

**SOUTH CAROLINA EDUCATION LOTTERY
BOARD OF COMMISSIONERS MEETING MINUTES**

May 7, 2025

10:00 a.m.

The Board of Commissioners of the South Carolina Education Lottery (SCEL) met on Wednesday, May 7, 2025, 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
Dr. Vareva Evans-Harris (via phone)
Jay Young

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

Approval of Minutes

On motion of Commissioner Munson, seconded by Commissioner Newsome, the Board approved the February 19, 2025, and the March 12, 2025, Minutes unanimously.

Executive Session

The Chairman stated the Board would go into Executive Session as authorized by the South Carolina Code of Laws §30-4-70(a)(1) for the specific purpose of discussion and receipt of legal advice pertaining to recent litigation (George S. Glassmeyer v. South Carolina Lottery Commission). Before proceeding to the Executive Session, the Chairman asked Dolly Garfield, Chief Executive Officer, to give a brief update. Following the update, Commissioner Munson moved to go into Executive Session, seconded by Commissioner Newsome, which the Board unanimously approved. The Chairman then restated that the Board would go into Executive Session as authorized by the South Carolina Code of Laws §30-4-70(a)(1) for discussion and receipt of legal advice concerning the Glassmeyer case. The Chairman asked all staff to leave the room with the exception of Dolly Garfield, CEO; Carl Stent and David Ross, In-house Counsel; and Outside Counsel, Lisle Traywick.

Upon return to open session, Chairman Litchfield stated that the Board met in Executive Session in accordance with the adopted motion, discussed no other business, and took no action while in Executive Session, except to return to open session.

Thereafter, Commissioner Munson moved, seconded by Commissioner Keith, to delegate authority to the Chief Executive Officer, in consultation with the Chair of the Legal Committee, to make further decisions in the Glassmeyer litigation going forward. The motion passed unanimously.

Action Items

a. Proposed Financial Plan (Budget) for FY 2026 Preceded by the FY 2025 Financial Report

The Chairman recognized Brian Ford, Chief Financial Officer, to present the Proposed Financial Plan (Budget) for FY 2026. Mr. Ford began his presentation by providing the Board with a year-to-

date financial discussion. During the first nine months of FY 2025, Transfers decreased by \$50.3M (10.8%) to \$415.6M from \$465.9M.¹ Overall Game Revenues decreased \$84.1M to \$1,713.7M (4.7%). Net Income decreased \$32.0M to \$415.8M. The decrease in Net Income was primarily the result of decreased Terminal Game Revenues, with the exception of Palmetto Cash 5 and Cash Pop. A lack of jackpot runs on Powerball and Mega Millions primarily contributed to the decline to Terminal Game Revenues. Additionally, decreased Scratch-Off Ticket Revenues in all price points with the exception of \$3 and \$20 Scratch-Off Tickets contributed to the decline. Since May 2024, SCEL has maintained an FY 2025 transfer projection of \$527.2M, and has full confidence in exceeding this projection.

Scratch-Off Games

Scratch-Off Ticket Revenues decreased by \$14.4M (1.2%) to \$1,183.1M. Revenues in all Scratch-Off Ticket price points were down with the exception of the \$3 and \$20 price points. Together, \$1 and \$2 Scratch-Off Ticket Revenues decreased by \$6.9M (10.0%) compared to results from the same time period the prior year. \$3 Scratch-Off Ticket Revenue increased \$4.7M (13.0%). Revenues associated with \$5 Scratch-Off Tickets decreased \$7.1M (4.1%). \$10 Scratch-Off Ticket Revenue was down \$27.8 (4.1%). \$20 Scratch-Off Tickets were up \$22.7M (9.3%) at \$266.9M. The general shift across the industry towards higher price point games continues as players gravitate to the larger prizes afforded by those higher price point games.

The Game Margin on Scratch-Off Game Revenues decreased during the period by \$7.4M (2.3%) largely due to the declines in four out of the six price points. Scratch-Off Game Margin Percentage declined by 0.3% to 26.3%, as \$20 Scratch-Off Game Margin occupies a larger percentage of Total Scratch-Off Game Margin.

