SOUTH CAROLINA EDUCATION LOTTERY
BOARD OF COMMISSIONERS MEETING MINUTES
May 6, 2026
10:00 a.m.

The Board of Commissioners of the South Carolina Education Lottery (SCEL) met on Wednesday, May 6, 2026, at 1333 Main Street, Columbia, South Carolina, First Floor Conference Room, with the following members, representing a quorum, participating:

Sam Litchfield, Chairman
Dr. Edward Keith, Vice Chairman
Keith Munson, Secretary/Treasurer
Billy Newsome
Jay Young
Patrick Earle
Dr. Vareva Evans-Harris
Francie Austin
Jack Osteen

The Chairman called the meeting to order at 10:00 a.m. and welcomed guests.

Approval of Minutes
On motion of Commissioner Munson, seconded by Commissioner Keith, the Board approved the February 11, 2026, Minutes unanimously.

Action Items

a. Proposed Financial Plan (Budget) for FY27 Preceded by the FY26 Financial Report
The Chairman recognized Ms. Anne Huffman, Chief Financial Officer, to present the Proposed Financial Plan (Budget) for FY27. Ms. Huffman began her presentation by explaining how the budget is developed. The layout of the Income Statement included in the packet this year includes a column for the FY26 Plan, as approved.

Revenues
SCEL projected FY27 Revenues with a variety of inputs, perspectives, and assumptions. To analyze variances, SCEL compares FY27 Projected Revenues with current FY26 Revised Amounts. These Revised Amounts include actual results through February 2026 combined with the Original 2026 Plan for the remainder of the year. SCEL is projecting FY27 Scratch-off Game Revenues to decrease relative to FY26 by 5.7% based on 3-year growth trends. SCEL is projecting $1-$2 and $3-$5 Scratch-off Ticket Revenues to decrease 7.6% and 4.2%, respectively, as lower price points continue to be under pressure and the demand for these games continues to soften. SCEL is planning for $10 and $20 Scratch-off Game Revenues to decrease by 3.8% and 10.0%, respectively, in an abundance of caution. Although recent trends indicate positive growth for most price points, long-term trends are largely negative. Given trends in South Carolina and surrounding Lotteries of Interest, SCEL must remain conservative on its outlook for Scratch-off Game Revenues, particularly given our legislative restrictions.

SCEL projected Terminal Game Revenues in a similar manner to Scratch-off Game Revenues. Currently, SCEL is projecting Pick 3 and Pick 4 Revenues to decline 3.0% each, compared to FY26. Additionally, revenues for Palmetto Cash 5 and Cash Pop are projected to decline by 3.0% as the impact of recent game changes and promotional activity continues to diminish. Powerball and Mega Millions have been projected differently due to the impact of jackpot runs. Currently, because we do not plan for significant jackpot runs, Powerball is projected to decrease 35.7% compared to FY26. Mega Millions is projected to decrease 5.6% compared to current estimates after considering continued low performance following the recent game changes. Overall, Terminal Game Revenues are projected to decline 9.4% from FY26. Total SCEL Revenues are planned to decline 6.8% in FY27.

Operating Expenses and Game Costs
SCEL projected FY27 Operating Expenses to increase $2.7M (8.1%) over projected FY26 results. Because SCEL presents the upcoming budget by comparing revised FY26 results to projected FY27 results, some variances are often a result of spending that is delayed from one period to the next. The spending delay can be the result of vacant positions or changes in project schedules. For convenience, SCEL included the FY26 Original Plan in its analysis to help clarify these instances, versus truly new expenditures. Some of the items that comprise the $2.7M variance are in fact new expenses, while others are previously planned amounts that have been delayed into the next period. Of this $2.7M variance, the following line items account for the majority of the variance:

