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Kim Reynolds · Governor
Adam Gregg · Lt. Governor
Matthew N. Strawn · Chief Executive Officer

AGENDA

IOWA LOTTERY BOARD

November 19, 2019
10:30 am

Dial In: 1-866-685-1580
Code: 5714936085

- I. Call to Order
 - a. Approval of Agenda
 - b. Approval of Minutes – September 24, 2019
- II. Quarterly Reports
 - a. Financial
 - b. Sales and Marketing
 - c. Security
 - d. IT Systems
 - e. External Relations
 - f. Legal
- III. Web Hosting Recommendation
- IV. Fiscal Policy Updates
- V. NASPL Membership
- VI. Administrative Rule Update
- VII. \$2 Billion in Transfers
- VIII. Veterans Trust Fund Video
- IX. CEO Update
- X. Adjournment

If you require the assistance of auxiliary aids or services to participate in or attend the meeting because of a disability please call our ADA coordinator at 515-725-7864, or if you are hearing impaired, call Relay TTY at 1-800-735-2942.

MINUTES

IOWA LOTTERY BOARD

September 24, 2019

10:30 a.m.

The Iowa Lottery Board convened at 10:59 a.m. at Lottery Headquarters in Clive; Board Chairperson Mary Junge presiding. The meeting start was delayed from the start time posted on the agenda due to technical issues experienced connecting the conference call.

Board Members Present:

Mary Junge; Sherrae Hanson; John Quinn

Board Members Present on Teleconference:

Mary Rathje; Hon. Michael Fitzgerald

Board Members Absent:

Josh Cook

Lottery Staff Participating:

Matt Strawn, CEO; Larry Loss, COO; Teri Wood, VP, Sales and Marketing; Michael Conroy, VP, Finance; Cam Coppess, VP, Security; Hale Strasser, VP, Systems; Mary Neubauer, VP, External Relations; David Ranscht, Assistant AG; Deb Bassett, Board Secretary.

Others Present:

David Berger, Scientific Games; Brian Guillaume, House staff; Bridget Godes, Senate staff; Dar Danielson, Radio Iowa (phone).

CALL TO ORDER

Chairperson Rathje called the meeting to order at 10:59 a.m. and roll was taken. There was a quorum. Junge announced the meeting would be held via teleconference in accordance with Iowa Code section 21.8.

Quinn moved to conduct the meeting via teleconference. Hanson seconded. Motion carried unanimously.

APPROVAL OF AGENDA

Quinn moved to approve the agenda for the meeting. Hanson seconded. Motion carried unanimously.

APPROVAL OF MINUTES

Hanson moved to approve the June 25, 2019 board meeting minutes. Quinn seconded. Motion carried unanimously.

QUARTERLY REPORTS

Financial:

Conroy gave a financial report. The Performance Measures for the fiscal year ending June 30, 2019 show sales were \$390 million; which was a 5.3 % increase over FY18. Proceeds to the state for FY19 were \$92.8 million; which was a 6.6% increase over FY18.

Sales and Marketing:

Wood stated that the instant ticket sales category set a record in each of the first 2 months of FY20. July 2019 sales saw a 4% revenue growth over July 2018 and a 2.2 % increase in average ticket price. August scratch ticket sales were 2.1% over the previous year. Wood said the Powerball jackpot has been hit four times since July 1st.

Wood also gave a marketing report and noted that the Summer of Silverado promotion that just ended exceeded all metric goals. Six weeks into the promotion, a 2nd order of ticket stock was placed and 100% of the combined ticket stock was deployed into the field. The performance index is currently sitting at 166. The Silverado ticket is the 3rd highest performing \$5.00 ticket and has brought in approximately \$6.6 million in revenue. There were 364,193 entries in the promotion; 40% of those who entered were new 1st time entrants. The lottery gained 23,103 new VIP Club members.

The lottery also launched the Powerball® New Year's Rockin' Eve Play It Again® promotion in September. VIP Club members can enter to win 1 of 4 VIP packages to attend Dick Clark's New Year's Rockin' Eve in New York City and will have a chance to be the first Powerball millionaire of 2020.

Security:

Copess provided a security report for June - September 2019. Copess stated that in categories related to records of contacts, the data shows a peak related to multiple winners review. The review is of players who have won more than 2 prizes of more than \$600 during the first 6 months of the year. In these cases, the security team looks at the sales activity around the winning tickets for any trends or anomalies that might indicate a risk to the lottery. The most recent review found no patterns of risk.

Copess also discussed customer assists which include questions from players about redeeming a prize, determining ownership of a ticket, a damaged ticket, etc.

IT Systems:

Strasser gave an update about the computer gaming system RFP and the website hosting RFP. Strasser stated the lottery is currently in the process of combining the IA Lottery website and the VIP Club website into a single site. This change is being done to make things more efficient and save money.

External Relations:

Neubauer's presentation highlighted the records set in FY19. Neubauer stated that in the next few months, the lottery anticipates it will reach the \$2 billion mark in sales. The lottery hit the \$1 billion mark in 2006, after 21 years of lottery sales, and it's worth noting that it has only taken 13 years to hit the \$2 billion mark.

Neubauer also talked about the need for lottery modernization in order for the lottery to continue to be successful in the years ahead. The lottery is continuing the conversation with folks at the Capitol about what the modernization might look like.

Neubauer also discussed the newly created Iowa Public Safety Survivor Benefits Fund. A news conference was held in July at the Peace Officers Memorial on the State Capitol grounds to highlight the new program.

Legal:

Assistant Attorney General Ranscht gave the legal report in his role as interim legal counsel while the lottery is in the process of filling the vacant General Counsel position.

Ranscht gave an update on the Culler class action lawsuit; the Lottery is not part of the litigation. The parties to the lawsuit reached a settlement agreement which allows players with losing tickets purchased for specific drawings to seek refunds under the settlement agreement.

Ranscht also gave an update on the Dawson litigation. The state has filed an application for interrogatory appeal and is pending a decision by the Iowa Supreme Court.

Hanson asked how the lottery is handling calls from players about filing a claim related to the Culler class action lawsuit. Neubauer stated that players are directed to the settlement website and given the phone number to call for more information about filing a claim.

Hanson moved to approve the Quarterly Reports. Quinn seconded. Motion carried unanimously.

FY21 BUDGET

Conroy presented the FY21 proposed budget. The budget includes a few differences from what was previously approved last year. The budget includes a \$50,000 increase in professional fees related to the gaming system RFP and the potential need for a dedicated project manager for the system conversion. The budget also includes a \$100,000 increase for outside services and repairs related to sealing and weatherproofing the exterior of the headquarters building.

Conroy asked the board to approve the FY21 budget.

Rathje moved to approve the budget. Hanson seconded. Motion carried unanimously.

FISCAL POLICY UPDATE

Conroy requested the approval of a fiscal policy update to Procedure No. 280.200 related to electronic submission of receipts and the retention method for those documents.

Quinn moved to approve the fiscal policy update. Hanson seconded. Motion carried unanimously.

CONTRACT EXTENSIONS: PULL-TAB VENDING MACHINES and PURCHASE OF PULL-TABS TICKETS

Loss stated that there are 2 pull-tab related items on the agenda and requested permission to present them jointly. Loss provided background to the 2 contracts currently in place for pull-tab vending machines and for the purchase of pull-tab tickets. Both contracts are with Pollard Games, Inc. DBA American Games in Council Bluffs and each contract provides for a three one-year extensions beyond the initial term.

Loss requested Board approval to exercise the first extension for the pull-tab vending machines contract thus extending the contract through September 30, 2020 and he requested Board approval to exercise the first extension for the pull-tab printing and related services contract thus extending that contract through December 31, 2020.

Loss also requested Board approval to amend each contract to use the July to July CPI adjustment period so the CPI adjustment rate will be known by the Board at the time any contract extensions are discussed.

Quinn moved to approve both contact extensions and the July to July CPI amendment. Hanson seconded. Motion carried unanimously.

WEB HOSTING SERVICES

Loss stated the lottery currently has 4 websites hosted by LightEdge Solutions, Inc.; including IA Lottery, VIP Club, Retailer IA Lottery, and Gem Intel. These services were initially procured using a Request for Bid in 2013 and a DAS master agreement in 2016. Loss stated that in August the lottery was informed by DAS that the master agreement with LightEdge Solutions was no longer in place. Subsequently, the lottery began preparing RFP IL 20-02 for Web Site Hosting and Services.

