

**SOUTH CAROLINA EDUCATION LOTTERY
BOARD OF COMMISSIONERS MEETING MINUTES
December 4, 2024
10:00 a.m.**

The Board of Commissioners of the South Carolina Education Lottery (SCEL) met on Wednesday, December 4, 2024, 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
Patrick Earle
Jay Young

Call to Order

The Chairman called the meeting to order at 10:08 a.m. and welcomed guests.

Approval of Minutes

a. June 12, 2024, Special Board Meeting Minutes

On motion of Commissioner Newsome, seconded by Commissioner Young, the Board unanimously approved the Minutes from its Special Board meeting held on June 12, 2024.

b. September 4, 2024, Board Meeting Minutes

On motion of Commissioner Newsome, seconded by Commissioner Earle, the Board approved the September 4, 2024, Minutes unanimously.

Action Items

a. Nomination and Election of Board Officers for 2025

The Chairman asked for nominations of officers other than those currently serving, and after receiving none, Commissioner Earle moved to close the nominations and elect the current slate of officers for another one-year term in accordance with *S.C. Code Ann. § 59-150-40(G)* and the by-laws. Commissioner Newsome seconded the motion, which passed unanimously, electing the officers as follows:

Sam Litchfield, Chairman
Dr. Edward Keith, Vice Chairman
Keith Munson, Secretary/Treasurer

b. Audit Committee Meeting Report - November 19, 2024 - Adoption of the 2025 Audit Plan

The Chairman provided the report on behalf of Commissioner Keith and stated that while the Audit Committee minutes are self-explanatory, Ms. Brittany Davis, Internal Auditor, would elaborate on the items in the report. Ms. Davis discussed the Audit Committee Charter, noting that the primary purpose of the Audit Committee is to review and support independent evaluations of the Board's activities. She stated that the Audit Committee would meet at least two times a year and those meetings are scheduled for May 14, 2025, and October 8, 2025. Next, Ms. Davis discussed the Internal Audit Charter that ensures that the internal auditor has full, free, and unrestricted access

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to all functions, records, property, and personnel when relevant to audits, reviews, and investigations.

After her presentation, the Board unanimously approved the 2025 Audit Plan.

c. Quarterly Advertising and Marketing Review

The Chairman recognized Commissioner Earle, who stated that the Marketing and Retailer Relations Committee considered details of the Better U – Responsible Play Update, the Better U – Beneficiary Campaign, and the Mega Millions Matrix Change and Advertising Campaign. He stated the Committee approved moving forward with the Better U – Responsible Play Update, the Better U– Beneficiary Campaign, and the Mega Millions Matrix Change and Advertising Campaign for the quarterly advertising. The Board unanimously approved the Committee’s recommendation.

Ms. Ammie Smith, Director of Product Development, joined by Josh Whiteside, Director of Marketing, discussed the following advertising series with selected video and audio materials:

The Big \$pin - Digital Billboard – (\$1 and \$5 Game), Online Ad; Draw Studio – The Big \$pin Background (119 Second Video - MP4 File); PID – The Big \$pin: App Instruction (15 Second Video - MP4 File) and Second Chance (15 Second Video - MP4 File); Play Station Poster (Double-sided); Ticket Topper; and Writing Surface – The Big \$pin.

Rewards Sign-Up Bonus: Online Ad – Rewards Sign-Up Bonus; Play Station Poster (Double-sided) – Coastal, Midlands, and Upstate regions; Ticket Topper; Window Poster; and Writing Surface.

Holiday: Digital Billboard – Golden Rings, Holiday Games, Holiday Wishes, Shimmering Riches, and Winter Green; Online Ad; and PID – Holiday Campaign (Video).

General PID Updates

The Player Information Display (PID) is the monitor inside retail locations that promotes SCEL products and displays winning numbers, winner awareness, beneficiary messages, and other similar messaging. Slides displaying soon to be launched scratch-off tickets, as well as those that launched since the last review, were presented.

MISC

Digital Billboard – Mining For Gems; End Of Games; and LED Board – Coastal Carolina, College of Charleston, USC Beaufort and Wofford (Video files).

