

**SOUTH CAROLINA EDUCATION LOTTERY
BOARD OF COMMISSIONERS MEETING MINUTES
December 7, 2022
10:00 a.m.**

The Board of Commissioners of the South Carolina Education Lottery (SCEL) met on Wednesday, December 7, 2022, 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
Otis Morris (via Phone)
Billy Newsome

Patrick Earle
Dr. Vareva Evans-Harris
Andre Bauer
Jay Young

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

Approval of Minutes

On motion of Commissioner Munson, seconded by Commissioner Newsome, the Board unanimously approved the August 10, 2022 Minutes.

Action Items

a. Nomination and Election of Board Officers for 2023

The Chairman asked for nominations of officers other than those currently serving, and after receiving none, Commissioner Newsome moved to close the nominations and elect the current slate of officers for another one-year term in accordance with the by-laws. Commissioner Munson seconded the motion, which passed unanimously.

b. Adoption of the 2023 Audit Plan

Audit Committee Meeting Report - November 9, 2022

The Chairman recognized Commissioner Keith, and after brief remarks, Sonja Erickson, Internal Auditor, was recognized. She began with an overview of the committee meeting discussion, and presented the results of the purchasing and travel card audit. She then provided the Board with an update of implemented management action plans to date. Ms. Erickson presented the proposed internal audit plan for calendar year 2023 as approved by the Audit Committee. On motion of Commissioner Newsome, seconded by Commissioner Keith, the Board unanimously adopted the 2023 Internal Audit Plan.

c. Quarterly Advertising and Marketing Review

Marketing and Retailer Relations Meeting Report - November 9, 2022

On behalf of Commissioner Morris, the Chairman presented the report of the Marketing and Retailer Relations Meeting from November 9, 2022, and recognized Ammie Smith, Director of Product Development, and Josh Whiteside, Director of Marketing, to expand on those items. Ms. Smith began by discussing Certification for Responsible Gaming (RG) through the National Association of State and Provincial Lotteries (NASPL) and the National Center on Problem Gambling (NCPG). Certification involves three parts: planning, implementation, and sustainability. It entails educating players, SCEL staff, and retailers, and prompts a review of SCEL responsible play messaging.

Mr. Whiteside presented the concepts for the new messaging: Better U – an overarching branding campaign with many components. It will touch every component of SCEL’s operation with a clean look, and will contain an information-heavy message to include responsible gaming, beneficiary messaging, and educational points for players, retailers, and SCEL staff.

Ms. Smith presented a copy of the artwork for the \$20 instant ticket scheduled for launch on March 28, 2023. Advertising will focus on point of purchase materials with no TV ads. She explained efforts to reduce cannibalization of the \$10 price point. Only one \$20 ticket at a time is planned for the market in FY23 and into FY24.

Next, Mr. Whiteside began the quarterly advertising review:

CASH POP - Digital Billboard; PID, Video and Radio, Versions 1 and 2; TV, Night Fishing and VIP Passes. In response to questions, staff explained that SCEL owns its CASH POP advertising (not the name or the game mechanics). Sales have exceeded \$1M each week in FY23.

Holiday - Digital Billboard; PID; Online Ads; Play Station Poster; and Ticket Topper.

Hit Games - Digital Billboard, Ticket Topper, Change Your Day/Change Your Weekend.

20th Anniversary - Online Ad; and PID

General PID Updates - September through December Instant Games.

MISC - Digital Billboard, Mega Millions and Powerball Jackpot Updates; Fiery 5s, Online Ad; Lady Luck, Online Ad and Writing Surface.

Rival Play (Carolina/Clemson) - Digital Billboard, Holiday; Online Ads, Carolina Jackpot and Clemson Jackpot, Spurs Up/All In, Choose Your Side. Mr. Whiteside also shared video of the two on-field activations where the actual prize reveal occurred in real time: USC v. Tennessee and Clemson v. USC. SCEL will do this type of promotion for basketball and baseball.

At the conclusion of the presentation, the Chairman stated, without objection, that it is the consensus of the Board 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.

d. Consideration of Board Position on Debit Card Sales

The Chairman recognized Hogan Brown, Executive Director to discuss the Board position on Debit Card sales. Mr. Brown stated that staff first raised the debit card discussion in November of 2016. Since that time, customers are carrying less cash. The Lottery Act allows for the purchase of lottery products with cash only. Surrounding states allow sales with a debit card. An interstate traveler may forego a lottery purchase requiring cash rather than execute two transactions.