Loss requested Board approval to enter into a short term, emergency, sole source contract with LightEdge for web hosting services in order to leave the current websites operational while the RFP process is completed. The contract will be for an amount not to exceed the current contract rate that is in place today and will cover the time period of September 1, 2019 through January 31, 2020.

Hanson moved to approve the short term, emergency, sole source contract. Rathje seconded. Motion carried unanimously.

ADMINISTRATIVE RULE

Ranscht stated that the Board approved Administrative Rules at the last meeting providing structure for vendor appeals and licensing appeals. As part of the Administrative Rules multi-step process, the rules went before the Administrative Rules Review Committee where members of the committee raised questions as to whether the amended appeal process would still provide vendors, retailers and other licensees with appropriate safeguards; whether the proposed change would consolidate power with CEO; and whether other state entities have appeal procedures similar to the change proposed by the lottery. After hearing answers to questions, the committee allowed the rules to move forward. Ranscht stated that as a result of the questions raised by the committee, the lottery asked him to conduct research to see if other state agencies have a similar process whereby the final decision in the appeal process is made by the head of the agency. Ranscht stated that review by the head of the agency is consistent with the Iowa Administrative Procedure Act and the process in the rules are the same process used at many other agencies.

Ranscht requested the Board approve the adopt-and-file, final adopt version of the rules in order to move forward in the rule making process.

Quinn moved to approve the adopt-and-file administrative rule. Hanson seconded. Motion carried unanimously.

CEO UPDATE

Strawn thanked lottery personnel for a successful FY2019 and keeping operating expenses \$2 million under budget. Strawn also thanked the Attorney General's office for its assistance while the lottery searches for a new General Counsel. Strawn thanked players for truly making the summer of 2019 the "Summer of Silverado" and stated it was an awesome promotion.

Strawn talked about recent events promoting the newly created Iowa Public Safety Survivor Benefits Fund. The program will receive funding each year through the proceeds that the Iowa Lottery raises for state causes.

Strawn also provided an update on the search process for a new Vice President, General Counsel. The search is nearing completion and once a candidate is selected, an L1 background investigation will take

place. After the successful completion of the background investigation, Board will be asked to approve the selection.

Strawn provided a couple national industry updates; he stated he was recently appointed to 2 NASPL committees; the Government Relations committee and the Retail Modernization committee.

Strawn also provided the Board a timeline of important dates for the lottery's gaming system RFP with a goal of full integration by July, 2021.

Strawn then talked about what modernization might look like for the Iowa lottery in the future. Strawn shared some of the new products other states are offering and indicated the lottery is closely monitoring these new products.

ADJOURNMENT

Hanson moved to adjourn. Quinn seconded. Motion carried unanimously.

Meeting adjourned at 12:19 p.m.

IOWA LOTTERY
PERFORMANCE MEASURES
FY 2020

October 31, 2019

		JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
MONTH													
Gross Sales	Budget FY 2020	27,830,953	27,365,289	26,627,021	26,302,504	28,450,037	28,689,114	33,302,988	29,867,029	30,902,578	29,029,386	31,232,916	26,900,185
	Actual '20	27,846,491	28,093,920	27,156,818	27,814,584	-	-	-	-	-	-	-	-
Prize Expense	Budget FY 2020	16,818,373	16,544,780	16,052,602	16,012,979	17,139,663	17,466,673	19,893,056	18,051,053	18,868,068	17,820,480	18,893,828	16,383,045
	Actual '20	17,579,210	18,081,688	16,760,932	17,241,936	-	-	-	-	-	-	-	-
Operating Expenses	Budget FY 2020	1,337,349	1,289,063	1,245,101	1,228,431	1,254,957	1,291,478	1,340,279	1,194,292	1,282,841	1,153,227	1,260,142	1,474,448
	Actual '20	1,110,516	1,030,009	1,057,965	1,130,916	-	-	-	-	-	-	-	-
Total Proceeds	Budget FY 2020	5,679,703	5,610,756	5,468,855	5,403,827	5,917,952	5,941,619	7,054,381	6,335,350	6,507,505	6,165,535	6,613,368	5,308,278
	Actual '20	6,009,246	5,494,118	6,310,989	6,563,644	-	-	-	-	-	-	-	-
YEAR TO DATE													
Gross Sales	Budget FY 2020	27,830,953	55,196,242	81,823,263	108,125,767	136,575,804	165,264,918	198,567,906	228,434,935	259,337,513	288,366,899	319,599,815	346,500,000
	Actual '20	27,846,491	55,940,411	83,097,229	110,911,813	-	-	-	-	-	-	-	-
Prize Expense	Budget FY 2020	16,818,373	33,363,153	49,415,755	65,428,734	82,568,397	100,035,070	119,928,126	137,979,179	156,847,247	174,667,727	193,561,555	209,944,600
	Actual '20	17,579,210	35,660,898	52,421,830	69,663,766	-	-	-	-	-	-	-	-
Operating Expenses	Budget FY 2019	1,337,349	2,626,412	3,871,513	5,099,944	6,354,901	7,646,379	8,986,658	10,180,950	11,463,791	12,617,018	13,877,160	15,351,608
	Actual '20	1,110,516	2,140,525	3,198,490	4,329,406	-	-	-	-	-	-	-	-
Total Proceeds	Budget FY 2020	5,679,703	11,290,459	16,759,314	22,163,141	28,081,093	34,022,712	41,077,093	47,412,443	53,919,948	60,085,483	66,698,851	72,007,129
	Actual '20	6,009,246	11,503,364	17,814,353	24,377,997	-	-	-	-	-	-	-	-

	Current Month	Year to Date
Prize Payout - Budget	60.88%	60.51%
Prize Payout - Actual	61.99%	62.81%
Sales - Actual increase (decrease) vs. Budget		2.58%
Proceeds - Actual increase (decrease) vs. Budget		9.99%

IOWA LOTTERY
PERFORMANCE MEASURES
FY 2020

October 31, 2019		JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
MONTH													
Gross Sales	Budget FY 2020	27,830,953	27,365,289	26,627,021	26,302,504	28,450,037	28,689,114	33,302,988	29,867,029	30,902,578	29,029,386	31,232,916	26,900,185
	5-year av.	28,230,730	28,677,221	26,174,083	30,888,479	27,511,246	29,879,759	36,344,410	30,223,955	33,568,672	30,081,026	31,314,083	28,261,052
	Actual '19	29,622,964	28,137,578	27,038,517	48,165,957	29,214,539	31,481,092	33,502,349	29,545,718	39,302,500	31,017,140	34,353,518	29,513,678
	Actual '20	27,846,491	28,093,920	27,156,818	27,814,584	-	-	-	-	-	-	-	-
Prize Expense	Budget FY 2020	16,818,373	16,544,780	16,052,602	16,012,979	17,139,663	17,466,673	19,893,056	18,051,053	18,868,068	17,820,480	18,893,828	16,383,045
	5-year av.	17,118,529	17,728,279	15,985,193	18,778,135	16,547,897	19,411,886	21,304,430	18,002,281	21,530,012	18,147,385	18,844,789	17,341,579
	Actual '19	18,466,693	17,856,707	17,053,365	28,218,927	18,178,870	21,800,772	19,598,399	17,729,028	24,822,998	18,135,995	20,597,271	19,481,618
	Actual '20	17,579,210	18,081,688	16,760,932	17,241,936	-	-	-	-	-	-	-	-
Operating Expenses	Budget FY 2020	1,337,349	1,289,063	1,245,101	1,228,431	1,254,957	1,291,478	1,340,279	1,194,292	1,282,841	1,153,227	1,260,142	1,474,448
	5-year av.	1,076,711	1,056,138	1,014,984	1,086,775	1,079,404	1,126,154	1,088,981	1,006,773	1,049,800	1,040,919	1,153,186	1,296,150
	Actual '19	1,094,102	1,047,192	1,037,029	1,160,083	1,163,937	1,045,381	1,170,765	994,582	988,280	1,085,706	1,175,001	1,302,749
	Actual '20	1,110,516	1,030,009	1,057,965	1,130,916	-	-	-	-	-	-	-	-
Total Proceeds	Budget FY 2020	5,679,703	5,610,756	5,468,855	5,403,827	5,917,952	5,941,619	7,054,381	6,335,350	6,507,505	6,165,535	6,613,368	5,308,278
	5-year av.	6,780,600	5,995,830	6,478,537	7,520,987	6,376,205	5,732,730	9,650,569	7,611,725	7,145,284	7,492,669	7,599,075	6,271,305
	Actual '19	7,025,446	5,608,787	5,986,711	13,960,288	6,543,459	5,394,227	8,923,800	7,249,429	8,705,706	8,571,762	9,060,887	5,834,464
	Actual '20	6,009,246	5,494,118	6,310,989	6,563,644	-	-	-	-	-	-	-	-

