

RICK SCOTT
Governor



CYNTHIA F. O'CONNELL
Secretary

LONG RANGE PROGRAM PLAN

September 30, 2014

Cynthia Kelly, Director
Office of Policy and Budget
Executive Office of the Governor
1701 Capitol
Tallahassee, Florida 32399-0001

JoAnne Leznoff, Staff Director
House Appropriations Committee
221 Capitol
Tallahassee, Florida 32399-1300

Cindy Kynoch, Staff Director
Senate Committee on Appropriations
201 Capitol
Tallahassee, Florida 32399-1300

Dear Directors:

Pursuant to Chapter 216, Florida Statutes, our Long Range Program Plan (LRPP) for the Department of the Lottery is submitted in the format prescribed in the budget instructions. The information provided electronically and contained herein is a true and accurate presentation of our mission, goals, objectives and measures for the Fiscal Year 2015-16 through Fiscal Year 2019-20. The internet website address that provides the link to the LRPP located on the Florida Fiscal Portal is <http://www.flalottery.com/openGovernment.do>. This submission has been approved by Cynthia F. O'Connell, Secretary of the Florida Lottery.

Any questions concerning this submission can be directed to the Florida Lottery's Budget Manager, Melisa Spivey at 487-7777, extension 2440.

Sincerely,

A handwritten signature in blue ink that reads "Ellyn Hutson".

Ellyn Hutson, CPA
Chief Financial Officer

EH/clf
Enclosures

Florida Lottery

Long Range Program Plan

Fiscal Years 2015-16 through 2019-20

Cynthia F. O'Connell, Secretary
September 30, 2014



Florida Lottery Mission Statement

To operate the state lottery as authorized by Section 15, Article X of the State Constitution so as to maximize revenues in a manner consonant with the dignity of the state and the welfare of its citizens.

Maximize Education Revenues

Agency Goals

The Florida Lottery is proud of its commitment over the past 26 years to improving schools and supporting students, whether through merit scholarships, infrastructural renovations, or educator salaries. By investing over a billion local dollars into the educational system annually, we are helping safeguard the community's greatest need and brightest hope: a more inspiring future for all.

Engaging a community in fun takes hard work. Twenty-six years ago we set out to develop products that were both aboveboard and awe-inducing. Today, we bring sunshine, optimism and a spark of fun into the lives of all who play our scratch and jackpot games. Our funding of education sponsors smiles throughout our state with programs that form the backbone of a thriving economy and enriched communities.

In the Florida Lottery's 26th year of operation, the department continues to recognize the need for constant commitment and perseverance to meet the challenges faced by mature organizations. The Florida Lottery continues to focus on the goal of increasing transfers to the Educational Enhancement Trust Fund (EETF) to support improvements to public education. With the objective of transferring at least \$1 billion annually to the EETF, the Florida Lottery's contributions have grown from \$694 million in its first full year of operation (FY 1988-89) to \$1.49 billion in FY 2013-14.

The Lottery will continue to pursue strategies to:

- Increase transfers to the Educational Enhancement Trust Fund;
- Open new markets and take advantage of evolving methods of marketing; and
- Allow Florida's players additional opportunities by providing new locations and more convenient purchasing technology while maintaining the integrity and security of the product and process.



Agency Objectives

For 26 years, the Florida Lottery has consistently pushed itself to redefine excitement. That started with its first draw and set of Scratch-Off games, which have since grown to include hundreds of innovative and entertaining games that delight players of all backgrounds. The Lottery believes that it plays a part in leading Florida forward, striving to show lotteries and citizens in states across the nation the true meaning of fun.

By implementing the items outlined in this long-range plan, the Lottery has surpassed its previous sales levels, and has achieved a new record of \$5.4 billion in annual sales.

As previously stated, the Lottery's primary objective is to transfer at least \$1 billion to the Educational Enhancement Trust Fund annually. To assist the Lottery in projecting the outcome of its future performance with regard to annual transfers to the EETF, and forecasting the operating requirements necessary to achieve its goals and objectives, a Performance Projection Table has been included to reflect the Lottery's annual performance targets.



Agency Service Outcome and Performance Projection Table (Based on Revenue Estimating Conference)

(Outcome: Annual Transfers to the EETF)

Baseline FY 1997-98	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
\$801.68 M	\$1.51 Billion	\$1.54 Billion	\$1.56 Billion	\$1.61 Billion	\$1.63 Billion

The Lottery's financial impact to the state goes well beyond merely selling tickets and paying prizes. One result that provides positive dividends to the state's overall bottom-line includes significant savings to debt management. Due to the Lottery's stable revenue projections, the Division of Bond Finance in the spring of 2014 was able to refinance \$186 million in 2005 and 2006 Lottery Revenue bonds with the result of saving \$23.7 million in reduced debt service payments to bond holders. The reduction of payments on outstanding bond debt permits a larger percentage of Lottery revenue to go directly to education programs funded via EETF.