Staff presented a draft policy position on debit card sales to initiate discussion by the Board. Commissioner Munson offered a perfecting amendment regarding electronic sales, which was adopted without objection. At the end of the discussion, Commissioner Newsome moved for approval of the policy, as amended, which Commissioner Harris seconded. The Board unanimously approved the policy position, incorporated into the minutes as Attachment A.

e. Liability Limits on Pick 3 and Pick 4

The Chairman recognized Brian Ford, Chief Financial Officer, to discuss raising the liability limits on Pick 3 and Pick 4 Games which have remained unchanged since 2002. As explained in the meeting materials, the liability limit of \$3.5M per draw is a restriction within the central gaming system that rejects wagers on number combinations which if drawn, the payout on the previously placed wagers for those number sets would exceed the cap. While other combinations hit the limit,

the most common number combinations are “trips” (000, 111, etc.) for Pick 3 and “quads” (0000, 1111, etc.) for Pick 4. Increased sales from raising the liability limits is not intended to cover the potential liability in a given draw. The goal is to reduce player frustration by affording more players with a chance to select their preferred numbers sets. The game matrices will not change and therefore, while the actual payout will fluctuate from draw to draw, over the long-term, it will normalize to 50% per the game design. Based on the staff review of the wager activity under the current limits and benchmarking with other lotteries, an increase is appropriate. Staff recommends increasing the single draw liability limit to \$5 million for Pick 3 and \$7 million for Pick 4.

Commissioner Munson moved, seconded by Commissioner Newsome, to adopt the recommendation to raise the liability limits on Pick 3 and Pick 4. The Board unanimously approved the motion.

f. Consideration of Board Policy on Licensure of Retailers with Low Volume Sales

The Chairman recognized Mr. Brown to discuss establishing a weekly minimum sales threshold as presented in the Board meeting materials. While potential sales and the location are taken into account in certain licensing decisions as allowed by the Lottery Act, applicants meeting the minimum statutory requirements for a license are generally issued one. Supply chain issues regarding in-store sales equipment have caused staff to make difficult decisions in allocating resources to new and existing retailers. Also, with the growth in new locations, SCEL may reach 4,250 retail outlets, the threshold for purchasing sales equipment for additional outlets (equipment for those under 4,251 are included in the base monthly fee paid to the vendor). In evaluating low volume sales, SCEL’s policy may initially involve eliminating up to 20 low performing retailers. Mr. Brown explained that the requested policy seeks to provide evaluation criteria rather than asking the Board for a fixed level of sales because other factors such as proximity to other outlets must be considered in licensing decisions.

At the end of the discussion, Commissioner Newsome moved, seconded by Commissioner Munson, to allow the Executive Director to use the discretionary authority to establish, and adjust, a level of “insufficient sales” and then suspend a license or Retailer Contract or to deny or terminate a retail sales license consistent with the criteria presented to the Board in Attachment B.

Reports

a. Financial Update

Actual FY 2023 Results Compared to Actual FY 2022 Results

The Chairman recognized Brian Ford who stated that during the first four months of FY23 (July to October), Transfers increased \$13.5M (6.8%) from \$198.6M. Overall Game Revenues increased \$1.9M (.25%) to \$753.6M. Sales trends are continuing to normalize after the volatility during the Pandemic and into FY22. As forecast, \$10 Instant Ticket Revenue decreased, but Total Revenue is in line with FY22 due to record jackpot runs in FY23.

Instant Games

Instant Game Revenues decreased by \$43.2M (8.0%) to \$497.9M. \$1 Instant Ticket Revenue decreased by \$2.2M (17.2%) while \$2 Instant Tickets dropped by \$2.0M (7.4%). \$3 Instant Ticket Revenue decreased \$1.9M (9.0%) to \$19.4M. \$5 Instant Ticket Revenue is up \$7.4M (9.4%) to \$85.9M. \$10 Instant Ticket Revenue is down \$44.5M (11.1%) at \$356.7M. After many years of double-digit sales growth in this price point, it appears that the previous trend has run its course.

Overall Game Margin on Instant Game Revenues decreased \$8.0M (5.4%). Overall Instant Game Margin Percentage increased to 28.5% compared to 27.7% during the same period last year.