YEAR TO DATE

Gross Sales	Budget FY 2020	27,830,953	55,196,242	81,823,263	108,125,767	136,575,804	165,264,918	198,567,906	228,434,935	259,337,513	288,366,899	319,599,815	346,500,000
	5-year av.	28,230,730	56,907,951	83,082,034	113,970,513	141,481,759	171,361,518	207,705,928	237,929,883	271,498,555	301,579,581	332,893,664	361,154,716
	Actual '19	29,622,964	57,760,542	84,799,059	132,965,016	162,179,555	193,660,647	227,162,996	256,708,714	296,011,214	327,028,354	361,381,872	390,895,550
	Actual '20	27,846,491	55,940,411	83,097,229	110,911,813	-	-	-	-	-	-	-	-
Prize Expense	Budget FY 2020	16,818,373	33,363,153	49,415,755	65,428,734	82,568,397	100,035,070	119,928,126	137,979,179	156,847,247	174,667,727	193,561,555	209,944,600
	5-year av.	17,118,529	34,846,808	50,832,001	69,610,136	86,158,033	105,569,919	126,874,349	144,876,630	166,406,642	184,554,027	203,398,816	220,740,395
	Actual '19	18,466,693	36,323,400	53,376,765	81,595,692	99,774,562	121,575,334	141,173,733	158,902,761	183,725,759	201,861,754	222,459,025	241,940,643
	Actual '20	17,579,210	35,660,898	52,421,830	69,663,766	-	-	-	-	-	-	-	-
Operating Expenses	Budget FY 2019	1,337,349	2,626,412	3,871,513	5,099,944	6,354,901	7,646,379	8,986,658	10,180,950	11,463,791	12,617,018	13,877,160	15,351,608
	5-year av.	1,076,711	2,132,849	3,147,833	4,234,608	5,314,012	6,440,166	7,529,147	8,535,920	9,585,720	10,626,639	11,779,825	13,075,975
	Actual '19	1,094,102	2,141,294	3,178,323	4,338,406	5,502,343	6,547,724	7,718,489	8,713,071	9,701,351	10,787,057	11,962,058	13,264,807
	Actual '20	1,110,516	2,140,525	3,198,490	4,329,406	-	-	-	-	-	-	-	-
Total Proceeds	Budget FY 2020	5,679,703	11,290,459	16,759,314	22,163,141	28,081,093	34,022,712	41,077,093	47,412,443	53,919,948	60,085,483	66,698,851	72,007,129
	5-year av.	6,780,600	12,776,430	19,254,967	26,775,954	33,152,159	38,884,889	48,535,458	56,147,183	63,292,467	70,785,136	78,384,211	84,655,516
	Actual '19	7,025,446	12,634,233	18,620,944	32,581,232	39,124,691	44,518,918	53,442,718	60,692,147	69,397,853	77,969,615	87,030,502	92,864,966
	Actual '20	6,009,246	11,503,364	17,814,353	24,377,997	-	-	-	-	-	-	-	-

	Current Month	Year to Date
Prize Payout - Budget	60.88%	60.51%
Prize Payout - 5-Year Average	60.79%	61.08%
Prize Payout - Actual	61.99%	62.81%
Sales - Actual increase (decrease) vs. 5-Year Average		(2.68%)
Proceeds - Actual increase (decrease) vs. 5-Year Average		(8.96%)
Sales - Actual increase (decrease) vs. Budget		2.58%
Proceeds - Actual increase (decrease) vs. Budget		9.99%

IOWA LOTTERY AUTHORITY
Statement of Revenues, Expenses and Changes in Net Position
For the Four Months Ending Thursday, October 31, 2019

	Month ended 10/31/2019	Month ended 10/31/2018	Year-to-date 10/31/2019	Year-to-date 10/31/2018
Operating revenues:				
Instant-scratch ticket sales	\$ 19,427,026.00	\$ 20,613,617.00	\$ 77,716,817.00	\$ 76,634,807.00
InstaPlay sales	987,458.00	829,857.00	3,501,957.00	4,495,713.00
Pick 3 sales	664,203.00	623,868.50	2,635,373.50	2,538,770.00
Powerball sales	3,063,870.00	9,867,010.50	11,765,850.00	19,342,018.50
Mega Millions Sales	1,322,919.00	13,748,136.00	5,962,646.00	20,474,381.00
Pick 4 sales	385,918.50	336,866.50	1,523,634.00	1,355,647.50
Lucky for Life sales	451,812.00	507,120.00	1,820,170.00	1,850,322.00
Lotto America sales	557,173.00	734,660.00	2,233,316.00	2,640,282.00
Pull-tab sales	954,204.93	904,821.96	3,752,050.93	3,633,075.50
Application fees	375.00	350.00	1,200.00	1,425.00
Other	686.28	525.02	2,098.40	1,510.38
Total operating revenues	<u>27,815,645.71</u>	<u>48,166,832.48</u>	<u>110,915,112.83</u>	<u>132,967,951.88</u>
Operating expenses:				
Scratch ticket prizes	12,586,679.87	13,853,258.78	51,333,438.87	51,901,647.78
InstaPlay prizes	690,172.88	532,693.60	2,429,429.74	3,120,668.26
Pick 3 prizes	398,521.80	370,791.10	1,581,224.10	1,501,392.00
Powerball prizes	1,532,613.50	4,893,985.19	5,887,414.00	9,248,107.69
Mega Millions prizes	661,459.50	7,139,016.08	2,981,323.00	10,563,791.60
Hot Lotto prizes	-	(11,562.00)	-	(46,872.00)
Pick 4 prizes	231,551.10	200,029.90	914,180.40	806,018.50
All or Nothing prizes	-	-	-	(354,534.99)
Lucky for Life prizes	266,623.26	291,095.63	1,073,588.76	1,069,828.70
Lotto America prizes	278,586.50	367,330.00	1,116,658.00	1,320,141.00
Pull-tab prizes	595,727.51	564,900.34	2,346,509.46	2,273,480.31
VIP Club prize expense	-	3,000.00	-	151,045.77
Promotional prize expense	-	14,388.06	-	40,976.59
Advertising/publicity	600,806.25	534,101.53	2,452,287.50	2,313,085.27
Retailer compensation expense	1,812,065.83	3,117,728.74	7,234,022.75	8,618,727.29
Ticket expense	305,165.41	255,982.14	1,065,658.90	997,627.46
Vendor compensation expense	456,738.65	791,732.30	1,803,738.01	2,174,336.04
Salary and benefits	920,809.30	956,288.55	3,468,017.93	3,446,655.54
Travel	21,669.71	24,015.10	97,034.69	97,586.67
Supplies	26,499.93	7,303.32	42,171.43	33,428.70
Printing	-	642.65	184.80	1,138.65
Postage	230.39	253.54	968.95	973.69
Communications	14,751.43	15,348.67	60,115.85	57,735.16
Rentals	26,509.22	25,541.37	106,094.68	102,087.02
Utilities	3,993.78	3,011.46	31,074.06	30,749.42
Professional fees	13,811.25	12,644.03	49,677.66	56,736.80
Vending machine maintenance	21,168.00	22,085.77	84,672.00	83,756.77
Outside services and repairs	53,679.13	50,814.38	267,521.44	258,971.31
Data processing	10,176.99	7,574.62	43,747.59	29,998.49
Equipment	20,306.08	11,236.10	103,970.15	148,923.26
Reimbursement to other state agencies	38,285.80	33,683.75	132,986.35	130,888.52
Depreciation	40,724.37	45,790.96	171,546.97	183,035.82
Other	4,378.71	3,962.46	22,875.88	21,503.24
MUSL/Lotto administrative expense	2,761.58	5,452.46	11,046.32	21,809.85
Total operating expenses	<u>21,636,467.73</u>	<u>34,144,120.58</u>	<u>86,913,180.24</u>	<u>100,405,446.18</u>
Operating income	<u>6,179,177.98</u>	<u>14,022,711.90</u>	<u>24,001,932.59</u>	<u>32,562,505.70</u>
Non-operating revenue (expenses):				
Proceeds to state causes	(6,563,644.27)	(13,960,287.59)	(24,377,996.58)	(32,581,230.87)
Interest income	37,287.51	16,740.93	147,676.84	97,535.22
Gain (Loss) on disposal of capital assets	-	-	1,750.00	2,525.00
Net non-operating revenues (expenses)	<u>(6,526,356.76)</u>	<u>(13,943,546.66)</u>	<u>(24,228,569.74)</u>	<u>(32,481,170.65)</u>
Change in net position	<u>(347,178.78)</u>	<u>79,165.24</u>	<u>(226,637.15)</u>	<u>81,335.05</u>
Net position beginning of period	<u>4,923,197.08</u>	<u>4,952,363.51</u>	<u>4,802,655.45</u>	<u>4,950,193.70</u>
Net position end of period	<u><u>4,576,018.30</u></u>	<u><u>5,031,528.75</u></u>	<u><u>4,576,018.30</u></u>	<u><u>5,031,528.75</u></u>