Performance Goals and Projection Table (Based on Florida Lottery Internal Goals)

	FY 2013-14		FY 2014-15
	Goal	Actual	Goal
Annual Transfers to EETF	\$1.44 Billion	\$1.49 Billion	\$1.52 Billion
Sales	\$5.25 Billion	\$5.36 Billion	\$5.57 Billion
Product Distribution Network	15,500	13,195	15,500
Containing Executive and Administrative Costs to less than 5% of total agency costs	<5%	3.53%	<5%
Administration Positions less than 12% of total agency positions	<12%	11.91%	<12%



Linkage to Governor's Priorities

Governor Rick Scott has identified several issues that are of priority to his administration:

1. Improving Education
2. Economic Development & Job Creation
3. Maintaining Affordable Cost of Living in Florida

Education is the Future of Florida

The Florida Lottery supports these priorities with a focused approach ensuring it operates as efficiently and effectively as possible to maximize its contributions to the education system that supports the future of Florida's economy. Education is the key to success for all of Florida's students and thereby Florida's economy. From the first day of kindergarten to the last day in one of Florida's world class universities, students' futures begin to take shape as they work to make their dreams come true. The Florida Lottery is proud to help make these dreams a reality.

Every lottery ticket sold contributes to improved opportunities for success for Florida students. As of June 30, 2014, Florida Lottery ticket sales have generated more than \$26 billion to education. Although Lottery contributions are not the majority of the funds required to fund the state's entire education system, the Florida Lottery's contributions can be seen in every facet of Florida's public education system. Since the Lottery began selling tickets in 1988, it has contributed more than \$4.29 billion to send more than 650,000 students to college. Lottery funds also contribute to K-12 programs in Florida's 67 school districts; bonds for school construction and maintenance; state universities and community colleges, including workforce education programs; and other state student financial aid.

Not only is the Lottery committed to improving the education of Florida's students, but two of its major vendors realize the importance of a quality education by sponsoring opportunities for learning experiences. The "After School Advantage Program" sponsored by GTECH Corporations opens three new computer centers per year; currently there are 30 centers across Florida that are providing computer access to at-risk children ages 5-18 in afterschool programs. Additionally, seven selected Bright Futures scholarship students are offered annual internships with St. John & Partners Advertising and Public Relations, Inc., in areas such as marketing research, account management, copywriting, design, and media.

Florida Lottery employees also show their commitment to Florida students by mentoring through programs such as the Florida Mentoring Partnership. In FY 2013-14, Lottery employees assisted public school students as mentors and tutors by providing extra support needed to help these students have a successful school year.



Established Business Practices for Sustainable Growth

As a \$5 billion-per-year business focused on maximizing profits, it is paramount that the Florida Lottery embraces proven business principles designed to ensure an enterprise with sustainable growth.

The Lottery set an all-time sales record again in FY 2013-14 with fiscal year sales exceeding \$5.3 billion. Fiscal Year 2013-14 sales exceeded those of FY 2012-13 by more than \$355 million. The Lottery broke its all-time record in annual contributions to education by transferring \$1.49 billion to EETF, which is especially impressive considering that the Florida Lottery is a mature lottery with more than 26 years of sales.

The Florida Lottery's success was a result of the agency's continued efforts to expand and revise its roster of games. During FY 2013-14, the Scratch-Off sales-breaking year was driven by 40 new Scratch-Off games including our second \$25 game, 100X the Cash; the MONOPOLY, Holiday, and X THE CASH families of games; Super Millions; and the Margaritaville licensed property game. In October 2013, the MEGA MILLIONS® product group revamped the MEGA MILLIONS game to generate bigger jackpots. New features include larger starting jackpots, a \$1 million second prize, and better overall odds. To attract new players and build loyalty with current players, the Lottery offered promotions such as Lucky Lotto Collect & Win, POWERBALL® Hall of Fame Ultimate Tailgate Party, Miami Heat Big 3 promotions for Terminal games and Monopoly "Advance To Go" and Gridiron Cash second chance drawings for the Scratch-off games.

The Lottery's product distribution model is solidly based on mutually beneficial relationships with various Florida businesses. The model for developing and maintaining these relationships is based on customer service rather than regulation. During FY 2013-14, the Lottery contracted with nearly 13,300 retailers, located throughout the state, who earned more than \$297 million in commissions and incentives by selling tickets and redeeming prizes. Approximately \$73.5 million of that amount was paid in commissions to minority retailers statewide.

Retailers use their commissions in a number of ways, including paying current personnel salaries, hiring additional personnel, improving retailer facilities, and advertising. Commission dollars are often used to grow businesses, attract customers and help stimulate Florida's economy. Florida Lottery customers often make multiple trips to retail locations, increasing the likelihood of making additional purchases of staple inventory.

The Lottery routinely reviews its administrative rules and policies to meet the requirements of a changing competitive environment, to ensure the integrity of the products and to bolster public confidence.

The Florida Lottery values the businesses that sell its products. Customer satisfaction surveys are continuously utilized to measure the Lottery's approval rating among retailers and ensure the relationship is performing at its maximum efficiency. The most recent retailer satisfaction study was delivered in August 2013 and showed that retailers had a 96% satisfaction rate with the Florida Lottery. The Lottery also uses periodic business reviews with the retailers to show the owners available business opportunities which could be used to enhance their own revenue stream from Lottery sales.



Sustainable growth is dependent upon measurable increases in the distribution chain. The Florida Lottery is not only focused on increasing the number of members in the distribution chain, but also providing distribution options to businesses willing to enter the network. In recent years, the Lottery has deployed 1,500 Instant Ticket Vending Machines (ITVMs) in locations throughout the state to enhance purchasing convenience. Constant monitoring of sales generated by those locations ensures that the placement of the machines continues to be profitable for both the business owner and the Educational Enhancement Trust Fund. Five hundred (500) Full Service Vending Machines (FSVMs) selling Scratch-Off and Terminal games were added to the distribution network in FY 2012-13 offering additional opportunities for sales growth and retailer expansion. The department continues to research and advocate for other distribution options to enhance the existing network.