Terminal Games

Terminal Game Revenues were \$530.6M, a decrease of \$69.7M (11.6%). The lack of jackpot runs from Powerball and Mega Millions compared to FY 2024 drove the decrease in Terminal Game Revenues. Pick 3 Revenue decreased \$4.3M (2.0%). Pick 3 Game Margin decreased by \$0.1, (0.1%). Pick 4 Revenue decreased \$0.7M (0.6%). Pick 4 Game Margin increased \$9.1M (16.9%) due to favorable statistical variation. A single draw in FY 2024 (4,4,4,4 on 1/26/2024) created an \$8.4M liability.

Powerball Revenues decreased \$63.1M (50.7%) due to lack of jackpot run activity. The Powerball Jackpot barely exceeded \$500M once so far in FY 2025, while it exceeded \$1 billion three times at this point in FY 2024. Similarly, Mega Millions Revenue decreased \$16.8M (24.9%). While the Mega Millions Jackpot did exceed \$1 billion once in FY 2025, it exceeded \$1 billion twice in FY 2024 through the first nine months of the fiscal year. SCEL is optimistic about the positive impact the game changes and the increased price point in the Mega Millions game will have after the implementation in April.

Palmetto Cash 5 Revenues increased to \$29.3M, up \$8.4M (40.0%) largely due to the success of a full year of the rolling jackpot feature, implemented in March of 2024. Palmetto Cash 5 Game Margin was up \$1.6M (15.7%) as well. SCEL has had 18 Palmetto Cash 5 jackpot winners at an average payout of \$327K as anticipated in FY 2025. Cash Pop Revenue was up \$6.8M (13.6%). This increase

¹ Unless otherwise stated, all comparisons in this section are with the corresponding time period in FY 2024.

is largely due to the successful execution of a Cash Pop Doubler promotion that has led to a sustained lift to sales. Cash Pop Game Margin was up \$1.1M (5.9%) over the prior year.

Because of these factors, Terminal Game Margin was down \$28.7M (9.8%) at \$265.4M at this point in FY 2025. The overall Game Margin Percentage on Terminal Games was 50.0% compared to 49.0% during the same period last year. The 1% 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 \$2.8M in the first nine months of FY 2025 compared to \$2.9M in FY 2024. Other Direct Game Costs were \$19.6M in the first nine months of FY 2025 and \$19.5M in FY 2024. As a percentage of revenues, both of these items, as expected, were consistent from FY 2025 to FY 2024.

Advertising and G&A Expenses

Advertising Expense was \$9.1M in FY 2025 and \$8.4M in FY 2024 through the first nine months, an increase of \$0.7M (8.2%). The increase is attributed to higher production expenses and timing. G&A Expenses (the primary component of which is employee compensation) were \$14.0M in FY 2025 and \$13.1M in FY 2024. As planned, this \$0.9M (6.6%) 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 \$23.1M and \$21.5M in FY 2025 and FY 2024, respectively

Actual FY 2025 Results Compared to the FY 2025 Financial Plan

To date, actual financial results are above Plan through nine months of the fiscal year. Game Revenues were \$1,713.7M compared to Plan of \$1,653.3M.² The positive variance in Scratch-Off Ticket Revenues is primarily attributed to better than anticipated performance of all Scratch-Off Ticket Price Points, with the exception of \$2 and \$5 Scratch-Off Games. \$20 Scratch-Off Ticket Revenue was up \$12.1M (4.7%) as this relatively new price point continues to grow in popularity with SCEL players. \$10 Scratch-Off Ticket Revenue was up \$23.8M (3.8%). \$5 Scratch-Off Ticket Revenue was down \$1.5M (0.9%). The \$3 price point was up \$8.3M (25.4%) over Plan. \$2 Scratch-Off Ticket Revenue was under Plan by \$4.4M (10.6%). \$1 Scratch-Off Tickets were above Plan by \$1.7M (7.3%). 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, with the exception of Powerball. Pick 3 and Pick 4 exceeded Plan by \$3.4M (1.6%) and \$5.4M (4.6%), respectively. Powerball performed under Plan by \$14.2M (18.8%) due to a lack of any substantial jackpot runs. Mega Millions performed above Plan by \$7.9M (18.5%). SCEL does not plan for jackpots in excess of \$500M when the Financial Plan is created, however Mega Millions had a \$1.2 billion jackpot in December 2024. Palmetto Cash 5 exceeded Plan by \$7.8M (36.3%). Cash Pop exceeded Plan by \$10.2M (21.8%). The success of Palmetto Cash 5 and Cash Pop are the result of successful new game features and promotions. Overall Terminal Game Revenues were \$20.5M (4.0%) above Plan.