IOWA LOTTERY AUTHORITY
Statement of Revenues, Expenses and Changes in Net Position
For the Three Months Ending Monday, September 30, 2019

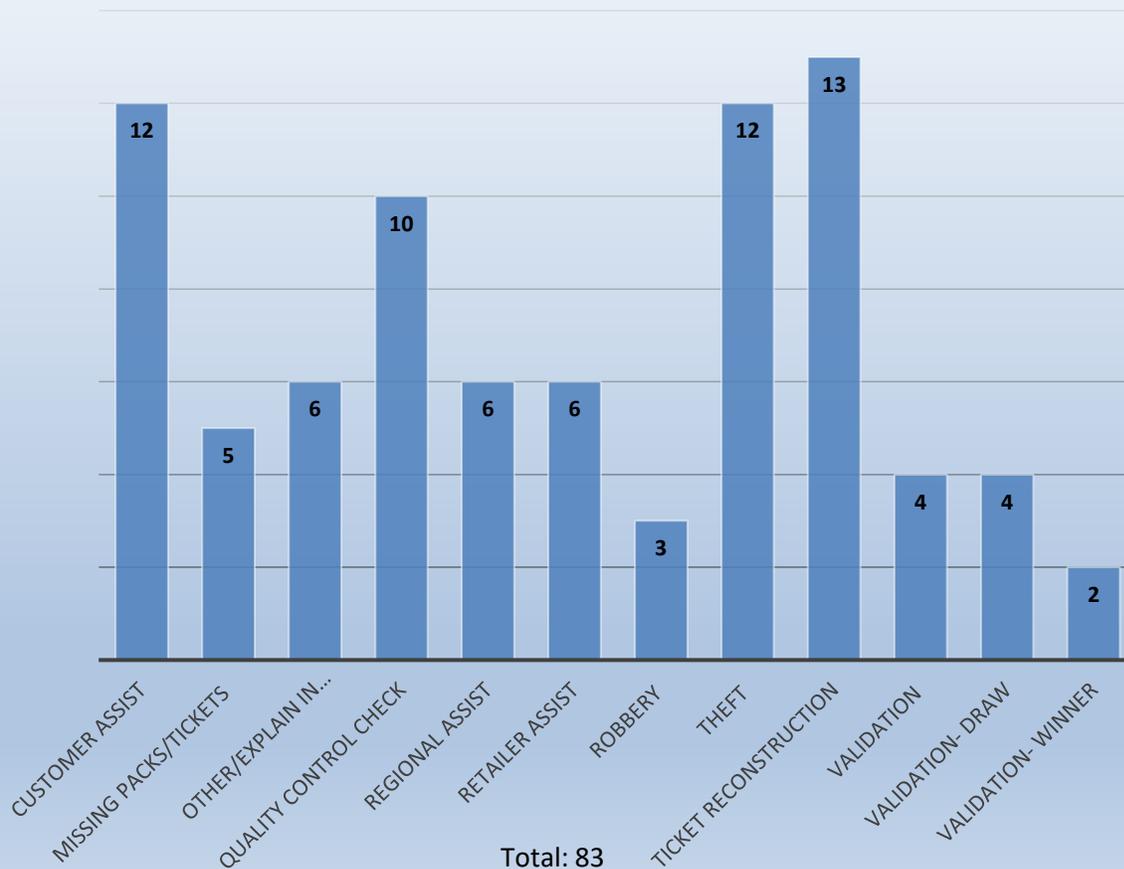
	Month ended 9/30/2019	Month ended 9/30/2018	Year-to-date 9/30/2019	Year-to-date 9/30/2018
Operating revenues:				
Instant-scratch ticket sales	\$19,327,974.00	\$18,198,284.00	\$58,289,791.00	\$56,021,190.00
InstaPlay sales	882,099.00	764,203.00	2,514,499.00	3,665,856.00
Pick 3 sales	644,080.00	621,737.50	1,971,170.50	1,914,901.50
Powerball sales	2,459,646.50	3,285,009.00	8,701,980.00	9,475,008.00
Mega Millions Sales	1,677,114.00	1,943,015.00	4,639,727.00	6,726,245.00
Pick 4 sales	361,147.00	328,600.50	1,137,715.50	1,018,781.00
Lucky for Life sales	456,884.00	429,070.00	1,368,358.00	1,343,202.00
Lotto America sales	486,013.00	662,527.00	1,676,143.00	1,905,622.00
Pull-tab sales	861,860.80	806,071.00	2,797,846.00	2,728,253.54
Application fees	425.00	325.00	825.00	1,075.00
Other	409.03	272.89	1,412.12	985.36
Total operating revenues	<u>\$27,157,652.33</u>	<u>\$27,039,114.89</u>	<u>\$83,099,467.12</u>	<u>\$84,801,119.40</u>
Operating expenses:				
Scratch ticket prizes	12,462,109.00	12,256,647.00	38,746,759.00	38,048,389.00
InstaPlay prizes	573,234.25	523,111.94	1,739,256.86	2,587,974.66
Pick 3 prizes	386,448.00	367,292.50	1,182,702.30	1,130,600.90
Powerball prizes	1,230,968.00	1,609,041.00	4,354,800.50	4,354,122.50
Mega Millions prizes	838,557.00	999,569.08	2,319,863.50	3,424,775.52
Hot Lotto prizes	-	(12,647.00)	-	(35,310.00)
Pick 4 prizes	216,688.20	195,410.30	682,629.30	605,988.60
All or Nothing prizes	-	-	-	(354,534.99)
Lucky for Life prizes	269,152.02	244,700.21	806,965.50	778,733.07
Lotto America prizes	243,006.50	331,263.50	838,071.50	952,811.00
Pull-tab prizes	540,768.94	508,555.28	1,750,781.95	1,708,579.97
VIP Club prize expense	-	24,915.49	-	148,045.77
Promotional prize expense	-	5,505.29	-	26,588.53
Advertising/publicity	771,195.30	645,435.61	1,851,481.25	1,778,983.74
Retailer compensation expense	1,783,293.65	1,753,022.86	5,421,956.92	5,500,998.55
Ticket expense	238,056.96	205,909.65	760,493.49	741,645.32
Vendor compensation expense	446,297.37	426,887.48	1,346,999.36	1,382,603.74
Salary and benefits	830,353.13	795,259.81	2,547,208.63	2,490,366.99
Travel	25,182.40	23,432.73	75,364.98	73,571.57
Supplies	4,351.33	7,078.92	15,671.50	26,125.38
Printing	-	213.00	184.80	496.00
Postage	230.39	228.35	738.56	720.15
Communications	17,376.28	14,003.12	45,364.42	42,386.49
Rentals	26,571.92	25,481.27	79,585.46	76,545.65
Utilities	10,138.65	9,623.26	27,080.28	27,737.96
Professional fees	12,721.16	21,280.78	35,866.41	44,092.77
Vending machine maintenance	21,168.00	20,557.00	63,504.00	61,671.00
Outside services and repairs	72,695.59	94,292.90	213,842.31	208,156.93
Data processing	10,176.99	7,553.13	33,570.60	22,423.87
Equipment	23,593.65	72,703.83	83,664.07	137,687.16
Reimbursement to other state agencies	32,247.60	31,880.86	94,700.55	97,204.77
Depreciation	44,060.85	46,143.85	130,822.60	137,244.86
Other	8,360.59	8,537.70	18,497.17	17,540.78
MUSL/Lotto administrative expense	2,761.58	5,452.46	8,284.74	16,357.39
Total operating expenses	<u>21,141,765.30</u>	<u>21,268,343.16</u>	<u>65,276,712.51</u>	<u>66,261,325.60</u>
Operating income	<u>6,015,887.03</u>	<u>5,770,771.73</u>	<u>17,822,754.61</u>	<u>18,539,793.80</u>
Non-operating revenue (expenses):				
Proceeds to state causes	(6,310,989.21)	(5,986,710.95)	(17,814,352.31)	(18,620,943.28)
Interest income	110,389.33	80,794.29	110,389.33	80,794.29
Gain (Loss) on disposal of capital assets	1,025.00	2,525.00	1,750.00	2,525.00
Net non-operating revenues (expenses)	<u>(6,199,574.88)</u>	<u>(5,903,391.66)</u>	<u>(17,702,212.98)</u>	<u>(18,537,623.99)</u>
Change in net position	<u>(183,687.85)</u>	<u>(132,619.93)</u>	<u>120,541.63</u>	<u>2,169.81</u>
Net position beginning of period	<u>5,106,884.93</u>	<u>5,084,983.44</u>	<u>4,802,655.45</u>	<u>4,950,193.70</u>
Net position end of period	<u><u>4,923,197.08</u></u>	<u><u>4,952,363.51</u></u>	<u><u>4,923,197.08</u></u>	<u><u>4,952,363.51</u></u>