> **Salaries and Employee Benefits** ($1.4M/54%) – This variance includes three primary components. First, the FY26 salary expense was under budget ($380k), which is a direct reflection of vacancies in key positions and the associated temporary reduction in payroll expense when positions are not immediately filled. Additionally, the timing of the distribution of FY26 merit increases did not result in the planned budgetary spend. The second component is the addition of four new positions and the reclassification of two existing positions in FY27, with an additional salary value of $350k. The new positions include a QA Analyst, Business Analyst, SharePoint Developer, and a Senior Procurement Manager. The final component is the proposal of a 2% merit increase, distributed based on performance evaluations to be conducted throughout FY27 ($227k). Employee Benefits will increase by $413k as a product of the planned changes to Salary Expense.
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> **Depreciation** ($220k/8.2%) – Depreciation expense will increase in FY27 for the annual deprecation of new fixed assets including access control bio readers for the business office headquarters ($16k/year), IT equipment ($64k/year), office renovations in Finance and IT ($28k/year), a vehicle and trailer for branding activation events ($72k/year), and two vehicles for the Sales department ($30k/year).
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> **Consultants** ($146k/5.5%) – Consulting services for the migration of the accounting Enterprise System ($100k) and QA testing of the new Powerball Xs and Os NFL game ($45k) will be required in FY27.
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> **Security Services** ($133k/5.0%) – This variance includes a full year of salary for an additional SLED agent ($81k), and a salary increase for both DPS ($20k) & SLED Agents ($32k).

Audit & Financial ($121k/4.5%) – This variance includes the cost of a SOC 2 audit ($45k) and an annual accrual of fees for the SC Legislative Audit Council's audit ($60k). A slight increase in the annual cost of the financial statement audit ($2.5k) and an increase in the hourly rate of drawing audit services ($14k) is also included.

Legal ($100k/4.0%) – The FY27 Legal budget request, as with all past requests, includes contingency for unforeseeable events. The average legal expense for the past five years has been $84k, primarily attributed to ongoing Glassmeyer litigation, general employment matters, and intellectual property filings. SCEL is currently preparing or engaged in several procurements including Digital Engagement Services, Banking, Advertising, Central Gaming System, and Scratch-Off Games. Due to potentially unforeseen circumstances that could always subject SCEL to legal exposure, as well as foreseeable anticipated litigation, SCEL has increased the FY27 legal budget compared to recent years.

Transfers to Education

Transfers to Education are projected to decline approximately $72.2M (12.4%) from $579.5M to $507.1M. The current FY27 Board of Economic Advisors Estimate is $495.2M. In an abundance of caution, SCEL will wait until the first revision period in November 2026 to determine if an upward revision is necessary for FY27. The decrease in transfers is primarily due to declines in game revenues, particularly Scratch-off Game Revenues and revenues associated with jackpot runs. Game launches and prize structures will be relatively consistent with FY26. Although Operating Expenses are projected to increase 8.1%, Game Costs are projected to decrease by 5.3%, as SCEL completes the initial SCiQ install and dispenser reset projects. Factors such as jackpot runs and statistical variation can have a dramatic impact on Transfers to Education.

After the presentation and questions, the Chairman entertained a motion by Commissioner Osteen, seconded by Commissioner Newsome, to approve the FY27 Financial Plan (Budget). The Board unanimously approved the motion and the FY27 Financial Plan (Budget).

Next, Ms. Huffman presented her quarterly financial report.

Actual FY26 Results Compared to Actual FY25 Results and Debit Card Update

During the first nine months of FY26, Transfers increased to $462M from $415.6M (11.2%). Overall Game Revenues increased $153.9M to $1,867.7M (9.0%). Net Income increased $43.31M to $459.1M. The increase in Net Income was the result of increased Ticket Revenues from both our Scratch-off and Terminal portfolios. Additionally, jackpot run activity had a considerable impact on increased sales during the first two quarters of FY26. SCEL increased the FY26 transfer projection to $518.2M in November 2025 and expects to exceed this estimate at a later date.

Scratch-off Games

Scratch-off Ticket Revenues increased by $78.7M (6.7%) to $1,261.8M. Revenues in all Scratch-off Ticket price points were up except for the $2 and $5 price points. Revenues associated with $1 Scratch-off tickets increased slightly to $24.8M, up $0.1M (.3%). Alternatively, $2 Ticket Revenues decreased by $1.0M (2.6%) compared to March results from the prior year. The $3 Scratch-off Ticket price point continues to perform well and has seen growth of 5.0% ($2.0M) in FY26. Revenues associated with $5 Scratch-off Tickets decreased $5.5M (3.3%). Finally, $10 Scratch-off Ticket Revenue and $20 Scratch-off Ticket Revenue increased $4.5M (0.7%) and $78.5M (29.4%), respectively. The Scratch-off Ticket portfolio has seen substantial growth from the addition of the core $20 Ticket and the Debit Card Proviso. The Game Margin on Scratch-off

Game Revenues increased during the period by $19.2M (6.1%) largely due to the increase in Revenues associated with the $20 Ticket. Scratch-off ticket Game Margin Percentage declined by 0.1% to 26.1%, as $20 Scratch-off ticket Game Margin occupies a larger percentage of Total Scratch-off ticket Game Margin.