Terminal Games

Terminal Game Revenues increased \$45.1M (21.4%) at \$255.7M due to record jackpots.

Pick 3 Revenue is down \$4.0M (4.2%) at \$93.2M as trends continue to normalize from record results in FY21 and FY22. Pick 3 Game Margin decreased \$1.7M (3.5%). Pick 3 Game Margin Percentage is 49.8% compared to 49.5% in FY22. Pick 4 Revenue is down \$.8M (1.5%) at \$49.7M from \$50.5M. Pick 4 Game Margin decreased \$6.3M (20.5%) due to statistical variation. This was a product of lower Game Revenue and higher Prize Expense (50.6% compared to 38.8% in FY22). Fluctuations in Terminal Game Prize Expense are also a product of statistical variation as the number sets in seven Pick 4 draws resulted in at least a \$500,000 liability per draw compared to \$300,000 at this point in FY22. Palmetto Cash 5 Revenue decreased by \$.7M (6.8%) and Game Margin was up \$.4M (11.1%), a product of statistical variation. Cash Pop continues to perform well, generating \$1.2M per week (\$20.2M thus far in FY23) with a Game Margin Percentage of 33.7%, as planned.

Powerball Revenue is up \$5.7M (15.6%) while Mega Millions is up \$24.7M (149.2%) due largely to jackpot runs, which reached \$1.9 billion and \$1.3 billion, respectively. The addition of Powerball's Double Play feature has bolstered revenue by 9.6%. This feature and the third draw Powerball draw continue to add additional revenue, though staff remains cautious of their impact on jackpot build after the jackpot reaches \$300.0M.

The overall Game Margin Percentage on Terminal Games is down 3.7% to 48.5% from 52.3%, which is attributable to statistical variation, especially in Pick 4.

Other Revenues and Game Costs

Other Revenues, which consist primarily of licensing and telecom fees, are \$1.2M compared to \$1.3M in FY22. Other Direct Game Costs are \$9.4M compared to \$7.4M in FY22. The increase is primarily related to shipping and digital engagement services as explained in the May, 2022 Board meeting.

Advertising and G&A Expenses

Advertising Expense was \$3.1M compared to \$3.4M in FY 2022. G&A Expenses (the primary component of which is employee compensation) was \$5.2M in both FY23 and FY22.

Net Income

Net Income increased \$4.0M (2.1%) to \$196.3M, attributable to record Powerball and Mega Millions jackpot runs and the favorable Game Margin percentage of those games. The record jackpot runs offset the decreases in instant game sales. As a percentage of Total Game Revenues, Instant Games are at 66.1% in FY23 compared to 72.0% in FY22.

Actual FY 2023 Results Compared to the FY 2022 Financial Plan

To date, actual financial results are above Plan. Game Revenues are \$753.6M compared to Plan of \$685.9M. The positive variance in Instant Game Revenues is a result of all Instant Games performing slightly above Plan with the exception of the \$1 price point. The largest variance is attributable to \$5 Instant Tickets, which is \$8.0M (10.3%) above Plan. \$1 Instant Tickets are down \$1.2M (9.5%) while collectively, the \$2 and \$3 Instant Tickets performed above Plan by \$.5M (1.1%). \$10 Instant Tickets are up .9M (.3%) from Plan, essentially flat.

All Terminal Game Revenues exceeded Plan, with Powerball up \$14.9M (54.6%) and Mega Millions is \$27.3M (195.1%) over Plan. Pick 3 is \$9.0M (10.7%) above Plan while Pick 4 is over

by \$5.7M (12.9%). Palmetto Cash 5 is \$.6M (7.7%) above Plan and Cash Pop is \$1.8M (9.9%) above Plan.

Because of the higher than planned Game Revenues, Gross Profit (Revenues less Prize Expense, Commissions and other game-related costs) are \$204.7M compared to Plan of \$170.1M, a positive variance of \$34.5M (20.3%). In aggregate, Operating Expenses are \$1.0M (10.3%) under Plan. Advertising Expense is \$3.1M compared to Plan of \$3.7M. Other Operating Expenses (“G&A”) are \$.4M (7.8%) under Plan. Most of the variances are expected to normalize as the year progresses. Due to the aforementioned factors, Net Income is \$196.3M compared to Plan of \$160.8M, a positive variance of \$35.5M (22.1%).

b. Executive Director Report

The Chairman recognized Hogan Brown, who discussed the following items:

Motherboard and Printer Head Update: Mr. Brown stated that the motherboard situation has stabilized but is not totally resolved. The terminal printer head supply has now become a significant issue. Approximately 120 printer heads were replaced after the Powerball Jackpot run and we now have under 50 spares. This circumstance has required a delay in licensing for “change of ownership” and new retailers in favor of supporting existing selling retailers. Higher volume retailers will have printer heads replaced based upon average weekly sales. SCEL’s current print head manufacturer is not producing right now because of lack of parts and IGT is looking to another printer source.