Quarterly Lottery Security Report November 19, 2019

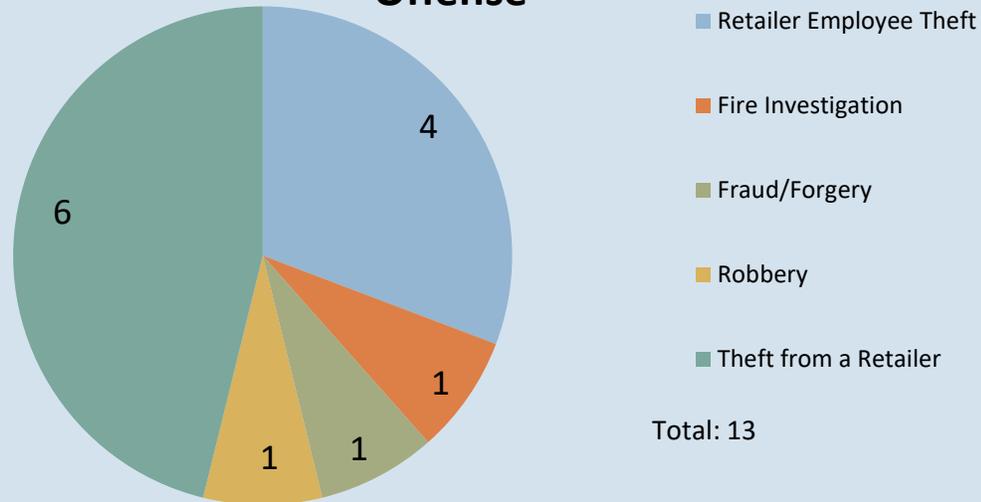


September 16 - November 15, 2019 Record of Contacts by Type



Other: (3) Monthly Re-construction review, (3) Monthly Lottery Super User account review

September 16 - November 15, 2019 Cases by Offense



Other Duties and Activities;

- Conducted **89** compliance/inspection checks on retail outlets, sent follow up letters to all retailers to provide results of the compliance check at their store
- Quality Control Checks for **10** Scratch Ticket Games
- Conducted Staff Response to Workplace Violence Training at Headquarters
- Visiting Regions to conduct Annual Security Assessment of Regional Offices and to present Response to Workplace Violence Training
- Conducted 2 Scratch Ticket Printing audits, Scientific Games and IGT
- Presentation to Iowa Law Enforcement Basic Academy Classes
- Conducted **4** Promotional Draws; Rockin New Year's Eve, **(2)** Ho Ho Dough, Kinnick Gridiron

Iowa Lottery Authority--Financial Management

Section Pre-Audit	Procedure No. 210.300	Page No. 1 of 2	Effective Date July 31, 2017 November 19, 2019
Subject Travel—Out-of-State—Mode of Transportation			

1. **Use of privately owned automobile.** Authorized use of a privately owned vehicle will be subject to the rules of the ILA (see procedure 210.130(2)).
 - a. If an employee desires to use his/her personally owned vehicle instead of a common carrier and it is authorized by the ~~ILA Board or~~ CEO or designee, whichever is applicable, he/she will be allowed the cost of mileage (not to exceed the cost of coach air fare) to the air terminal nearest their destination plus expenses incurred to final destination and subsistence allowance en route. Out-of-state subsistence allowance will be allowed only for the number of meals and nights lodging which would have been necessary had the employee used the available ~~public transportation~~ common carrier to the destination instead of his/her private vehicle. Taxi or mileage expenses will be allowed at destination if incurred while on official business (see procedure 210.140 for limitations). A cost comparison must be included on the travel claim.
 - b. If two or more employees on official business travel in one privately owned vehicle instead of by common carrier, the use of one vehicle may be authorized on a mileage basis not to exceed the statutory limit per mile. The passenger shall denote this on his/her travel payment. See procedure 280.201.
2. **ILA vehicles.** See procedures 210.130 and 210.131.
3. **Rental or charter of special conveyances.** The rental or charter of aircraft, automobiles, boats, buses, or other special conveyances shall be held to a minimum but may be authorized in those cases when no public or ordinary means of transportation is available, or when such public or ordinary means of transportation cannot be used advantageously in the best interest of the ILA. Specific justification shall accompany the voucher in each instance where the use of the special conveyance is authorized and include such information as the location where special conveyance commenced and the points visited. A comparison of costs between public or ordinary means of transportation and costs of the special conveyance is required.
4. **Airline travel accommodations.** When the CEO determines that airline travel is the most economical or advantageous to the ILA, the use of airline travel may be authorized.
 - a. ~~The most economical mode of airline travel is considered to be coach or economy class, if available. If coach class is not available, it should be noted on the claim that is submitted for reimbursement of expense. It is deemed to be in the best interests of the ILA to allow employees to purchase airline tickets that are refundable and/or changeable. As a result, employees are not required to purchase basic economy airline tickets (which~~

Iowa Lottery Authority--Financial Management

Section Pre-Audit	Procedure No. 210.300	Page No. 2 of 2	Effective Date July 31, 2017 <u>November 19, 2019</u>
Subject Travel—Out-of-State—Mode of Transportation			

are non-refundable) but are expected to purchase airline tickets in the main cabin with an Advance Seat Selection, at the best, most economical rate available and that allows the ticket to be changed with or without fee if needed. See Procedure 210.325 for more information on requirements for reimbursement of airline tickets.

- b. A cost comparison between flying and driving must be included on the claim when the ordinary means of transportation is not utilized.

EXAMPLE: Employee drives to Los Angeles, California instead of flying. In this instance, since the ordinary means of transportation is flying, a cost comparison between flying and driving is necessary.

5. **Train travel.** In cases where train travel is utilized, the most economical mode shall be considered coach fare, if available.
6. **Purchase of tickets.** Tickets for all transportation (airline, train, bus, etc.) shall be acquired as economically and efficiently as possible. ~~ILA travel coordinators will set procedures for making reservations within the ILA. Airline tickets booked on behalf of an employee must follow airline regulations and in the best interests of ILA.~~ See Procedure 210.325 regarding payment policies for tickets.