Terminal Games

Terminal Game Revenues were $605.8M, an increase of $75.2M (14.2%). The increase in Terminal Game Revenues was largely driven by growth from all Terminal Games, except Mega Millions. SCEL does not plan for large jackpot runs over $500M, and there were several that occurred to this point in FY26.

Pick 3 Revenue increased $8.6M (4.1%). Pick 3 Game Margin decreased by $5.1M (4.6%). Statistical variation negatively impacted Pick 3 in quarters two and three of FY26. Certain number combinations result in large liabilities for SCEL, and these include triple digits of the same number ("trips"). SCEL selected "trips" five times, resulting in $15M liability during the period. During the same period in FY25, SCEL selected "trips" three times for a $7M liability. Statistical variation often ranges widely over the short term but will normalize to the designed game prize percentage payout over the long term. Pick 4 Revenue increased $6.1M (5.0%). Pick 4 Game Margin increased $18M (28.5%) due to favorable statistical variation. SCEL has not drawn quadruple digits of the same number ("quads") since November 2024.

Powerball Revenues increased $57.9M (94.4%) due to jackpot run activity during the first two quarters of FY26. The Powerball Jackpot exceeded $1B twice in FY26, while it exceeded $1 billion only once in FY25. Mega Millions Revenue decreased $5.8M (11.4%). The Mega Millions game continues to perform lower than expected since the game changes were implemented in Spring 2025.

Palmetto Cash 5 Revenues increased to $30.1M, up $0.8M (2.8%) and continues to see success with the addition of the rolling jackpot feature implemented in March 2024. Palmetto Cash 5 Game Margin was down just $0.1M (0.9%). Cash Pop Revenue was up $7.7M (13.5%). This increase is largely due to the successful execution of a Cash Pop Bonus promotion that has led to a sustained lift to sales. Cash Pop Game Margin was up $1.3M (10.1%) over the prior year.

Because of these factors listed above, Terminal Game Margin was up $38.9M (14.7%) at $304.3M to this point in FY26. The overall Game Margin Percentage on Terminal Games was 50.2% compared to 50.0% during the same period last year. The 0.2% increase was primarily a result of higher margin percentage on Pick 4 caused by statistical variation.

Other Revenues and Game Costs

Other Revenues, which consist primarily of license and telephone fees, were $2.9M in the first nine months of FY26 compared to $2.8M in FY25. Other Direct Game Costs were $22.3M in the first nine months of FY26 compared to $19.6M in FY25. The increase is attributable to the purchase of SCiQ dispensers to modernize our retail environment. As a percentage of revenues, both items, as expected, were consistent from FY26 to FY25.

Advertising and G&A Expenses

Advertising Expense has remained consistent over the last two fiscal years with total expense of $9.1M in FY26 and FY25 through the first nine months. G&A Expenses (the primary component of which is employee compensation) were $15.4M in FY26 and $14M in FY25. This $1.4M

(10.1%) increase is attributed to Salaries and related Employee Benefits Expense, which have increased due to new positions, merit increases, and state-mandated employer retirement and state health plan cost increases. Total Operating Expenses were $24.5M and $23.1M in FY26 and FY25, respectively.

Actual FY26 Results Compared to the FY26 Financial Plan
The positive variance in Scratch-off Ticket Revenues is primarily attributed to better than anticipated performance of all Scratch-off Ticket Price Points, except for $5 Scratch-off Games. Revenue associated with $20 Scratch-off Tickets was up $103.9M (43.0%). Additionally, $10 Scratch-off Ticket Revenue was up $22.2M (3.5%). Alternatively, $5 Scratch-off Ticket Revenue was down $4.5M (2.7%). The $3 price point was up $8.8M (25.7%) over Plan. Finally, $1 and $2 Scratch-off Ticket Revenue was above Plan by $2.6M (11.7%) and $2.3M (6.7%), respectively. SCEL, like many lottery jurisdictions, continues to observe a shift in player habits towards higher price points. These games are attractive due to the large prize structures they offer, made possible by large ticket quantities and revenue bases.