In FY 2013-14, the Florida Lottery disbursed approximately \$3.44 billion to winners of lottery prizes. Approximately 77 percent of the prizes were paid by retailers. Retailers not only receive a bonus commission for cashing these prizes, but they also put cash in the hands of customers who are in their stores. What better place for customers to spend some or all of their prize payout than in the store where they already shop? This is yet another way that the Lottery helps increase retail sales and contributes to the local economy.

Competitive procurement, contract monitoring and process reengineering are routine techniques employed by the Lottery to ensure that operations are streamlined and business partners are performing as expected. These efforts help the Lottery focus its activities on areas most likely to support the sustainable growth initiatives. Resources are evaluated at every opportunity to determine the return on investment and/or available alternatives. The department utilizes best practices, contract renegotiations, performance monitoring and competitive procurement techniques in order to obtain the best values for product development and prizes. In FY 2013-14, the Lottery began its Invitation to Negotiate (ITN) process for the Terminal Gaming System that is expected to become effective in late 2015. The contract with the successful vendor will allow the Lottery to update its online terminals, gaming system technology and sales tools to better prepare for the future.

In order to ensure the Lottery can function efficiently during times of disaster, the Lottery's Division of Security is responsible for maintaining and coordinating the Department's Continuity of Operations Plan (COOP) in close coordination with the Florida Division of Emergency Management. The department routinely conducts failover tests and COOP activation drills to ensure the department is prepared to respond during detrimental weather conditions or other types of disasters.



Integrity and Public Confidence

The Lottery is required by statute to have a Division of Security to promote and protect the integrity of, and the public's full faith and confidence in, Lottery games, Lottery retailers and the Florida Lottery itself. This division is responsible for maintaining the security and integrity of game drawings, employees, retailers, major service providers and Lottery facilities. We know that a lottery is only credible if it operates with complete transparency. Without trust and transparency, our lottery winning tickets are no more than worthless scraps of paper. That is why we practice our craft with the utmost professionalism, providing good, clean fun that is always above-board. Clear in our principles and forthright in our focus on the public's best interest, we invite all Floridians to hold us accountable to the highest ethical standards. Our efforts serve to maintain the public's confidence and trust that Lottery games are operated in a fair and consistent manner and that every ticket has an equal opportunity to win. Failing to do so and losing public confidence in the process would negatively impact sales. Lottery tickets lose their value if there is no confidence in the integrity of the product and the outcome of the drawings becomes meaningless.

Background investigations are conducted on all Lottery regular and Other Personal Services (OPS)/Intern employees, Vendor employees, retailers, and major procurements vendors. This scrutiny helps ensure that personnel employed at the Lottery or involved in Lottery business are of high moral character, which serves to protect the integrity of the Lottery operations.

Pursuant to Section 24.108, Florida Statutes, the Florida Lottery must, at least once every two years, engage an independent firm experienced in security procedures to conduct a comprehensive study and evaluation of all aspects of security in the operation of the Lottery. The Department engaged an independent security firm to complete the evaluation early in 2014 and its report has been presented to Lottery management and will be presented to members of the Legislature. The 2014 evaluation states: "The overall security of the Florida Lottery is very good. The results of our organizational scan indicate a very strong security culture within the organization. Employees believe that management sets a strong tone on the importance of security and believe that security measures are consistently applied throughout the organization."

Scratch-Off ticket integrity is ensured by a high level of security at the vendor location during printing, packing and delivery of the tickets. Each new game is thoroughly tested and ticket security criteria scrutinized by the Lottery's Division of Security's Forensic Laboratory prior to the launch of the game. The Department employs an extensive system of internal controls and procedures to ensure the integrity of lottery drawings for Terminal games, including secure storage of draw machines and ball sets, a monitored storage vault with strict access procedures, and multiple recordings of every drawing by broadcast and Lottery Security staff. An independent verification of the results of each drawing is performed by the Draw Manager/Special Agent of the Division of Security and an accountant from an independent certified public accounting firm. A number of additional Terminal game ticket security requirements were implemented to accommodate and support the sale of POWERBALL® tickets in the state of Florida.

Internal controls are also in place for the frequent second-chance drawings offered by the Lottery which allow players to enter non-winning Scratch-Off tickets or Terminal game entry vouchers on the Lottery's website for promotion prizes and merchandise. These drawings are



also overseen by the Division of Security and witnessed by an accountant from an independent certified public accounting firm.

Lottery Special Agents periodically conduct unannounced visits, in an undercover capacity, to Lottery retailers across the state as part of a Retailer Integrity Program. This program is designed to ensure Lottery retailers are properly validating claims and paying prizes to Lottery players, thus maintaining and promoting public confidence in the Lottery's games.

