5%, up from 38.3% last year. The increase to both Game Margin and Game Margin Percentage is a product of statistical variation.

Palmetto Cash 5 (PC5) Revenue increased by \$6.8M (43.3%). PC5 Game Margin was up \$.9M (12.2%). The rebrand and matrix change, including the addition of a rolling jackpot, which launched in March 2024, are the significant contributions for these increases.

Powerball Revenue decreased through the first seven months of FY 2025. Powerball Revenue was down \$54.1M (53.6%), due to a lack of large jackpot runs in FY 2025. Three \$800 million plus jackpot runs generated \$83.9M in Powerball Revenue and \$36.1M in Transfer Value in the first seven months of FY 2024. Powerball has not experienced runs of this magnitude or frequency in FY 2025. Mega Millions Revenue was down \$6.7M (13.2%). This decrease is due to competition with a large \$1.6 billion jackpot from FY 2024. Mega Millions had one \$1.2 billion jackpot run in FY 2025 and continues to perform above Plan. Cash Pop continues to do well, averaging \$1.4M in weekly revenue for FY 2025.

Cash Pop Revenue increased \$6.4M (17.0%) over the prior year. Cash Pop Game Margin was up 1.1M (8.1%) to 14.6M. Cash Pop Game Margin Percentage decreased 2.7% (33.2%). The reason for the increase to Cash Pop Revenue and decrease to Cash Pop Game Margin Percentage is the introduction of the Cash Pop Prize Doubler promotion, which ran from September 2024 to January 2025.

The overall Game Margin Percentage on Terminal Games was 49.7%, compared to 47.8% during the same period last year. The increase of 1.8% was attributable to statistical variation, especially on Pick 4.

Other Revenues, which consist primarily of license and telephone fees, were \$2.2M in the first seven months of FY 2025, compared to \$2.3 in FY 2024. Other Direct Game Costs were \$15.1M during the period, compared to \$14.5M in FY 2024. The primary components of Other Direct Game Costs are Scratch-Off Ticket Printing, Gaming, Digital Engagement, Warehousing, and Product Shipping Expenses.

Advertising Expense was \$7.0M in FY 2025 and \$6.5M in FY 2024. The \$.5M increase is the result of anticipated increases in media production and distribution expenses. G&A Expenses (the primary component of which is employee compensation) were \$10.8M and \$10.2M in FY 2025 and FY 2024, respectively. SCEL anticipates all Operating Expenses to normalize by the end of fiscal year.

Net Income decreased \$21.0M (6.2%) to \$319.7M, compared to \$340.7M. The primary factor for the decrease to Net Income is the decrease to Total Game Revenue.

To date, actual Total Game Revenues are above Plan. Total Game Revenues were \$1,311.7M compared to Plan of \$1,248.8M. The positive variance in Scratch-Off Game Revenue is attributed to all Scratch-Off Ticket price points performing above Plan, with the exception of \$2 Scratch-Off Games. \$1 Scratch-Off Games were \$2.0M above Plan (11.2%). \$2 Scratch-Off Games performed under Plan by \$2.5M (7.8%). The \$3 Scratch-Off Games were \$6.3M (25.3%) above Plan and \$5 Scratch-Off Games were above plan by \$2.1M (1.6%). \$10 Scratch-Off Games were \$24.1M (5.1%) above Plan. \$20 Scratch-Off Game Revenue was \$1.9M (1.0%) above Plan. SCEL has to be relatively conservative when the Plan (budget) is presented each May. Assumptions are taken into account for the softening of demand trends observed recently. Actual Scratch-Off Ticket results through the first seven months of FY 2025 have been better than anticipated.

All Terminal Game Revenues exceeded Plan, with the exception of Powerball. Pick 3 performed \$6.9M (4.4%) above Plan and Pick 4 performed \$5.6M (6.4%) above Plan. Powerball was under Plan by \$10.2M (17.9%) due to a lack of significant jackpot runs. Mega Millions performed above Plan by 11.7M (36.3%) due to a \$1.2 billion jackpot run in December 2024. PC5 performed \$6.2M (38.3%) above Plan. Cash Pop was \$8.7M (24.6%) above Plan. Total Terminal Game Revenue was above Plan by \$29.0M (7.5%) because of the aforementioned factors.