² Unless otherwise stated, all comparisons in this section are for the first nine months of FY 2025.

As a result of the better than planned Game Revenues, Gross Profit (Revenues less Prize Expense, Commissions and other game-related costs) was \$439.5M compared to the planned amount of \$411.7M for a positive variance of \$27.8M (6.8%).

In aggregate, Operating Expenses were \$1.1M (4.7%) under Plan. Advertising Expense was \$0.1M (0.9%) under Plan (\$9.1M Actual vs. Plan of \$9.2M). Other Operating Expenses (“G&A”) were under Plan by \$1.0M (7.1%). 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 ending March 31, 2025 was \$415.8M compared to Plan of \$386.8M, a positive variance of \$29.0M (7.5%).

Proposed FY 2026 Financial Plan

Before discussing his report, Mr. Ford thanked all directors and staff and in particular, Ms. Anne Huffman and Ms. Sara Turner. Mr. Ford briefly discussed the budget process and methodology for the budget projections.

Revenues

SCEL is projecting FY 2026 Scratch-Off Game Revenues to decrease relative to FY 2025 projected revenues by 6.2%. SCEL is projecting \$1-\$2 and \$3-\$5 Scratch-Off Ticket Revenues to decrease 13.1% and 5.6%, respectively, as lower price points continue to be under pressure and the demand for these games continues to soften. SCEL is cautiously planning for \$10 and \$20 Scratch-Off Game Revenues to decrease by 4.5% and 10.1%, respectively. As of the week ending April 5th, all Scratch-Off Game Revenues are down with the exception of \$3 and \$20 price points. Given trends observed in South Carolina and surrounding Lotteries of Interest, SCEL must remain conservative on its outlook for Scratch-Off Game Revenues, particularly given our statutory 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 8.3% and 8.7%, respectively, compared to FY 2025. Additionally, SCEL projects Palmetto Cash 5 and Cash Pop Revenues to decline 3.0% and 11.0%, respectively, as the novelty of these game changes and promotions diminishes. SCEL has projected Powerball and Mega Millions differently due to the impact that jackpot runs or a lack of jackpot runs can have.

Currently, SCEL projects Powerball to increase 6.5% compared to FY 2025 due to a lack of FY 2025 jackpot runs. This projection is after factoring in a potential 10% decline due to cannibalization from the Mega Millions game changes. SCEL projects Mega Millions to increase slightly compared to current year estimates after including a 10% increase due to positive impact from the game changes occurring in April. Overall, SCEL projects Terminal Game Revenues to decline 6% from FY 2025 and Total SCEL Revenues to decline 6.2% in FY 2026.

Operating Expenses and Game Costs

FY 2026 Operating Expenses are projected to increase \$2.6M (8.2%) over projected FY 2025 results. Because SCEL presents the upcoming budget by comparing annualized FY 2025 results to projected FY 2026 results, some variances may seem like new, additional requests when in reality they are simply amounts that were not expended in FY 2025. Staff attempts to clarify these instances versus truly new expenditures below.

Some of the items that comprise the \$2.4M variance are in fact new expenses; some are employee related increases mandated by the State and other variances are amounts that were simply not spent in FY 2025 (under budget). Of this \$2.6M variance, the following line items account for the majority of the variance:

Salaries and Employee Benefits (\$1.8M) – The Salary Expense variance includes several components. The first component is the annualization of salary adjustments related to the Compensation Study in FY 2025 (\$296K). Secondly, SCEL is proposing the addition of two new positions in FY 2026, a Player Engagement Coordinator and a Gaming Systems Operator (\$112K). Additionally, and consistent with recommendations from the Compensation Study, SCEL plans to restructure its Human Resources and Sales Departments to include an HR Manager and three Director of Sales positions (\$433K). The final component is the proposal of a 3% increase towards merit increases, distributed as a result of performance evaluations to be conducted throughout FY 2026 (\$320K). The remainder of this variance is a result of being under budget for FY 2025. Employee Benefits will increase by \$566K as a product of the planned changes to Salary Expense.