Supporting Community and Public Safety

With the help of Lottery Special Agents, Security Officers, and the state-wide sales system personnel, the Florida Lottery has joined other law enforcement agencies and media outlets in partnering with the Florida Department of Law Enforcement's (FDLE) Missing Endangered Persons Information Clearinghouse (MEPIC) by participating in Amber Alert and Silver Alert activations. During FY 2013-14, the Florida Lottery was involved in 6 Amber Alert and 85 Silver Alert activations. When the Lottery receives an Amber or Silver Alert notification from FDLE, the information is forwarded via terminal messaging to Lottery retailers in the requested areas providing key information regarding the missing child or missing adult (sometimes with a photograph), the suspect and the suspect's vehicle, if known. Retailer employees and members of the public who are in the store are then able to view this information. The Lottery's website is also updated to indicate that an Amber Alert or Silver Alert is in progress and provides a link to the FDLE MEPIC Website page. Amber Alert and Silver Alert notifications have played a role in successful resolution and recovery of the missing child and/or missing adult.

The Florida Lottery's Division of Security also acts in a support role to Emergency Support Function (ESF) 16 – Law Enforcement at the State Emergency Operations Center in response to disaster events. The sworn personnel within the Division of Security participate, with all state law enforcement, in the Florida Mutual Aid Plan that is put into action during and following disasters.

The Division of Security's Forensic Laboratory uses state of the art equipment and modern science to determine ticket authenticity and ownership. Through this unique science, new methods of printing security are designed and tested making the Lottery more efficient and secure. The Laboratory has been used to assist many federal, state and local agencies and other lotteries worldwide. It is the goal of the Lottery to make every effort to ensure each lawful owner is paid his or her winnings.

Lottery Special Agents provide valuable lead information to local law enforcement investigators when retailers report theft of lottery tickets. Often, multiple offenses are solved within their jurisdictions. Retailers benefit by getting the perpetrators of those crimes off the street; books of tickets that can potentially be re-activated and sold to players can be recovered, too. The Special Agents also assist retailers by providing important transaction information to local law enforcement or loss prevention investigators when internal theft is suspected, and work directly with the State Attorney's Office to submit appropriate paperwork for the filing of criminal charges.

All of these illustrate the Florida Lottery's commitment to protecting citizens and visitors of our state.



Trends and Conditions Statement

The Florida Lottery was created in 1988 to be a self-supporting, trust-funded, revenue-producing department of state government. In authorizing the Florida Lottery to function as much as possible in the manner of an entrepreneurial business enterprise, the Florida Legislature recognized that the operation of a lottery is a unique activity of state government and that the structures and procedures appropriate to the performance of other governmental functions are not necessarily appropriate to the successful operation of a state lottery.

The Lottery now offers a variety of Terminal games, Scratch-Off games, and promotions. These have generated more than \$80 billion in revenues, more than \$45 billion in prizes and more than \$27 billion in transfers to the Educational Enhancement Trust Fund. The Florida Lottery is a ticket for excitement as well as the future for Florida's students. With the patronage of Lottery players, the dedication of retailers and employees, a state-of-the-art gaming system, and the insight of Florida's Governor and Legislature, the future looks bright for the Florida Lottery, its players and beneficiaries.

Because every Lottery ticket sold contributes to endless opportunities for success for Florida students, the Florida Lottery is strongly focused on achieving its' goals. These include continually increasing transfers to the Educational Enhancement Trust Fund, refreshing and expanding the Lottery's corporate image through new markets and electronic marketing, and providing new convenient purchasing technology while maintaining the integrity and security Floridians expect. Following is a list of accomplishments that reiterate the Lottery's commitment to these priorities.

Accomplishments ⇨

- In FY 2012-13, the Florida Lottery ranked 1st in the nation in percentage growth of total sales.
- In FY 2012-13, the Lottery ranked 2nd in the nation for total sales.
- In FY 2012-13, the Lottery ranked 2nd highest in the nation for government transfers to its beneficiary (the EETF).
- In FY 2012-13, the Lottery's FLORIDA LOTTO™ game was the 2nd strongest single-state lotto game in the nation.
- In FY 2012-13, the Lottery ranked 4th in the nation for total Scratch-Off sales.
- In FY 2012-13, the Lottery ranked 7th in worldwide lotteries for total Scratch-Off sales.
- In FY 2012-13, the Lottery ranked 9th in the nation for total per capita sales.
- In FY 2012-13, the Lottery ranked 10th in worldwide lotteries for total sales and 20th for total per capita sales.
- FY 2013-14 was the 12th consecutive year the Florida Lottery transferred in excess of \$1 billion to the Educational Enhancement Trust Fund (EETF).



- In FY 2013-14, for the second year in a row, the Lottery exceeded \$5 billion in total ticket sales.
- In FY 2013-14, approximately 10% of national POWERBALL® sales came from Florida.
- In FY 2013-14, total sales of Florida Lottery scratch-off games increased by more than 12%, more than double the national average.
- In FY 2013-14, the Lottery's \$5, \$20 and \$25 price point scratch-off games experienced sales increases of more than 16%, 17%, and 44%, respectively, over the prior year. Nationally, \$5 to \$9 price points only increased by about 1% and \$20 to \$29 price points increased by approximately 14%.
- Gold Rush has been the Lottery's best \$20 Scratch-off game for the past eleven years and has contributed over \$3.75 billion in sales since its launch in 2004.

Sources: LaFleur's 2014 World Lottery Almanac and SciGames 8/8/14 "Trends in Focus" Report



Current Lottery Operations

During FY 2013-14, the Florida Lottery realized growth from its continued efforts to engage the public and capitalize on economic recovery. The Lottery achieved total revenues exceeding \$5.36 billion, up seven percent from \$5.01 billion in FY 2012-13. Transfers to the Educational Enhancement Trust Fund for FY 2013-14 were approximately \$1.49 billion (unaudited). Fiscal Year 2013-14 marks the twelfth consecutive year that transfers to the Educational Enhancement Trust Fund have exceeded \$1 billion.