The positive variance in Terminal Game Revenues is attributable to better-than-expected sales of all Terminal games, except for Mega Millions. Pick 3 and Pick 4 exceeded Plan by $20.4M (10.3%) and $15.1M (13.3%), respectively. Powerball performed above Plan by $46.8M (64.7%) due to jackpot runs in the first half of the year. SCEL does not plan for jackpots more than $500M when the Financial Plan is created, and Powerball had two $1B+ jackpots during the first two quarters of FY26. Mega Millions performed below Plan by $7.1M (13.7%). Palmetto Cash 5 exceeded Plan by $3.9M (14.7%). Cash Pop exceeded Plan by $15.6M (32.0%). The success of Palmetto Cash 5 and Cash Pop are the result of successful new game features and promotions. Overall Terminal Game Revenues were $94.7M (18.5%) above Plan.

As a result of the better than planned Game Revenues, Gross Profit (Revenues less Prize Expense, Commissions, and other game-related costs) was $484.2M compared to the planned amount of $399.9M for a positive variance of $84.2M (21.1%).

In aggregate, Operating Expenses were $1.0M (3.9%) under Plan. Advertising Expense was aligned with Plan ($9.1M Actual vs. Plan of $9.1M). Other Operating Expenses ("G&A") were under Plan by $1M (5.8%). SCEL expects most of the variances will normalize to planned annual amounts as the year progresses.

As a result of the aforementioned factors, Net Income for the nine months ended March 31, 2026, totaled $459.1 million, exceeding the Plan of $373.9 million by $85.1 million, a favorable variance of 22.8%.

Debit Card Update
Following the financial report, Ms. Huffman provided a brief debit card sales update. For the first 30 weeks of the year, the trend is significantly ahead of 2025. Retailers who accept debit cards sales are up 8.9%, while non-debit card retailers are falling below last year's actuals. Approximately 56% of retailers are accepting debit cards. This increase looks like $82.3M in sales year to date and $19.7M in transfer value. Some retailers report the inability to find point of sale systems that can reject credit cards. The proviso permitting the use of debit cards for lottery purchases requires annual renewal by the legislature to remain in effect.

b. Quarterly Advertising and Marketing Review

The Chairman recognized Ms. Ammie Smith, Chief Product Officer, and Mr. Josh Whiteside, Chief Marketing Officer, to present the Quarterly Advertising and Marketing Review. Ms. Smith began by elaborating on SCEL's budget process, stressing that in addition to SCEL's budget, there are internal sales goals that are more aggressive than revenue projection in the budget. She indicated that she will present her internal sales goals to the Sales Department team next week. She explained how SCEL builds its product portfolio and attempts to achieve growth through product positioning. Ms. Garfield, in further support of Ms. Smith's discussion, stated that staff often tries to exceed the budget revenue projection through the Sales and Product Departments and cost-cutting. After questions from Commissioner Evans-Harris about the effects of Artificial Intelligence (AI) on wagers, and how Powerball made several millionaires across the country including one she saw in Mauldin, SC, Ms. Garfield stated SCEL had examined the situation and concluded that the phenomenon was based on pattern play, when a player picks numbers based on a visual pattern rather than the number itself. There appears to be no AI involved.

Next, Mr. Whiteside provided an update on the following:

Star Power Second-Chance Promotion
Online Ad, Play Station, Radio, Video, Ticket Topper, and Writing Surface

Events
Beneficiary Tabletop Cards and Drink Coaster; Heritage: Roll Up Banner-Beneficiary; Darlington, Roll Up Banner-NASCAR Powerball The Chase.

Play Responsibly
PID-Play Responsibly (15 Second Video), Radio-All for Fun, and TV-All for Fun (30 Second Video)

Beneficiary
Digital Billboard-Beneficiary $9.4 Billion, Congratulations Life Scholarship Graduates, and Congratulations Palmetto Fellows Scholarship Graduates

General PID Updates
The PID, Player Information Display, is the monitor inside retail locations that promotes SCEL products and displays winning numbers, winner awareness, beneficiary messages, and other similar messaging. The slides that have been or will be introduced into rotation on the PID since our last review are: April Scratch-off Games (36 Second Video), May Scratch-off Games (14 Second Video), and June Scratch-off Games (27 Second Video).