Advertising (\$361k) – This variance is attributable to several factors including increased advertising placement and rate increases on multiple advertising platforms. The FY 2026 Budget includes increased placement in streaming audio (\$100K) and mobile advertising (\$75K) to reflect the continued, massive growth in these platforms. Rate increases have affected sports sponsorships and outdoor space platforms (\$136K). Marketing is also planning to increase SCEL's presence with additional promotional events in FY 2026 (\$50K). These amounts were approved in the February 2025 Board Meeting (\$361K total).

Security Services (\$134k) – This variance contemplates a 3.5% increase for both DPS & SLED agent salaries as well as an additional SLED agent to handle SCEL's caseload for \$100K.

Legal (\$109k) – The FY 2026 Legal budget request, as with all past requests, includes a contingency for unforeseeable events. The FY 2025 projected legal expense is historically low (under budget). The average legal expense for the past five years has been \$80K, primarily attributed to the online RFP solicitation development and subsequent protest, the contract controversy, pending class action lawsuits, the concluded litigation and final settlement involving Mr. Glassmeyer, general employment matters, intellectual property filings, the drafting of the Scratch-Off ticket printing, warehousing, and distribution RFP and other general procurement matters, mediation expenses, and the most recently filed Glassmeyer litigation. Due to potentially unforeseen circumstances that could always subject SCEL to legal exposure, as well as foreseeable anticipated litigation, the FY 2026 budget request is to keep this amount consistent with the FY 2025 budgeted amount.

Insurance (\$103k) – The variance relates to an increase in cybersecurity insurance policy premiums.

These explanations account for 96% of the projected FY 2026 Operating Expense variance. FY 2026 Operating Expenses, as a percentage of revenue, are slightly higher than prior years at 1.54% of projected revenue. SCEL projects FY 2025 Operating Expenses to be 1.34% of projected FY 2025 revenue. SCEL projects FY 2026 Game costs to increase by \$2.3M. The primary reason for this increase is the implementation of the new Sci-Q solution with 400 retailers. This Sci-Q solution should reduce out-of-stock ticket occurrences, provide better inventory controls, and generate a return on investment.

Transfers to Education

SCEL projects Transfers to Education to decline approximately \$58.2M (10.4%) from \$560.5M to \$502.4M. The current FY 2026 Board of Economic Advisors Estimate is \$491.7M. In an abundance of caution, SCEL will wait until the first revision period in May 2025 to determine if an upward revision is necessary for FY 2026. The decrease in transfers is primarily due to declines in game revenues, particularly Scratch-Off Game Revenues. Game launches and prize structures will be held relatively consistent with FY 2025. Game Costs and Operating Expenses are projected to increase 9.0% and 8.2%, respectively. 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 Newsome, seconded by Commissioner Earle, to approve the FY 2026 Financial Plan (Budget). The Board unanimously approved the motion and the FY 2026 Financial Plan (Budget).

b. Quarterly Advertising and Marketing Review

The Chairman recognized Ms. Ammie Smith, Chief Product Officer, and Mr. Josh Whiteside, Chief Marketing Officer, who reported that the NASCAR Powerball playoff has grown in popularity. For the third year, players can use the mobile app to enter for a second-chance prize to attend the Championship Race in Phoenix where they have a chance to win \$1 Million. A South Carolina player made it all the way to the Championship race in 2024 and won \$10,000. Ms. Smith and Mr. Whiteside shared the following promotions:

NASCAR POWERBALL PLAYOFF™ Promotion: Race Print Ad; Staff Shirt; Video (30 Second Video - MP4 File); Dan Beatty Interview (103 Second Video - MP4 File)

MAGIC 8 BALL™

Digital Board; Online Ad

General PID Updates

The PID, Player Information Display, is the monitor inside retailer locations that promote SCEL product, display winning numbers, winner awareness, beneficiary messages and other similar messaging.