The Florida Lottery headquarters is located in Tallahassee, with nine district offices located throughout the state that provide prize payment services to the public, as well as sales and marketing support to a network of over 13,300 retail locations. The district offices are located in Pensacola, Tallahassee, Jacksonville, Gainesville, Orlando, Tampa, West Palm Beach, Fort Myers and Miami. (Figure 1)



During the last twelve years, the Florida Lottery has continued to add more retailers and distribution points to its network and games to its product line without increasing the level of staffing.

Table 1 represents a comparative statement of income and expenses for the last five fiscal years. As depicted, the data demonstrates a steady increase in revenues and transfers since FY 2009-10, while operating costs have remained relatively steady. Total revenues reflect a significant increase in the last five years from \$3.91 billion to \$5.37 billion (37.3%). When viewed over a longer period, it is evident that the recent increases have now exceeded all previously obtained sales levels. The Lottery's contributions to public education during this particular five year period have increased from \$1.25 billion to approximately \$1.49 billion (19.2%). Noteworthy is the fact that the Lottery's operating costs, expressed as a percentage of revenue, are now at the lowest level in five years. In this document, operating costs include only those costs that are administratively tied to the operations of the Lottery, and do not include those costs that correlate to sales volume, such as payments of Terminal game and Scratch-Off ticket vendor fees, retailer commissions, or prizes.

Table 1

Comparative Statement of Income and Expenses (Millions)

	FY 09-10	FY 10-11	FY 11-12	FY 12-13	FY 13-14*
Total Revenue	\$3,914.11	\$4,019.83	\$4,461.22	\$5,013.0	\$5,368.2
Total EETF Transfers	\$1,246.80	\$1,191.82	\$1,321.60	\$1,360.6	\$1,490.0
Total Operating Costs**	\$71.5	\$71.4	\$70.3	\$72.7	\$74.6
Total FTE's	438	437	424	423	420
Operating Costs as a Percent of Total Revenue	1.83%	1.78%	1.58%	1.45%	1.39%
EETF Contribution per FTE	\$2.80	\$2.70	\$3.10	\$3.20	\$3.50

*Data for FY 2013-14 is unaudited.

**Department operations only.



Table 2 provides an illustration of sales by product for the five most recent fiscal years. As shown, Scratch-Off ticket sales have exceeded previous levels each year while Terminal products sales reflect an increase for the past three fiscal years.

Table 2

Comparative Statement of Sales (Millions)

	FY 09-10	FY 10-11	FY 11-12	FY 12-13	FY 13-14*
Scratch-Off	\$2,078.1	\$2,225.7	\$2,567.0	\$3,028.5	\$3,417.1
LOTTO	\$445.9	\$411.4	\$419.0	\$352.4	\$349.1
Fantasy 5	\$282.0	\$282.8	\$290.7	\$281.5	\$288.2
Cash 3	\$304.0	\$313.3	\$314.7	\$324.5	\$339.6
Play 4	\$235.0	\$235.7	\$244.7	\$244.1	\$257.8
Mega Money	\$92.1	\$89.0	\$92.3	\$89.5	\$79.5
Raffle	\$29.3	\$12.6	---	\$12.9	---
Lucky Lines	---	\$45.4	\$17.7	\$8.6	---
Mega Millions	---	---	---	\$16.7	\$167.6
Power Ball	\$434.1	\$393.0	\$503.7	\$654.3	\$469.3
Total Terminal Games	\$1,822.4	\$1,783.0	\$1,882.9	\$1,984.5	\$1,951.1
Total Ticket Sales	\$3,900.5	\$4,008.7	\$4,449.9	\$5,013.0	\$5,368.2

* Data for FY 2013-14 is unaudited.

For FY 2013-14, the Lottery exceeded both its sales and EETF transfer forecasts. Utilizing FSVMs and the additional \$4 million in recurring advertising appropriation, the REC has forecasted continued growth for FY 2014-15, with an increase in Scratch-Off (4.0%) and a slight decrease in Terminal (-0.6%) ticket sales for an overall ticket sales increase of 2.3%. The Lottery is constantly pursuing a comprehensive and aggressive strategy to out-perform the projections of the Revenue Estimating Conference (REC) with regard to sales and EETF revenue.

Though attainable, this comprehensive and aggressive strategy will not be easy. It should be noted that nothing outlined within this strategy should be construed as an expansion of lottery gaming. All of the game ideas outlined are considered "traditional" lottery games. The effort to expand the distribution base is designed to move Florida to a per capita level comparable to other successful states and make the approved products more conveniently accessible to the public. As a matter of policy, however, if the Governor and Legislature direct the Lottery to undertake additional initiatives beyond its current authority, our efforts will be directed to implement those initiatives in a responsive and responsible manner.



Strategy for Sustainable Growth

In order for the Lottery to focus its activities on the critical elements needed to ensure that growing demands for revenue continue to be met, the management team evaluated the strengths, weaknesses, opportunities, and threats of the enterprise. This evaluation is the basis for the strategy that we believe will promote the sustainable growth the State of Florida requires for the world class education system that Governor Scott has envisioned.

Listed below are a few of the key findings uncovered during the evaluation process.