Iowa Lottery Authority—Financial Management

Section PRE-AUDIT	Procedure No. 210.325	Page No. 1 of 12	Effective Date January 1, 2018 November 19, 2019
Subject TRAVEL – OUT-OF-STATE – REIMBURSEMENT FOR AIRLINE TICKETS			

1. When making travel arrangements, ~~ILA~~ employees will determine the most economical or advantageous method to the ~~state~~ ILA. Modes of transportation include airline, train, bus and other.
2. A claim for reimbursement of a ticket must have the invoice/itinerary and receipt (when a receipt is available from the airline) attached.
3. When other modes of transportation are used, such as train travel, similar procedures must be followed.
- ~~3.4. It is deemed to be in the best interests of the ILA to allow employees to purchase airline tickets that are refundable and/or changeable. As a result, employees are not required to purchase basic economy airline tickets (which are non-refundable) but are expected to purchase airline tickets in the main cabin with an Advance Seat Selection, at the best, most economical rate available and that allows the ticket to be changed with or without fee if needed.~~
- ~~4. Advance Seat Selection, when purchased at the time of booking the flight, is a reimbursable expense. Advance Seat Selection may be used to assist in securing a seat for the flight.~~
5. Advance Seat Selection does **not include any type of an upgrade** to anything other than, or in addition to, the most economical, standard, Advance Seat Selection offered. When selecting the Advance Seat Selection option, airlines may offer “bundles” for the seat choice. Only the most economical and standard Advance Seat Selection is reimbursable. If the ~~state~~ standard seat selection is bundled, or includes any of the items below, it is a non-reimbursable expense, unless approval is obtained by ILA CEO or designee. Examples of non-reimbursable Advance Seat Selection options (not an inclusive list):
 - Aisle Seat
 - Window Seat
 - Seat with extra legroom
 - Business Class seat
 - Early boarding or exiting
 - Specific seat assignments allowing two or more individuals to sit together
 - Extra checked baggage
 - Internet Service/Video Entertainment/Audio Headsets
6. Airlines may have requirements to follow for the check-in of the flight, allowing an Advance Seat Selection assignment to remain active and not become subject to cancellation prior to the flight. As requirements of check-in vary by airline, review the

Iowa Lottery Authority—Financial Management

<u>Section</u>	<u>Procedure No.</u>	<u>Page No.</u>	<u>Effective Date</u>
PRE-AUDIT	210.325	2 of 2	November 19, 2019
<u>Subject</u> TRAVEL – OUT-OF-STATE – REIMBURSEMENT FOR AIRLINE TICKETS			

rules at the time of booking and follow any specific instructions in order for the seat assignment to remain secured. Typically, if the airline cancels a seat assignment because the individual did not follow requirements, a refund of the Advance Seat Selection fee is not provided by the airline.

6. 7. If for any reason, an ILA employee does not make the anticipated trip, the ILA employee will contact the Vice President of Finance and discuss the handling of any costs incurred by the employee.

Iowa Lottery Authority—Financial Management

Section Pre-Audit	Procedure No. 210.400	Page No. 1 of 2	Effective Date October 1, 2016 <u>November 19, 2019</u>
Subject Travel—International—Mode of Transportation			

1. Airline Travel Accommodations

- a. ~~The most economical mode of airline travel is coach or economy class, if available. If coach class is not available, it should be noted on the claim which is submitted for reimbursement of travel expenses. It is deemed to be in the best interests of the ILA to allow employees to purchase airline tickets that are refundable and/or changeable. As a result, employees are not required to purchase basic economy airline tickets (which are non-refundable) but are expected to purchase airline tickets in the main cabin with an Advance Seat Selection, at the best, most economical rate available and that allows the ticket to be changed with or without fee if needed.~~ Exceptions to this procedure are outlined below in sections 1(b) and 1(c).
- b. On international flights with continuous flight time of ten (10) hours or more or in transit time of thirteen (13) hours or more, staff may, subject to the approval of the CEO or a designee, use business class.
- c. When traveling with clients of the ILA, ILA employees will be allowed to travel business class if necessary. This will be at the discretion of the CEO or a designee.

~~2. Purchase of Tickets. Tickets for out of state transportation shall be obtained as economically and efficiently as possible.~~

3. **Passport.** A passport is required for all international travel. The expense related to the initial purchase or renewal of a passport may be reimbursed by the ILA for employees in positions that require international travel.

Factors that will be considered in determining if a passport will be reimbursed include, whether the ILA is under contract with a ticket printing vendor that maintains printing facilities located outside the United States and it is a typical practice to visit ticket printing facilities as part of normal job duties. Employees that perform those job duties would be eligible for reimbursement at the time of initial passport application or subsequent renewals. Additionally, employees assigned as an evaluation committee member on a Request for Proposal (RFP) that will require international travel as part of the evaluation process would be eligible for reimbursement at the time of initial passport application or subsequent renewals.

If the employee already holds a passport prior to employment with the ILA or obtaining a position that travels internationally as part of normal job duties or scheduled conference

Iowa Lottery Authority—Financial Management

Section Pre-Audit	Procedure No. 210.400	Page No. 2 of 2	Effective Date October 1, 2016 <u>November 19, 2019</u>
Subject Travel—International—Mode of Transportation			

attendance, that employee is not eligible for reimbursement until the next renewal.

- 4. Expenditure Object Codes.** Expenditure object codes 2160 through 2170 & 2172 will be used to charge expenditures for international travel. Expenditure object code 2108 will be used for reimbursement of passport expenses. An Out-of-State Travel Authorization (OTA) is not required for the reimbursement of passport expenses where no other international expense has been incurred.



13001 University Avenue
Clive Iowa 50325-8225
www.ialottery.com
515.725.7900

Kim Reynolds · Governor
Adam Gregg · Lt. Governor
Matthew N. Strawn · Chief Executive Officer

Date: 11-19-2019

To: Iowa Lottery Board
Fr: Larry L. Loss
Re: 2020 NASPL Membership Dues

For many year, the Iowa Lottery has participated as a member of the Iowa Grocery Industry Association (IGIA), Fuel Iowa, the North American Association of State & Provincial Lotteries (NASPL) and the World Lottery Association (WLA). As you are aware, the Board must approve memberships for the lottery. In the past, we were able to present these invoices at the same time. But as discussed at a previous board meeting, NASPL has changed its billing cycle. As such, we are bringing their membership invoice to you for consideration today.

All North American lotteries are members of NASPL. NASPL plays a critical role in connecting member lotteries with essential education information and communication on key trends and issues and acts as a united voice for the lottery industry on critical issues. NASPL is a key participant in building and maintain relationships with national corporate retailers as well as the standardization or major procurements for member lotteries.

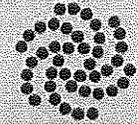
With your approval, the Iowa Lottery would continue its membership in NASPL through December 31, 2020.

ILA staff recommends approval of the \$20,000 membership dues in NASPL.

Enclosed is the invoice from NASPL for calendar year 2020.

North American Association of State & Provincial Lotteries

7470 Auburn Road, LL1
 Concord, OH 44077
 P. 440.361.7962
 F. 440.867.2327
 www.naspl.org



NASPL
 North American Association
 of State & Provincial Lotteries

Invoice

Bill To
IOWA LOTTERY MATT STRAWN, PRESIDENT & CEO 13001 UNIVERSITY AVE CLIVE, IOWA 50325-8225

Date	Invoice #
11/13/2019	8652

P.O. No.	Terms	Project
	Due on receipt	

Quantity	Description	Rate	Amount
1	Annual Membership Dues for the period January 1, 2020 through December 31, 2020	20,000.00	20,000.00
		Total	\$20,000.00

LOTTERY AUTHORITY, IOWA[531]

Adopted and Filed

The Board of Directors of the Iowa Lottery Authority hereby adopts Chapter 2, “Purchasing,” and Chapter 5, “Contested Cases,” Iowa Administrative Code to update the Lottery’s processes on the receipt and review of administrative appeals.

Legal Authority for Rule Making

This rule making is adopted under the authority provided in Iowa Code section 99G.9(3).

State or Federal Law Implemented

This rule making implements, in whole or in part, Iowa Code chapter 99G.

Purpose and Summary

These proposed amendments update the Lottery’s processes on the receipt and review of administrative appeals. These amendments provide structure for vendor appeals and remove the concept of the Lottery “hearing board” appointed by various Lottery officials from licensing appeals. Rather, for both types of appeals, the Lottery’s chief executive officer will appoint an administrative law judge from the Administrative Hearings Division of the Iowa Department of Inspections and Appeals to serve as presiding officer and issue a proposed ruling. All appeals from proposed decisions are submitted to the Lottery’s chief executive officer, who issues the final decision on behalf of the agency.