Jackpot Signs: The jackpot sign rollout is almost complete with about 130 left to deploy. There is a sufficient supply in the warehouse for future deployments.

Holiday Cash Add-A-Play: The October hearing in the Court of Appeals has yet to yield a decision.

Glassmeyer v. SCEL: The recently filed lawsuit involving the lack of a posted FOIA fee schedule appeared on the December court roster but was continued.

Cyber Threats: The cyber insurance policy was renewed in October. Mr. Brown thanked the Information Technology and Security Departments for their hard work in compiling copious information for our broker. The carriers were much more proactive in learning the security measures SCEL has put in place and engaged SCEL in a way that helped to reduce our insurance premium. Mr. Brown briefly mentioned the Governor’s TikTok ban and noted that while not subject to the Executive Order, SCEL is reviewing the most appropriate steps to eliminate any threat.

Controller General Conference and Travel Expense Report: SCEL voluntarily participated in this project and ranked 29th out of 130 agencies in aggregate travel expenses. Employees within each agency were also ranked from 1 to 25 and travel expenses for all but one SCEL employee were exclusively related to the in-store visits made by our Marketing and Sales Representatives.

Building lease: The Columbia lease expires in August of 2024. The process of evaluating SCEL’s needs necessary for crafting an RFP in coordination with the SC Division of Facilities Management and Property Services (DFMPS) will start next year. The Joint Bond Review Committee and State Fiscal Accountability Authority must approve this lease and a year may be needed to complete the entire process.

Instant Ticket Shipping: Since the multi-jurisdictional UPS contract expired last November, staff has been working to reduce shipping costs. While significant intermediate cost saving steps

have been taken, SCEL will soon begin a test of using FedEx for shipments under another multi-jurisdictional agreement that, upon full implementation, should save about 25% from its current shipping costs.

SC Regulations: SCEL has not made any significant changes to its regulations over the last twenty years. Staff has identified several items that need attention and will present those changes to the Legal Committee prior to the February Board meeting. After Board review and approval, the regulations will be submitted to the General Assembly for final approval.

National Items

NFL Game/MUSL: The progress on this game has stalled.

NASCAR/MUSL Promotion: The NASCAR/MUSL Powerball second-chance promotion agreement is being finalized.

International Sales: The regulatory review in Australia is progressing as expected.

Mega Millions: Mega Millions has approved a matrix change and a move to a \$5 price point. A new in-state jackpot (separate from the multi-jurisdictional jackpot) that will vary from state to state is being reviewed. There are still several details that must be finalized.

There being no further business, the meeting adjourned at approximately 12:24 p.m.

/s/
Sam Litchfield, Chairman

/s/
Keith Munson, Secretary/Treasurer

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

Attachment A

Lottery Board of Commissioners Position on Removing the Statutory Prohibition Against Purchasing Lottery Products with Debit Cards

(Adopted, Board Meeting on December 7, 2022)

The Board of Commissioners of the South Carolina Lottery (Board or SCEL) takes the position that it would be advantageous for the reasons stated herein to eliminate the statutory prohibition against the sale of lottery products with debit cards while maintaining the prohibition on credit card purchases. The Board is not seeking to require any lottery retailer to accept debit card purchases as individual retailers are best positioned to decide if debit card sales are beneficial to their business. The marketplace will sort out how debit card sales are embraced. For example, it is reasonable to conclude that lottery retailers along our five interstate highways would no longer lose sales to players who are accustomed to buying lottery tickets with debit cards and/or digital debit card usage in all of our surrounding states. Transaction time in retail outlets would also be reduced for customers and clerks for those who present a debit card for a purchase and then have to make a separate cash purchase for a lottery ticket.