Strengths ⇒

- In FY 2013-14, the Florida Lottery again set an all-time record for total sales, surpassing \$5.3 billion. The largest share of growth came from Scratch-Off game sales which again surpassed \$3 billion in sales.
- According to the latest available comparable statistics (FY 2012-13), the Florida Lottery is ranked second in total lottery sales in the U.S. and tenth among lotteries worldwide.
- In October 2013, game changes were made to the MEGA MILLIONS® game to generate bigger jackpots.
- According to the latest available comparable statistics (FY 2012-13), the Lottery is ranked among the top 4 in the domestic lottery industry for total Scratch-Off sales, and seventh worldwide.
- National reputation and recognition as one of the most efficient lotteries with a 26 year reputation built on integrity and trust.
- Transparency, integrity and responsible business practices, including internal controls of games, prize payments and drawing activities.
- Variable payout authority for both the Scratch-Off and Terminal games.
- Scratch-Off contract designed in a flexible manner to facilitate various approaches for increased sales.
- Terminal gaming contract allows additional growth to 20,000 terminals and many opportunities for new play styles, distribution options and promotions.
- Scratch-Off sales have shown a substantial net sales gain for the 1,500 retailers having an Instant Ticket Vending Machine (ITVM), resulting in a higher return on investment than anticipated.
- The Lottery introduced 500 Full Service Vending Machines (FSVMs) in FY 2012-13 which generated an additional \$97 million for education in the first full year of implementation. Florida is the top seller of POWERBALL® of all 44 selling jurisdictions.
- Midday draws for CASH 3™ and PLAY 4™ offer players two chances daily to play and win.



- Multiple \$20 Scratch-Off games continue to rank at the top in sales for all Scratch-Off games available. A second \$25 ticket was launched in FY 2013-14 and it has been very successful.
- Unclaimed funds are being used to enhance player satisfaction with internet-based second chance drawings and other promotional games.
- Full scale deployment of the Lottery's website as a marketing tool, which includes enhancements that have allowed more efficient player interaction, has proven successful.
- Potential and current Lottery retailers are effectively and efficiently educated on the federal and state accessibility requirements relating to the Americans with Disabilities Act (ADA), resulting in a 93.8% compliance rate as of September 5, 2014.
- The Florida Lottery is recognized for industry best practices for vendor diversity initiatives and activities.

Weaknesses ⇒

- Florida ranks 13th in total per capita sales among U.S. Lotteries, indicating an opportunity for sales growth.
- Florida ranks 21st out of 42 domestic lotteries in retailer-to-population ratio, suggesting the continuing need to emphasize retailer recruitment.
- Heavy reliance on the unpredictable jackpot rollovers of POWERBALL[®], MEGA MILLIONS[®], and the Lottery's flagship game, FLORIDA LOTTO[®], to drive game sales.
- Limited ability to replace aging infrastructure to support basic Lottery operations without receiving specific legislative authority.
- Reduced Retailer Incentive funding impacts the ability to create new opportunities to reward top-selling retailers.

Opportunities ⇒

- The Lottery issued an Invitation to Negotiate (ITN) for the Terminal Gaming System in FY 2013-14 which will allow for an improved gaming system, terminal technology and better point of sale (POS) tools.
- New FSVMs will allow the public to exercise purchasing options for the entire portfolio of products in a more convenient manner.
- Research, develop and launch new or modified Terminal games to replace under-performing games.
- Continue to exercise flexibility in setting prize payout percentages for Terminal games, thereby increasing Terminal sales and transfers to the Educational Enhancement Trust Fund.



- Ability to maintain a competitive advantage in the areas of distribution channel management, product development, product positioning, identifying new market opportunities, and expanded retailer network, particularly underrepresented minorities.
- Offer innovative cutting edge products to attract players into new play styles.
- Licensed-property Scratch-Off games with second chance drawings provide an opportunity for more players to win merchandise, cash and experiential prizes.
- Ability to create new strategic alliances focused on increasing sales.
- Continuation of the partnership with Wal-Mart, the world's largest retailer, provides an opportunity to expand our distribution network.
- Upgrade department operations with advanced technology from vendors to allow more player flexibility and higher satisfaction.
- Patent authority allows the Lottery to apply for and hold patents on unique game ideas, processes, or play-styles that can assist the state in protecting its intellectual property and revenue stream.

Threats ⇨

- Caution on the part of corporations during the gradual economic recovery slows the Lottery's ability to increase its retailer network to its full potential.
- Reduced discretionary spending by Florida consumers.
- Rising financing costs adversely impact jackpot levels and cash management options.
- Annual authorization to update aging infrastructure including technology, vehicles and physical security needs.
- Inability to reinvest achieved efficiencies to enhance future growth.
- Retail industry is moving to unified accounting systems and self-service check-outs, trends the Lottery is not currently capable of supporting, which could threaten access to major retail chains.

Continually Increase Transfers to the Educational Enhancement Trust Fund

The goal is a simple one: *Increase Transfers to the Educational Enhancement Trust Fund*. The strategies required to achieve that goal are aggressive and will impact the entire organization, requiring concentrated efforts by the various functional units within the business.

1. Continue to review, revise and develop games that are exciting and desirable by the public.

While the Florida Lottery is a mature lottery by industry measure, the enterprise persists in searching for new ideas and approaches to continuously provide the desired products for the purchasing market. The present product line is under constant review and evaluation. In addition, new and existing external resources are assessed for new offerings or enhancement opportunities. Interaction with national and international resources is paramount to this ongoing effort.