At the conclusion of the presentations, the Chairman stated, without objection, that the Board’s consensus 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 is not misleading.

d. Powerball and NFL Game

The Chairman recognized Ms. Dolly Garfield, Executive Director, to provide an update regarding the proposed Powerball and National Football League (NFL) Game concept. Ms. Garfield informed the Board that Multi-State Lottery Association (MUSL) first discussed the game in May 2022, but that it really began to gain traction earlier in 2024. At the MUSL meeting in Puerto

Rico, the directors learned that MUSL conducted a Powerball Brand Research Project and that Powerball's brand awareness is extremely high and not far behind the awareness of the NFL. The Directors also learned from the research that an impending partnership with the NFL showed great brand compatibility. Several game ideas have been presented. Then, MUSL announced at its Kansas City meeting in October that states had to elect to participate by the end of the month. SCEL elected to participate pending Board approval. At this point, 33 states (which includes North Carolina and Virginia) have agreed to participate, with a population of 190 million potential players. Nine lotteries are still considering, and likely will be joining (which includes Georgia and Florida) with a population of 112 million. Six lotteries are not participating (which includes Puerto Rico and Virgin Islands). Ms. Garfield stated that the price point would be \$5. Players would pick eight logos from among the 32 NFL football teams for a chance to match eight NFL logos that are randomly drawn. The proposed prize format is 8 matches = \$5M prize, 7 matches = \$25K prize, 6 matches = \$500, 5 matches = \$50, and 4 matches = \$7. Players can do a quick pick or manual pick. Discussion is ongoing regarding a 60% model (51% prizes, 3.5% licensing fee, Second-Chance prize fund of 4.5%, and a 1% marketing fund). In addition, MUSL is still discussing if the top prize would be fixed or para mutual. The current plan is to launch in September of 2026, with drawings on Sundays, and an opportunity for national advertising campaigns. Second chance opportunities include weekly NFL.com gift cards, Sunday ticket streaming packages, monthly ticket packages to NFL games, jerseys from favorite team(s), "watch party" packs, quarterly draft night packages, pro bowl packages, playoff packages, and a Grand Prize of Super Bowl trips for two and Super Bowl trips for 10.

On motion of Commissioner Newsome, seconded by Commissioner Young, the Board unanimously approved SCEL's participation in the proposed Powerball NFL Game.

Reports

a. State of the Lottery Industry

The Chairman again recognized Ms. Smith to discuss trends in the lottery industry. Ms. Smith reviewed a comparison between SCEL and lotteries of interest (LOI), sister state lotteries that happen to share the same region and per capita similarities (Georgia, Florida and North Carolina). She noted that generally LOI are down in overall sales, similar to a majority of other lotteries across the country. She presented data on SCEL's performance by price point, compared nationally and to LOI over 52 weeks, 12 weeks, and year-over-year. The data shows that SCEL varies among its performance compared to other lotteries and is similarly down in all scratch-off tickets except its \$20 price point. In general, SCEL remains competitive even without all the tools available to LOI, such as debit card sales and Instant Ticket Vending Machines (ITVM) sales.

b. Financial Update and FY24 Year-end Report

The Chairman recognized Brian Ford, Chief Financial Officer, who reported that during the first four months of FY 2025, Transfers decreased from \$219.0M to \$189.3M, a decrease of \$29.7M (13.6%). Overall Game Revenues decreased \$78.1M to \$736.7M (9.6%). Scratch-Off Game Sales trends continue to be under some pressure across the industry. During the same period in FY 2024, there were multiple \$1 billion-plus jackpot runs on Powerball and Mega Millions that contributed to the decline. SCEL does not plan for jackpots of this magnitude or frequency.

Scratch-Off Games

As planned, all Scratch-Off Game Revenues, with the exception of \$3 Scratch-Off Games, were down. Total Scratch-Off Game Revenues decreased by \$21.5M (4.1%) to \$507.7M. Revenues associated with \$1 and \$2 Scratch-Off Tickets decreased \$.2M and \$4.9M (2.3% and 24.2%),

respectively. \$3 Scratch-Off Ticket Revenues increased \$3M (1.6%) at \$17.4M. Revenues associated with \$5 Scratch-Off Tickets declined compared to last year at \$73.2M, a decrease of \$1.8M (2.4%) over the prior year. \$10 Scratch-Off Ticket Revenues were down \$9.3M (3.3%) at \$276.6M compared to \$285.9M last year. \$20 Scratch-Off Ticket Revenues have averaged approximately \$28.7M per month in FY25. Scratch-Off Game Revenues, particularly lower price point Scratch-Off Game Revenues, continue to come under pressure across the lottery industry. SCEL has made strategic adjustments to game launches, top prizes, and ticket quantities in all price points in hopes of reversing this trend. These adjustments and the introduction of attractive prize structures associated with higher price points have proven successful in other jurisdictions. Initiatives are also under way to reach new players and offer new, exciting ways to engage our players.

The overall Game Margin on Scratch-Off Game Revenues decreased \$9.2M (6.5%). The overall Game Margin percentage on Scratch-Off Games decreased to 26.3% compared to 27.0% during the same period last year. The overall decline of the Scratch-Off Ticket Revenue base and the fact that \$20 Scratch-Off Tickets pay out roughly 80% compared to 75% on \$10 Scratch-Off Tickets has largely attributed to this decline.