Significantly, requiring cash sales is also contrary to several trends that are detrimental to lottery sales. Across the country, the typical lottery player, the one who is most likely to carry cash, is over fifty years old. As this demographic ages, overall sales will naturally decline. Those under thirty are increasingly trending toward debit cards to the virtual exclusion of cash. In general, the pandemic increased the use of debit cards among all age groups. Interest in instant game tickets among those under thirty years old is very low and to deny those potential players the option of using their preferred purchasing method makes it extremely difficult to broaden the lottery player base among this age group.

While it is difficult to forecast a sales lift with debit card use, it is almost certain that over time, maintaining cash-only sales will put stress on lottery sales. The Board understands the pressure that transaction fees put on a retailer's profit margin but other jurisdictions allow debit card sales without a corresponding increase in the lottery sales commission paid to retailers (SC pays 7%, which is among the highest in the country). While it may seem reasonable to adjust this sales commission to defray some of the transaction fee costs, with the existing sales terminals, it would not be possible to track when a debit card was or was not used. It is also noteworthy to emphasize that while retailers are required to pay a \$15 "line charge" (for communication and maintenance to link to the central gaming system), SCEL installs all necessary sales equipment (including dispensers and play stations), provides instant games without charge until after the sale is made as well as promotional materials, advertising, jackpot signage, and bi-monthly service visits by SCEL personnel, all at no expense to the retailer. Since the Board's position is simply to allow debit card and/or digital debit card operation usage, any increase in a retailer's sales commission would be a windfall to those retailers who wish to maintain cash-only sales. Any increase in the sales commission would directly reduce the annual transfer of lottery proceeds for education.

Attachment B

Lottery Board of Commissioners Policy on Licensure of Retailers with Low Volume (Insufficient) Sales

(Adopted, Board Meeting on December 7, 2022)

Introduction

Section 59-150-150 (B) provides that: “The board shall develop a list of objective criteria upon which the qualification of a lottery retailer must be based¹.” Section 59-150-180 (A) (4) further provides that “A retail contract executed by the commission...must specify the reasons for which the contract may be canceled, suspended, revoked, or terminated by the commission including, but not limited to:...insufficient sales...” Although insufficient sales is mentioned in the Retailer Contract and the governing regulations, the Board has not provided staff with guidance as to what objective criteria may or should be considered in evaluating or determining when an outlet has “insufficient sales” that impacts licensure. For the reasons discussed herein, staff formerly seeks guidance from the Board.

Background

Prior Board-adopted motions and SCEL regulations have delegated retailer licensing decisions to the Executive Director. By regulation, the Executive Director must consider the number and sufficiency of existing retailer licenses to serve the public interest which must be balanced with the sufficient sales.² Section 59-150-150(A) states that the Commission “shall provide a small retailer a chance to participate in the sales of lottery tickets...,” while Section 59-150-180(A) provides that a retail contract may be canceled, suspended, revoked, or terminated by the commission for “insufficient sales”. Consistent with that requirement, the Retailer Contract provides that “a retail sales contract may be canceled for insufficient sales.”

There are several underlying reasons for requesting adoption of a Board policy at this time. As previously reported to the Board, manufacturing and supply chain issues for terminal hardware (specifically motherboards) replacement caused staff to make difficult allocation decisions based upon sales as hardware became available. As this issue became more manageable, a shortage of printer head replacements has recently presented a significant problem for essentially the same reasons. Although the latter problem is currently the most critical, these known hardware issues, and perhaps others that may arise, will remain a concern throughout calendar 2023. Equally, if not more concerning when looking to 2024 and beyond, is that our IGT contract requires SCEL to purchase retail sales equipment (sales terminals, printers, satellite, and other devices) once SCEL exceeds 4,250 retail locations (4,250 and less are included in the base monthly fee)³. SCEL had

¹ Objective licensing criteria to be considered by the Executive Director are incorporated into Reg. 40-20.40. The regulations were approved by the Board prior to being submitted to the General Assembly in 2020 [legislative session].

² SC Regulation 44-20.40. A. (4) and (5). Sub item (5) simply requires consideration of “[t]he expected volume of lottery game sales...”