MISC
Digital Board-Myrtle Beach Pelicans (15 Second Video), Online Ad-X-Series, Outdoor Screen-Greenville Drive, Program Ad-Augusta Green Jackets, and Miss SC Sponsorship.

Upon the conclusion of the presentation and discussion, the Chairman stated that, without objection, it is the consensus of the Board that the advertising presented did not, and does not, target or intend to exploit any specific ethnic groups or economic classes, and that all content is accurate and not misleading.

Reports

a. SCiQ Presentation and Report

Chairman Litchfield recognized Mr. Antonio Robertson, Director of Corporate Accounts, to provide an update on SCiQ. Mr. Roberston introduced Jeremy Kyzer, V.P. Retailer Solutions, Scientific Games, who demonstrated the SCiQ system. Mr. Robertson provided a SCiQ comprehensive overview of ongoing efforts and organizational priorities to ensure new Board Members were fully informed. Since the completion of the installation of 400 systems in retail locations across the state, the SCiQ systems have provided real time data which has helped retailers who had inventory and accounting challenges. The system has also generated valuable data for SCEL, including enabling the Security Department to successfully resolve several theft cases. Following his report and demonstration from Mr. Kyzer, Mr. Robertson reviewed service call data as well as sales data. Sales data involved SCiQ stores versus non-SCiQ stores within the same company which showed an increase in favor of SCiQ. Mr. Robertson concluded with introductions of Director of Sales, Suzanne Slacas, Upstate Region; John Erby, Midlands Region; and Jesse Hines, Coastal Region.

b. Chief Executive Officer's Report

The Chairman recognized Ms. Dolly Garfield to give her report. Ms. Garfield began by reminding the Board that SCEL is undertaking several procurements that members should be aware of and limit contact with any potential vendors. She referenced the Central Gaming System Request for Proposal (RFP), which is a 15-year contract, Scratch-off Ticket RFP, and the Advertising RFP.

Ms. Garfield then updated the Board on the vending machine legislation, noting that the measure had been placed on the contested calendar. Although it did not pass this legislative session, it may be reintroduced at the start of the next legislative term. She emphasized that, for the first time, lawmakers are actively discussing the issue.

She informed the Board that Glassmeyer has filed another lawsuit against SCEL, asserting that one of his records requests, which totaled approximately 29,000 pages, was improperly provided on a disk rather than printed as he demanded. SCEL will continue to keep the Board updated on the matter.

Ms. Garfield reported that several state senators have approached her regarding the possibility of offering horse betting and have asked whether SCEL has the capability to manage such operations. After researching the issue, she noted that no state lottery currently administers horse betting. Although the North Carolina Education Lottery is authorized to oversee horse betting, North Carolina does not yet have a racetrack, leaving no operational history of a lottery managing horse racing. She will continue to keep the Board informed as discussions evolve.

Next, she noted that La Fleur's is considering Charleston, South Carolina, as the host city for its semi-annual lottery conference this fall. The La Fleur's family has a long history of producing two major lottery conferences each year, highlighting successful practices and emerging innovations within the industry. She reported that there is a 95% likelihood the conference will be held in Charleston and, in anticipation, has increased the commission's travel budget should any Board members wish to attend. Additional details will be provided as plans are finalized, but the conference is expected to take place the week before Thanksgiving, Monday through Wednesday.

Ms. Garfield concluded her report by asking Ms. Claire Jones, Chief Human Resources Officer, to introduce newly hired employees. Ms. Jones welcomed three new Claims Representatives-Teosha Adams, Diamond Dukes, and Amelita Gallman; Senior Procurement Officer, Ashley Kennedy-Shell; Licensing Representatives, Imani Gibson-Evans and Tarshel Foster; Information System Support Specialist in IT, Jonte Wilson; and, lastly, the newest team member, Upstate Lottery Sales Representative, Axel Ruiz.

Other Business

The Chairman noted that the next Board meeting will be held on August 5, 2026. There being no further business, the meeting adjourned at approximately 12:11 p.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.