Terminal Games

Terminal Game Revenues were \$229.0M, a decrease of \$56.6M (19.8%). The decrease was due to multiple large jackpot runs for both Powerball and Mega Millions during the first four months of FY 2024. Pick 3 Revenues were down \$2.1M (2.2%) at \$92.9M through the first four months of FY 2025. Pick 3 continues to perform very consistently. Pick 3 Game Margin increased \$1.3M (2.7%) due to favorable statistical variation. Pick 3 Game Margin Percentage increased from 52.3% to 54.9%. Pick 4 Revenues were up \$4M (0.7%). Pick 4 Game Margin increased \$9.5M (41.5%) due to very favorable statistical variation. Pick 4 Game Margin Percentage increased from 44.1% to 61.9%. However, the \$6.5M quad 4 liability drawn on November 16, 2024, will reduce this trend.

Palmetto Cash 5 Revenues increased by \$3.8M (42.9%) due to the strength of rebranding and the addition of a rolling jackpot feature. Palmetto Cash 5 Game Margin was up \$.3M (7.0%) as well. Powerball Revenue was down significantly through the first four months of FY 2025. Powerball Revenue was \$27.1M, down \$43.1M (61.4%). The primary reason for this decrease is two large jackpot runs at the start of FY24, which reached \$1.0 billion and \$1.7 billion, respectively. These two runs lasted 39 and 35 draws respectively and generated \$60.4M in FY 2024 Revenue. Mega Millions was down \$17.5M (45.8%) due to competition with a \$1.6 billion jackpot run from FY 2024. These games have historically been very dependent on jackpot runs to achieve increased Revenue performance; however, SCEL does not plan for jackpot runs of this magnitude in the Financial Plan. Neither Powerball nor Mega Millions have experienced a billion dollar jackpot run in FY 2025.

Cash Pop continues to perform well, generating \$1.4M in revenue per week. Cash Pop Revenue increased \$1.9M (9.1%) over the prior year through October. Cash Pop Game Margin decreased \$.4M (4.9%). Cash Pop Game Margin Percentage decreased 5.0% from 39.3% to 34.3%. Both the increase in Cash Pop Revenue and the reduction in Cash Pop Game Margin are due to the addition of the Cash Pop Prize Doubler promotion that launched on September 29, 2024. The intent is for the lift in revenue to exceed the additional prize payout over the course of the promotion.

The overall Game Margin Percentage on Terminal Games was 53.0% compared to 49.3% during the same period last year. The increase of 3.6% was attributable to statistical variation, especially for Pick 4.

Other Revenues and Game Costs

Other Revenues, which consist primarily of license and telephone fees, were \$1.2M in the first four months of FY 2025, compared to \$1.3M in the same period in FY 2024. Other Direct Game Costs were \$8.4M during the period compared to \$8.5M in FY 2024. SCEL anticipates Other Direct Game Costs to be consistent between FY 2025 and FY 2024.

Advertising and G&A Expenses

Advertising Expense was \$3.9M in FY 2025 and \$3.1M in FY 2024, an increase of \$.8M (25.1%). Anticipated increases in advertising production and distribution expenses attributed to this increase. G&A Expenses (the primary component of which is employee compensation) were \$6.1M in FY 2025 and \$5.8M in FY 2024. The \$.3M (5.4%) increase involves increased salaries and employee benefits expenses as anticipated.

Net Income

Net Income decreased \$24.4M (11.6%) to \$185.5M compared to \$209.0M in FY 2024. Decreases in both Scratch-Off and Terminal Game Revenues attributed to the decrease to Net Income.

Actual FY 2025 Results Compared to the FY 2025 Financial Plan

To date, actual financial results are above plan. Game Revenues were \$736.7M compared to Plan of \$700.4M.

The positive variance in Scratch-Off Game Revenue is a result of all Scratch-Off Games performing above Plan with the exception of \$2 Scratch-Off Tickets. \$1 and \$2 Scratch-Off Tickets Revenues were \$2.0M (7.2%) under Plan while \$3 and \$5 Scratch-Off Ticket Revenues were \$4.8M (5.7%) over Plan. Across the industry, lower price point Scratch-Off Ticket Revenues have been under pressure. \$10 Scratch-Off Ticket Revenue was above Plan by \$13.5M (5.1%). Lastly, \$20 Scratch-Off Ticket Revenue was \$7.0M (6.5%) over Plan. Total Scratch-Off Ticket Revenues were \$23.4M (4.8%) above the planned amounts presented in the May 2024 SCEL Board Meeting. The reason Scratch-Off Ticket Revenues are above plan is due to the conservative estimates used to create the FY 2025 Plan and better than anticipated performance.