2. Use available research to support game revisions or development.

The Lottery presently has access to research information from multiple sources. The collection of data represents the various viewpoints desired to ensure the Lottery is considering all stakeholders in its efforts. The department must stay diligent in utilization of market data when evaluating product line and distribution model changes.

3. Continue to evaluate processes and procedures to identify cost savings due to efficiencies.

The Lottery recognizes that in addition to sales growth, cost efficiencies are direct contributors to increasing profitability. In addition to obvious cost savings realized through procurement renegotiations, the various processes utilized by the Lottery offer opportunities for efficiency if modern technology and reengineering efforts are continuously applied. As a twenty-six year old business, the Lottery is continuing to look into acquiring newer equipment that reduces operating costs, has a smaller footprint and power consumption, provides increased capabilities and has an overall lower total cost of ownership.

Most recently both technology and reengineering efforts have allowed the Lottery to make significant improvements in customer service and resource utilization in the areas of reporting, prize payments, customer service front line activities, and communications.

The implementation of a Document Management Solution during FY 2013-14 will result in cost savings for the Lottery pertaining to paying winners and approving new retailers. By scanning claim documentation from the nine district offices onto a shared electronic location, the need to photocopy, mail to Headquarters, and store hard copies was eliminated. The district offices also scan new retailer applications and supporting documentation thereby eliminating the same process.

The Lottery's Prize Payment system continues to be a mission-critical system that provides the ability for Headquarters and District Office staff to validate scratch, terminal based, and promotional Lottery tickets and issue checks for payment of winning tickets to players. The



existing magnetic ink character recognition (MICR) printers used in the Claims Processing and District Offices to print checks for prize payments utilizing signature card technology are being updated to new printers with current signature technology to meet our requirements.

In addition to internal business needs, the Lottery uses email to communicate with our marketing and business partners. The Lottery is upgrading its email to Exchange 2010, offering more security, integration and redundancy opportunities for email communications.

The Lottery is upgrading its Storage Area Networks (SANs) to accommodate the increasing demand to provide an enterprise solution for the growing storage needs of the business data for the organization. This infrastructure upgrade will address scalability on fully supported technology architecture and the requirement to make quick and accurate strategic decisions.

The Lottery's Internet website is strategic, playing a significant role in retailer recruitment and providing customer access to the Second Chance website, winning numbers, draw videos, and corporate retailer reporting (CIS). The Lottery is in the process of upgrading these web servers and associated technology to provide the ability to handle heavier traffic volume and provide new product offerings.

Enhancements were made to the Customer Service Tracking System (CSTS) which allow the Customer Service team to instantly respond to player inquiries regarding Second Chance Promotion entries, and unsubscribing Text Alerts and email Notifications. Customer Service no longer has to send emails outside their unit to investigate these issues, making the process more efficient and enhancing the level of player satisfaction.

An Event Management System was implemented to allow the tracking and historical record keeping for Lottery events. Details of the occasion can be entered and viewed, and the management of attendance is provided. A post-event evaluation is available through the tool that captures data such as event attendance, inventory costs, sales, and return on investment, with options to enter comments and recommendations for future participation in a similar event. Prior to the development of this system, all records were maintained in hard copy. The automation of this process has greatly improved record keeping and provided a historical record that can be accessed to ensure future event successes.

As part of a collaborative effort, the Lottery is involved with the One-Stop Business Portal. This project creates a location for businesses to handle their Florida business responsibilities in one place. The benefit of this process is common data sharing between agencies. The Lottery will incorporate the data received from the Portal into a Retailer Recruiting System, allowing staff to follow up on potential retailer leads.

The Lottery has identified other areas within the agency that have processes that would benefit from modernization and reengineering, such as a mobile version of the Lottery's website, wireless networking, and enhancements to sales force mobility.



4. Continue to ensure public integrity and confidence by performing heightened levels of due diligence with regard to contractor performance, game development and process execution.

The Lottery is already known in the industry for the diligence used in various aspects of its operations to ensure the integrity of its products and processes. The foundation and requirement of a successful Lottery is that the public has confidence that the games and processes supporting the games are all fair and legitimate. Without public confidence in the integrity of the organization selling the ticket, the ticket is a meaningless piece of paper. The Lottery must continue to prove to the public and all other stakeholders that its games and operations are structured with the highest level of principles and ethical standards. Some of the opportunities the Lottery has used for monitoring and demonstrating those efforts include the Bi-Annual Security Audit, Live Draw Events, Law Enforcement Cooperation, Retailer Integrity Program and various stakeholder communication efforts.



**Refresh and Expand the Lottery's Corporate Image
To Result in Opening New Markets and
Methods of Electronic Marketing**

1. Laying the foundation for the next 25 years.

The year 2014 proved to be a banner year for The Florida Lottery. Now in its 26th year of operation and with the new brand fully incorporated throughout the nearly 13,300 retailers that sell Florida Lottery products, the Lottery can continue to launch products that appeal to its players and help increase sales. Record sales and transfers to the Education Enhancement Trust Fund were a big part of year 2014 and have helped sustain the momentum created last year with the launch of the new brand.

2. Building new media opportunities.

The Florida Lottery has taken a significant step in communicating with its player-base through the use of social media. This allows two-way communication between the Lottery and players. Since our last report, we have built a significant following on both Twitter and Facebook. We currently have more than 7,400 Twitter followers, 2,000 Instagram followers and 62,000 Facebook fans. We will continue to build our fan-base on existing social media avenues, while looking for emerging platforms that prove to be popular with our player-base.