Public Comment and Changes to Rule Making

Notice of Intended Action was published in the Iowa Administrative Bulletin on July 31, 2019, as **ARC 4563C**. No public comments were received on this rule making. The

amendments in this adopted and filed rule are in addition to those published under Notice of Intended Action and are designed to ensure that a variety of viewpoints are involved in the decision-making process.

Adoption of Rule Making

This rule making was adopted by the Board of Directors of the Iowa Lottery on November 19, 2019.

Fiscal Impact

After analysis and review of this rule making, the Board finds that there is no adverse fiscal impact to the state of Iowa.

Jobs Impact

After analysis and review of this rule making, no impact on jobs has been found.

Waivers

The Board does not intend to grant waivers under the provisions of these rules.

Review by Administrative Rules Review Committee

A lottery representative appeared before the Administrative Rules Review Committee on August 12, 2019, to discuss the proposed rule making. Questions to the lottery from committee members focused on three general areas: (1) whether the proposed change would still provide vendors, retailers and other licensees with appropriate safeguards; (2) whether the proposed change would consolidate power with the Lottery CEO; (3) whether other state entities have appeal procedures similar to the change proposed by the lottery.

Following the August 12 meeting, the lottery worked with the Iowa Attorney General's Office to research the areas in question. The lottery concurs that an administrative appeal process should involve a variety of perspectives, and asked the Lottery Board at its meeting on November 19, 2019, to adopt an amended version of the rule. The lottery believes that the

updated procedure will serve the public good by clarifying its administrative appeal process and ensuring that a variety of viewpoints are involved in it.

Issue (1): Appropriate appeal safeguards

A member of the Administrative Rules Review Committee questioned whether the lottery's rule making would provide vendors, retailers, and other licensees with appropriate safeguards in the appeal process.

Board response: The proposed rule would change the structure of the vendor appeal and licensing appeal process at the lottery. Under the proposed process, the lottery CEO refers any appeal to an administrative law judge within the Department of Inspections and Appeals, who would issue a proposed decision. If desired by the party involved, that decision could be appealed to the lottery CEO.

The model/uniform agency rules, which many state agencies have adopted, provide the option for a similar process.

Issue (2): Would change consolidate power with CEO

A member of the Administrative Rules Review Committee questioned whether the proposed rule making would consolidate power with the lottery CEO.

Board response: In terms of consumer friendliness and ensuring due process, the proposed procedure would make it clear that an appeal will be heard by an administrative law judge who is not affiliated with the lottery. The current procedure, which utilizes a lottery hearing board for appeals, is unable to uniformly specify the membership of the board because that membership has changed at times to ensure the involvement of neutral parties. Appeal beyond the administrative law judge would be to the lottery CEO, and should an impacted party

wish to appeal the lottery's agency decision, the proposed rule change preserves the party's ability to request judicial review within the court system.

The proposed rulemaking would implement the Iowa Lottery Authority Act, which directs the Lottery Board to adopt policies and procedures and promulgate administrative rules relating to the management and operation of the lottery, while allowing the Board to delegate to the Lottery CEO those duties it deems appropriate. Likewise, the Lottery Authority Act also authorizes the Lottery CEO to conduct hearings or administer oaths for the purpose of assuring the security and integrity of lottery operations or determining the qualifications of or compliance by lottery vendors and retailers.

Review of an appeal by the head of the agency also appears to be consistent with the Iowa Administrative Procedure Act, which addresses and governs all agencies.

Issue (3): Similar appeal processes at other state entities

A member of the Administrative Rules Review Committee asked whether other state agencies have an appeal process similar to that proposed by the lottery's rule making.

Board response: Numerous state agencies currently appear to have a similar appeal process to that proposed by the lottery, where an administrative law judge issues a proposed decision that can be subsequently appealed to the agency head (director, commissioner, superintendent, etc.). Those include the following in alphabetical order of area of focus: Department of Administrative Services, Division of Banking, Department of Corrections, Division of Credit Unions, Department of Human Services, Department of Inspections and Appeals, Insurance Division, State Public Defender, Department of Public Health, Department of Public Safety, Department of Revenue (the director of the department can retain a contested case

for hearing, but if it is not retained, an administrative law judge acts as presiding officer and the proposed decision is subject to appeal to the director), and Department of Transportation.

Effective Date

This rule making will become effective on January 22, 2020.

The following rule-making action is adopted:

ITEM 1. Rescind rule 531—2.17(99G) and adopt the following **new** rule in lieu thereof:

531—2.17(99G) Vendor appeals.

2.17(1) Filing vendor appeal. Any vendor whose bid or proposal has been timely filed and who is aggrieved by the award of the lottery may file a written notice of appeal of the procurement decision with the Iowa Lottery, 13001 University Avenue, Clive, Iowa 50325-8225, within five business days of the date of the award. The notice of appeal must actually be received at this address within the time frame specified to be considered timely. The notice of appeal shall state the grounds upon which the vendor challenges the lottery's award.

2.17(2) Presiding officer. Upon receipt of a notice of a vendor appeal, the chief executive officer shall appoint an administrative law judge within the administrative hearings division of the department of inspections and appeals to serve as presiding officer, who would then issue a proposed ruling that the chief executive officer may hear on appeal.

2.17(3) Hearing. Where feasible, vendor appeals shall be conducted in accordance with 531—Chapter 5. In the case of conflict, the rules and procedures set forth in Chapter 2 control for vendor appeals submitted to the lottery. The presiding officer shall send a written notice of the date, time and location of the appeal hearing to the aggrieved vendor or vendors. The presiding officer shall hold a hearing on the vendor appeal within 60 days of the date the notice of appeal was received by the lottery, except that the administrative law judge has the ability to extend this duration where the administrative law judge determines good cause necessitates an extension.

2.17(4) Discovery. The parties shall serve any discovery requests upon the other parties at least 30 days prior to the date set for hearing. The parties must serve responses to discovery at least 20 days prior to the date set for the hearing.

2.17(5) Witnesses and exhibits. The parties shall contact each other regarding witnesses and exhibits at least ten days prior to the time set for the hearing. The parties must meet prior to the hearing regarding the evidence to be presented in order to avoid duplication or the submission of extraneous materials.

2.17(6) Contents of decision. The administrative law judge shall issue and serve upon all parties a written proposed decision that includes findings of fact and conclusions of law stated separately. The decision shall be based on the record of the appeal and shall conform with the requirements of Iowa Code chapters 17A and 99G.

2.17(7) Status of ruling. The ruling of the presiding officer constitutes a proposed ruling which may be appealed to the lottery's chief executive officer. The written decision of the chief executive officer on a vendor appeal constitutes a final decision of the lottery, which may be further appealed in accordance with Iowa Code section 17A.19.

2.17(8) Stay of agency action for vendor appeal.

a. Any party appealing the issuance of a notice of intent to award a contract may petition the presiding officer for a stay of the award pending its review. The petition for stay shall be filed with the notice of appeal and shall state the reasons justifying a stay. Any decision issued by a presiding officer regarding a stay may be appealed to the chief executive officer.

b. Any party adversely affected by a final decision and order may petition the chief executive officer for

a stay of the agency decision and order pending judicial review. The petition for stay shall be filed with the chief executive officer within ten days of receipt of the final decision and order and shall state the reasons justifying a stay.

c. The presiding officer or chief executive officer may grant a stay upon a conclusion that the movant has satisfied the standards for the grant of a stay included in rule 531—5.29(17A) and Iowa Code section 17A.19(5).

This rule is intended to implement Iowa Code sections 99G.9, 99G.21, 99G.23, and 99G.37.

ITEM 2. Amend rule 531—5.2(17A) as follows:

531—5.2(17A) Definitions. Except where otherwise specifically defined by law:

“*Contested case*” means a proceeding defined by Iowa Code ~~subsection~~ section 17A.2(5) and includes any matter defined as a no factual dispute contested case under Iowa Code section 17A.10A.