³ The IGT contract began in May of 2018 and expires in 2028. This provision was incorporated into the contract based on projected population growth along with anticipated growth in the number of retail outlets. It was anticipated that at some point after the midpoint of the ten year contract term SCEL may need to address this issue and only outfit retailers above 4,250 that have the profitability to enhance our transfer. A higher threshold in the contract was not chosen because it would have increased the monthly fee to cover the vendor’s cost for retail sales equipment long before expected deployment.

between 3,800 and 3,850 at the beginning of this contract term and has been fairly consistent with 3,900 active locations for the last few years. The addition of one or more large retail chains, however, could cause SCEL to move to or beyond 4,250. The cost for provisioning a retailer to link to our central gaming system above the 4,250 threshold is roughly \$3,300, which does not include items such as the acrylic dispensers and other items not linked to the central gaming system.

Policy on Objective Sales Criteria for Use by the Executive Director

By law, licensure for a lottery retail location is a privilege; it does not create a property interest and is not a legal right (44-20.10. C.). Retailers that will best serve the public interest and public trust in the lottery are those that generate profits for the licensee and do not unduly drain SCEL resources and personnel⁴. The accompanying document entitled “SCEL Minimum Sales Threshold”⁵ demonstrates that various costs and other variables can result in different levels of sales that may be considered “insufficient” based upon SCEL resources needed to support a retailer and what is a reasonable level of profitability for a given retailer. Since these evaluations are somewhat fluid, the calculations presented are not intended to be formally incorporated into this policy but instead they are intended to be used as the underlying modes of analysis to objectively establish a benchmark for “insufficient sales”. Using this methodology, the Board delegates specific authority to the Executive Director to determine the level of sales that is “insufficient” for the entire retailer base and then apply items 1 through 6 below in making individual licensure decisions⁶.

1. Input from Marketing Sales Representatives (MSRs):
 - a. Type of business: Certain categories of retail outlets have not traditionally performed as well as others;
 - b. Proximity to existing licensed locations and/or the distance customers need to travel to purchase lottery products, particularly in rural areas;
 - c. Existing and/or potential foot-traffic;
 - d. Sales history of former licensees at the same location;
 - e. Sales history of current licensee and efforts to increase sales to a sufficient level;
 - f. Sales levels (sales commission earned) in relation to the weekly line charge imposed by SCEL;
 - g. Activation and Settlement history (manner of payment settlements for instant tickets - sixty days or upon low tier validations);
2. Adherence to SCEL policies and cooperation with MSRs, SCEL’s Finance and Security Personnel;
3. Security and Safety of SCEL products and the safety and security of the interior and exterior area of the retail outlet;
4. Compliance with Payments to the Department of Revenue;
5. Inventory levels of non-lottery products in the store or other indications that the business may not be viable;
6. Hours of operation and/or not adhering to the business hours established by the business and reported to SCEL.

⁴ Recently, in a cost-saving effort, to prevent adding personnel and to continue to adequately serve and monitor a majority of our retailers, some low volume retailers are now visited monthly rather than bi-monthly.

⁵ This document merely contains background information helpful in developing the policy presented herein.

⁶ By law, the Executive Director may not consider an owner’s political affiliation or activity or an owner’s or a business’s monetary contributions to political organizations or candidates for public office.

The considerations listed above are not presented in order of importance and some considerations may be more relevant than others in evaluating the sufficiency of sales at a particular sales location. Discretion may also be exercised to allow a retailer to retain a sales license particularly if the retail outlet is located in a rural area that is under-served by other SCEL retailers. The Executive Director may exercise discretion to allow a retailer up to six months to increase lottery sales to the minimum level if the retailer is within 10% of the minimum level for the prior three months, or based upon other acceptable extenuating circumstances. To the extent it may be known and evaluated by SCEL, so as to not incentivize irresponsible play, lottery tickets purchased by the owner(s) or employees of the retailer will not be computed in the sales totals needed to reach or exceed a sufficient level.

In evaluating sales levels of a given location in relation to the level established for the entire retailer base, the Executive Director should seek to be cost-effective in allocating SCEL's resources while optimizing transfers for education. The Board acknowledges that the Executive Director's decision to suspend, revoke, or terminate licensure or a Retailer Contract will be on a case-by-case basis. Stated differently, the Board acknowledges that the Retailer Contracts or licensure of all retailers below the "insufficient" level will not be automatically terminated because the Executive Director must consider the other factors before making a final decision. Finally, the Executive Director may phase-in the implementation of this policy based on the business needs of SCEL to be cost effective in allocating resources while optimizing transfers to education.