All Terminal Game Revenues exceeded Plan, with the exception of Powerball. Pick 3 performed \$5.1M (5.8%) above Plan, and Pick 4 performed \$2.9M (5.9%) above Plan. Palmetto Cash 5 also performed \$3.7M (40.3%) above Plan. Powerball was \$4.9M (15.3%) under Plan due to a lack of jackpot run activity. Mega Millions increased \$2.7M (14.7%) over Plan. Cash Pop performed \$3.5M (17.5%) above Plan.

Because of the higher than planned Game Revenues, Gross Profit (Revenues less Prize Expense, Commissions, and other game-related costs) was \$195.7M compared to the planned amount of \$174.1M for a positive variance of \$21.6M (12.4%).

In aggregate, Operating Expenses were \$1.2M (11.1%) under Plan. Advertising Expense was \$3.9M compared to planned amount of \$4.3M, a positive variance of \$.4M (11.2%). Other Operating Expenses ("G&A") were \$.8M (11.0%) under Plan. 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 four months ending October 31, 2024 was \$185.5M compared to Plan of \$162.7M, a positive variance of \$22.8M (14.0%).

Mr. Ford also thanked all SCEL staff who assisted with processing claims from the most recent Pick 4 (4444) claims.

c. Executive Director Report

Next, the Chairman recognized Ms. Garfield to present her report.

Ms. Garfield reported that in October, MUSL conducted its annual security audit and SCEL passed with excellence. She recognized Craig Perry, Director of Security, who explained the process in more detail.

On October 11-12, the Lottery was present at the Riverfront Revival Music Festival that attracted many new players. Sales totaled approximately \$5,000. SCEL employees volunteered to work, including employees in the Human Resources and Marketing Departments, which was a great team-building exercise. In that vein, Ms. Garfield stated that SCEL would be focusing on getting back out in the community at different special events, with a focus on attracting new players. She said that SCEL would be looking to fill a position to spearhead these efforts.

Ms. Garfield stated that she is focusing on educating South Carolina and bringing more awareness about SCEL's lottery scholarships. She reached out to the newly appointed director of the Commission on Higher Education (CHE) and had a productive meeting. Because of that meeting, CHE has already made changes to its website clarifying which scholarships are lottery-generated. She is hoping to strengthen that relationship.

Ms. Garfield informed the Board that SCEL would be posting a Media Placement Request for Proposals around January, and hopes to award a contract by March.

Ms. Garfield noted the Compensation Study began and is almost complete. Staff had emailed a draft copy to members. Ms. Garfield recognized Claire Jones, Director of Human Resources, to provide a summary to the Board. Ms. Jones reminded the Board of its plan to remain competitive in compensation, which was initiated about eight years ago. She described attributes of the current vendor and the proprietary software it uses. The vendor considered general survey data on the current labor/job market but also data of other lotteries of interest. In sum, SCEL is in a very positive position for competitive pay, requiring very few market adjustments to compensation. The proposed compensation program is in the final phase of development and will consist of a grade-level pay schedule, similar to the current structure, to continue to allow room for career advancement within a relatively flat structure, reduce salary compression, and reflect salaries that are competitive in the market.

Ms. Garfield noted that there have been advertisements for a courier service on one of SCEL's partner TV stations, indicating that players could purchase tickets online. Ms. Garfield, noting the Board's position on lottery couriers, had Mr. Whiteside inquire about the advertisement. He determined that a national advertising campaign is in progress for the Jackpocket Lottery App, a lottery courier. Mr. Whiteside concluded that although the national advertisement ran in South Carolina, players are unable to use the Jackpocket app to purchase tickets from South Carolina.

Lastly, Ms. Garfield discussed the initiative of SCEL's Fun Squad for SCEL employees' participation in a food drive and wearing orange attire in recognition of World Hunger Awareness day. In addition, the Fun Squad hosted a Halloween costume contest and a door decoration contest. She also stated that SCEL would celebrate the holidays at its annual party next Wednesday, which she hopes the members can attend.

The Chairman noted that December 6, 2024, would be a milestone for Ms. Garfield who is approaching her first anniversary as Executive Director, and he, along with the Board, congratulated her.

Other Business

The Chairman asked the Board to communicate with staff about any preferred meeting dates and, to let him know if there are any preferred committee assignments. There being no other business, the Chairman declared the meeting adjourned at 11:53 a.m.


Sam Litchfield, Chairman


Keith Munson, Secretary

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.