Gross Profit (Revenues less Prize Expense, Commissions, and other game-related costs) was \$338.0M, compared to the planned amount of \$310.5M, for a positive variance of \$27.5M (8.9%). The reason for the positive variance is the increase in both Scratch-Off and Terminal Game Revenues.

In aggregate, Operating Expenses were \$17.8M, down \$1.2M (6.1%) from Plan. Advertising Expense was under Plan at \$7.0M, a positive variance of \$.2M (2.3%). Other Operating Expenses (“G&A”) were \$10.8M, down \$1.0M (8.4%) from a planned amount of \$11.8M. SCEL expects most of these variances will normalize to planned annual amounts as the year progresses.

Because of the aforementioned factors, Net Income for the seven months ending January 31, 2025, was \$319.7M, compared to Plan of \$291.1M, a positive variance of \$28.6M (9.8%).

b. Compensation Study-Final Report

The Chairman recognized Claire Jones, Director of Human Resources, who reviewed a summary of the Final Compensation Report, of which she provided copies at the meeting. After discussing the methodology in the report and comparator organizations, Ms. Jones stated that the overall variance to market value was an average of -0.13%, meaning SCEL is relatively competitive in its compensation compared to the market. The study identified market adjustments for certain positions to bring them closer to market competitiveness. The consultants also identified pay compression among a few multi-incumbent job titles.

Based on the study, 33 positions will receive market adjustments, and SCEL will adjust 11 employees’ compensation for pay compression. Among other recommendations, SCEL will bring all employees who are currently below the temporary minimum salary of their assigned pay grade to the temporary minimum, and adjust instances of salary compression using funds in the available budget. SCEL will use the remaining budget funds for adjustments based on merit, through an abbreviated Performance Evaluation process.

c. Executive Director Report

Next, the Chairman recognized Ms. Dolly Garfield to present her report. Ms. Garfield introduced the newest employees since the December meeting; Dalen Mickle, Marketing Coordinator and Fabiana Echeverri, Graphic Specialist. LaKasha Walker, a 20-year SCEL Marketing Sales Representative, has been promoted to the role of Brand Ambassador.

Ms. Garfield reminded Board members that their Statements of Economic Interest are due by the end of March. She stated that the Media Placement RFP has been posted and hopes to have it awarded by the May meeting.

Ms. Garfield stated that the debit card legislation has gained more traction and has moved out of Committee for a second reading on the Senate floor. She also noted that the Governor included remarks of support to allow debit cards to be used for lottery sales in his State of the State Address and provided a proviso allowing debit card use for lottery sales in the Governor's proposed budget. The SC House Ways & Means has also addressed debits cards among its provisos.

Next, Ms. Garfield addressed lottery couriers. She explained how lottery couriers operate; mainly that they purchase and store the tickets for players without physical delivery. The couriers also charge the players 25% for this service. She stated that one courier in particular, Lotto.com, is meeting with members of the General Assembly, however, she expects a bill to be introduced that bans such services.

Ms. Garfield also updated the Board on a few legal cases. She stated that the SC Court of Appeals has ruled that Dragon's Ascent is an illegal gambling machine in South Carolina. She noted the Glassmeyer case is still pending in the SC Court of Appeals and that Mr. Glassmeyer has since filed another lawsuit that raises issues that are very similar to the issues raised in the case on appeal.

Next, Ms. Garfield stated that Claire Jones and Ammie Smith attended a Responsible Gaming meeting in Atlanta, Georgia and provided useful feedback for staff. Ms. Garfield noted that she would be attending a MUSL meeting at the PGRI conference in March in Fort Lauderdale, Florida. She also stated that several SCEL employees from the Product and Marketing Group will be attending the LaFleurs Conference in Chicago in April, and should have a report by the next Board meeting.

Other Business

The Chairman noted that the next Board meeting would be held on May 7, 2025. There being no further business, the meeting adjourned at approximately 11:06 a.m.

_____/s/_____
Sam Litchfield, Chairman

_____/s/_____
Keith Munson, Secretary/Treasurer

As required by *S.C. Code Ann.* § 30-4-80, SCEL posted notification for this meeting at its administrative offices, 1333 Main Street in Columbia. As provided in the Board Bylaws, SCEL also posted the meeting notice and agenda on its website (sceducationlottery.com), and sent emails pursuant to requests made by individuals, media outlets, and other organizations. These notifications included a link providing the time, date, place, and agenda of the meeting.