~~“*Hearing board*” means the board designated to resolve license disputes pursuant to Iowa Code Supplement section 99G.27(3) and these rules.~~

“*Issuance*” means the date of mailing or otherwise electronically providing a copy of a decision or order or date of delivery if service is by other means unless another date is specified in the order.

“*Party*” means each person or agency named or admitted as a party or properly seeking and entitled as of right to be admitted as a party.

“*Presiding officer*” means the administrative law judge.

“*Proposed decision*” means the presiding officer’s recommended findings of fact, conclusions of law, decision, and order in a contested case ~~in which the hearing board did not preside.~~

ITEM 3. Rescind and reserve rule **531—5.3(17A)**.

ITEM 4. Amend rule 531—5.6(17A) as follows:

531—5.6(17A) Notice of hearing.

5.6(1) Delivery. Delivery of the notice of hearing constitutes the commencement of the contested case proceeding. Delivery may be executed by:

- a. Personal or electronic service as ~~provided~~ permitted in the Iowa Rules of Civil Procedure; or
- b. Certified mail, return receipt requested; or
- c. First-class mail; or
- d. Publication, as provided in the Iowa Rules of Civil Procedure.

5.6(2) Contents. The notice of hearing shall contain the following information:

- a. A statement of the time, place, and nature of the hearing;
- b. A statement of the legal authority and jurisdiction under which the hearing is to be held;
- c. A reference to the particular sections of the statutes and rules involved;
- d. A short and plain statement of the matters asserted. If the lottery or other party is unable to state the matters in detail at the time the notice is served, the initial notice may be limited to a statement of the issues involved. Thereafter, upon application, a more definite and detailed statement shall be furnished;
- e. Identification of all parties including the name, address and telephone number of the person who will act as advocate for the lottery or the state and of parties’ counsel where known;
- f. Reference to the procedural rules governing conduct of the contested case proceeding; and
- ~~g. Reference to the procedural rules governing informal settlement;~~
- ~~h. g.~~ Identification of the presiding officer, if known. If not known, a description of who will serve as presiding officer (e.g., ~~the hearing board, the chief executive officer of the lottery, members of the lottery authority board, administrative law judge from the department of inspections and appeals~~); and
- ~~i. Notification of the time period in which a party may request, pursuant to Iowa Code section 17A.11(1) and rule 531—5.6(17A), that the presiding officer be an administrative law judge.~~

ITEM 5. Rescind paragraph **5.7(2)“h.”**

ITEM 6. Amend subrule 5.7(5) as follows:

5.7(5) Unless otherwise provided by law, the chief executive officer or a designee, ~~and members of the~~

~~lottery authority board~~, when reviewing a proposed decision upon appeal to the lottery, shall have the powers of and shall comply with the provisions of this chapter which apply to presiding officers.

ITEM 7. Amend subrule 5.12(2) as follows:

5.12(2) Service—how made. Service upon a party represented by an attorney shall be made upon the attorney unless otherwise ordered. Service is made by delivery or by mailing a copy to the person's last-known address or by electronic service as permitted by the presiding officer and the Iowa Rules of Civil Procedure. Service by paper or electronic mail is complete upon mailing, except where otherwise specifically provided by statute, rule or order.

ITEM 8. Amend subrule 5.12(3) as follows:

5.12(3) Filing—when required. After the notice of hearing, all pleadings, motions, documents or other papers in a contested case proceeding shall be filed with the ~~Office of the Chief Executive Officer, Iowa Lottery Authority, 13001 University Avenue, Clive, Iowa 50325-8225~~ presiding officer. All pleadings, motions, documents or other papers that are required to be served upon a party shall be filed simultaneously ~~in the office of the chief executive officer~~ with the presiding officer.

ITEM 9. Amend subrule 5.12(4) as follows:

5.12(4) Filing—when made. Except where otherwise provided by law, a document is deemed filed at the time it is delivered to the ~~chief executive officer's office~~ presiding officer, delivered to an established courier service for immediate delivery to ~~that office~~ the presiding officer, delivered via electronic mail or fax, or mailed by first-class mail or state interoffice mail to ~~that office~~ the presiding officer, so long as there is proof of mailing.

ITEM 10. Amend rule 531—5.25(17A) as follows:

531—5.25(17A) Interlocutory appeals. Upon written request of a party or ~~on its own motion~~ sua sponte, the ~~hearing board~~ chief executive officer may review an interlocutory order of the presiding officer. In determining whether to do so, the ~~hearing board~~ chief executive officer shall weigh the extent to which ~~its~~ the chief executive officer's granting of the interlocutory appeal would expedite final resolution of the case and the extent to which review of that interlocutory order by the agency at the time it reviews the proposed decision of the presiding officer would provide an adequate remedy. Any request for interlocutory review must be filed within 14 days of issuance of the challenged order, but no later than the time for compliance with the order or the date of hearing, whichever is first.

ITEM 11. Amend rule 531—5.26(17A) as follows:

531—5.26(17A) Final decision.

5.26(1) When the ~~hearing board~~ chief executive officer presides over the reception of evidence at the hearing, ~~its~~ the chief executive officer's decision is a final decision.

5.26(2) When the ~~hearing board~~ chief executive officer does not preside at the reception of evidence, the presiding officer shall make a proposed decision. The proposed decision becomes the final decision of the agency without further proceedings unless there is an appeal to, or review on motion of, the ~~hearing board~~ chief executive officer within the time provided in rule 531—5.27(17A).

ITEM 12. Amend rule 531—5.27(17A) as follows:

531—5.27(17A) Appeals and review.

5.27(1) Appeal by party. Any adversely affected party may appeal a proposed decision to the ~~hearing board~~ chief executive officer of the lottery within 30 days after issuance of the proposed decision.

5.27(2) Review. The ~~hearing board~~ chief executive officer may initiate review of a proposed decision on ~~its~~ the chief executive officer's own motion at any time within 30 days following the issuance of such a decision.

5.27(3) Notice of appeal. An appeal of a proposed decision is initiated by filing a timely notice of appeal with the Iowa lottery. The notice of appeal must be signed by the appealing party or a representative of that party and contain a certificate of service. The notice shall specify:

- a. The parties initiating the appeal;

- b. The proposed decision or order appealed from;
- c. The specific findings or conclusions to which exception is taken and any other exceptions to the decision or order;
- d. The relief sought;
- e. The grounds for relief.

5.27(4) Requests to present additional evidence. A party may request the taking of additional evidence only by establishing that the evidence is material, that good cause existed for the failure to present the evidence at the hearing, and that the party has not waived the right to present the evidence. A written request to present additional evidence must be filed with the notice of appeal or, by a non-appealing party, within 14 days of service of the notice of appeal. The ~~hearing board~~ chief executive officer may remand a case to the presiding officer for further hearing or may ~~itself~~ personally preside at the taking of additional evidence.

5.27(5) Scheduling. The ~~presiding officer~~ chief executive officer shall issue a schedule for consideration of the appeal.

5.27(6) Briefs and arguments. Unless otherwise ordered, within 20 days of the notice of appeal or order for review, each appealing party may file exceptions and briefs. Within 20 days thereafter any party may file a responsive brief. Briefs shall cite any applicable legal authority and specify relevant portions of the record in that proceeding. Written requests to present oral argument shall be filed with the briefs.

The ~~hearing board~~ chief executive officer may resolve the appeal on the briefs or provide an opportunity for oral argument. The ~~hearing board~~ chief executive officer may shorten or extend the briefing period as appropriate.

ITEM 13. Amend rule 531—5.29(17A) as follows:

531—5.29(17A) Stays of agency actions.

5.29(1) When available.

a. Any party to a contested case proceeding may petition the lottery for a stay of an order issued in that proceeding or for other temporary remedies, pending review by the agency. The petition shall be filed with the notice of appeal and shall state the reasons justifying a stay or other temporary remedy. The ~~hearing board~~ chief executive officer of the lottery may rule on the stay or authorize the presiding officer to do so.

b. Any party to a contested case proceeding may petition the lottery for a stay or other temporary remedies pending judicial review of all or part of that proceeding. The petition shall state the reasons justifying a stay or other temporary remedy.

5.29(2) When granted. In determining whether to grant a stay, the chief executive officer or presiding officer ~~or hearing board~~ shall consider the factors listed in Iowa Code section 17A.19(5).

5.29(3) Vacation. A stay may be vacated by the issuing authority upon application of the lottery or any other party.