PID – April, May, and June Scratch-Off Games videos; Palmetto Cash 5 Jackpot Backgrounds (21 Second Video - MP4 File); Platitudes (10 Second Video - MP4 File)

MISC

All-In-One Sticker – QuickTrip 1, QuickTrip 2

Digital Board – Congrats LIFE Scholarship Graduates; Congrats Palmetto Fellows Scholarship Graduates

Promotional Events - Carolina Country Music Fest: Main Stage Board; Heritage Digital Spectator Guide Ad; Augusta Green Jackets Program

Other - Columbia/Charleston/Greenville Today Banner; Columbia Digital Program Ad

At the conclusion of the presentations, the Chairman stated, without objection, that it is the Board's consensus 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.

Reports

Executive Committee Report

The Chairman provided the Executive Committee report noting that the committee met on Tuesday, May 6, 2025, to conduct the Annual Performance Evaluation for the Chief Executive Officer. He was pleased to share that the consensus of the performance appraisal for Dolly Garfield was “Exceptional Performance.” Commissioner Munson made a motion that the Chairman, as head of the Executive Committee, work with SCEL management to determine a fair and equitable salary adjustment to accompany the “Exceptional Performance” appraisal for Ms. Garfield. Commissioner Newsome offered the second to the motion, which the Board passed unanimously.

Audit Committee Report

The Chairman recognized Commissioner Keith who reported the Audit Committee met on May 6, 2025, and received an update from Brittany Davis, Chief Audit Executive (CAE), on the audits currently in progress. SCEL distributed the Minutes from that meeting to the members. Additionally, the Committee completed the Annual Performance Evaluation for the position of CAE. Commissioner Keith was pleased to share that the consensus of the performance appraisal for Brittany Davis was “Exceeds Expectations.” Commissioner Newsome made a motion that the Chairman of the Audit Committee, Dr. Keith, work with SCEL management to determine a fair and equitable salary adjustment to accompany the overall rating of “Exceeds Expectations” for the performance appraisal of Ms. Davis upon her completion of one full year of service with SCEL, using the aforementioned appraisal results. The motion received a second from Commissioner Munson and passed unanimously.

Chief Executive Officer’s Report

The Chairman recognized Ms. Garfield to give her report. Before providing her report, Ms. Garfield recognized Claire Jones, Chief Human Resources Officer, to introduce a new hire, NeAudra Green, Lottery Sales Representative (LSR) for the Kershaw county area. NeAudra is a graduate of Allen University. The Board welcomed Ms. Green.

Next, Ms. Garfield reported that, after a competitive procurement, the SC Materials Management Office (MMO) awarded the Media Placement contract to Chernoff-Newman.

Following on the heels of the RBC Heritage tournament and the Darlington NASCAR race, staff will be working the Myrtle Beach Golf Classic this weekend.

Ms. Garfield mentioned that she attended the PGRI and MUSL meeting in Ft. Lauderdale, Florida and she just returned from the LaFleurs Conference in Chicago where she appeared on a panel of new directors. She recognized Scott Warner, Product Manager, who gave a presentation on Cash Pop Doubler. She and several other members of staff will attend the annual NASPL Professional Development Seminar in Louisville, KY in July where she will speak on another panel.

The Fun Squad took part in the Curing Kids Cancer Fire Truck Pull, adopting a five-year-old boy named Austin. The team placed third overall and raised \$2,454 for cancer research.

Ms. Garfield stated that the Powerball International Sales has begun to progress and Powerball sales in Australia may begin in the near future.

Lastly, Ms. Garfield shared a recent issue involving the Texas Lottery's in-state jackpot game and a lottery courier service similar to ones seeking to do business in SC. In 2023, a group of Europeans engaged a lottery courier who in turn successfully requested that the Texas Lottery provide 14 terminals to print large quantities of tickets with different number combinations, resulting in the European clients winning a \$95M jackpot. The Governor, Attorney General, and Lt. Governor have each launched investigations. Two weeks ago the Texas Lottery Director resigned, who, at the time of the incident, had been General Counsel.

Other Business

The Chairman noted that the next Board meeting would be on August 6, 2025. There being no further business, the meeting adjourned at 11:42 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.