3. Website redesign.

The Florida Lottery successfully launched a redesigned website in January 2013 at the same time the new brand was launched. Now averaging over 3.3 million unique visitors per month, the Lottery's stable and robust website is aligned to support the Lottery's revenue growth in an efficient and cost effective manner. The new design is more user-friendly and has a more appealing image. Our long term goal remains to expand efforts to provide existing and prospective retailers with access to tools and services, including promotional information, forms, business aids, POS materials, and frequently asked questions. Through the Corporate Reporting portal, existing corporate retailers have secure access to a variety of Business Intelligence sales and inventory reports for a single store or rolled up to the chain level. The Lottery plans to continue to incorporate the website into its internet marketing campaigns by leveraging social media, providing mobile phone applications, and offering marketing and sales initiatives. Plans are expected to include web casting of all Lottery drawings, Terminal and Scratch-Off second-chance drawings, digital videos, commercials, E-coupons, email, text alerts, simulated games, and Terminal prize redemptions.



4. Maximize advertising appropriation with consolidated efforts, strategic placement and dynamic partnerships.

The Lottery, as it does with all of its major expenditure items, constantly evaluates the impact and return on investment of all the advertising funds used to support its products. The Lottery's current advertising efforts are designed to not only inform and persuade the consumer public into purchasing available products, but also to generate increased purchases of the games over time through "Branding." The "Branding" effort concentrates on the repetition of an image or product name in an effort to associate certain qualities with the brand in the minds of consumers. The Lottery recognizes additional strides are necessary to ensure that all advertising efforts not only maximize the value of the placement, but also support the "Branding" effort.

The Lottery has successfully utilized many partners in the past to provide consumers with fresh and exciting game options and prize packages. Those successes have spurred the Lottery to focus efforts on continuing to explore dynamic new partnerships with diverse types of organizations that could expand upon the already successful efforts. The Lottery will continue to explore the profitability and marketability of strategically linking multiple business partners together for more dynamic product offerings and promotions.

5. Strategic POS development and utilization.

Point of sale (POS) materials are a tried and true form of consumer education and product awareness used by most successful consumer product providers. It is no surprise that it is a staple of the sales tools utilized by the Lottery. The most traditional forms are used statewide on a daily basis to assist retailers selling our products in our distribution network. The Lottery has discovered that while a standardized design approach is desirable from a provider perspective, it is not always the most effective approach from the retailer perspective. As the Lottery strives to grow the number of participants in the distribution network, it will extend to new types of businesses and trade styles in Florida. The Lottery must continue its efforts to assess and utilize the most effective forms of POS to capture the interest of consumers frequenting that type of location.



**Allow Florida's Players Additional Opportunities
by Providing New Locations and More Convenient Purchasing
Options, While Maintaining the Integrity and Security of the
Product and Process.**

1. Aggressively grow retailer base.

The Lottery continues its aggressive goal for growing its retailer distribution network over the next five years. The goals are based on the desire to bring Florida to a per capita level comparable to other successful states while also making products more conveniently accessible to the public. The Lottery has focused on trade styles that currently do not sell Lottery products but might have the potential. These trade styles are larger corporate chains such as drug stores or big box stores with headquarters both in and outside of Florida. As an example, the Lottery successfully recruited Wal-Mart Neighborhood Market stores. Since October of 2011, over 80 Neighborhood Market Stores now sell Lottery products in Florida making Florida the only lottery in the U.S. to penetrate a Wal-Mart owned company. This relationship, which began as a pilot program, has now attained the same status with Wal-Mart as any other product line, including growth expectations. Neighborhood Market stores have been growing at a rate of about 13 new stores per year in Florida. The Lottery is using the successful recruitment of Neighborhood Market stores to recruit other trade styles currently not selling Lottery products.

In some cases, a condition for doing business in new trade styles is offering Lottery products to customers through a self-service model. The Lottery is currently testing a self-service model in a new Chain Drug trade style. CVS Drug Stores are currently selling Lottery products in three of their Florida stores, located in Pensacola, Orlando and West Palm Beach, and use a Full Service Vending Machine capable of offering both Scratch-Off and Terminal games. The current test began in July of 2013, and runs through June 2015. Once completed, the Lottery will evaluate sales and return on investment. If successful, more FSVMs will be needed to meet the store demand. CVS currently has over 700 stores in Florida.

Another challenge to recruiting new trade styles is the lottery industry's lack of scanned sales. Not being able to "scan" Lottery tickets through their registers means retailers don't have the same back office accounting they have with almost every other product in their store. The industry vendors are working on an "in lane" selling and accounting solution that the Lottery would like to be postured to test in existing retail locations if and when the solution becomes available. This would allow the Lottery to approach a number of "big box" retailers whose past objections have been based on sales technology.



2. Strengthen relationships with corporate accounts.

Corporate sales continue to outpace overall Lottery sales growth with last year's "Top 50" corporate accounts showing year to year sales growth of 8% compared to 7% for the Lottery as a whole. In order to increase that focus, the Corporate Sales Representatives' focus has also changed, including adding personnel from the Business Development team and re-organizing the corporate account structure. Results have included the highest grossing single year sales in the 26 year history of the Florida Lottery with sales topping \$5.36 billion in FY 2013-14.

3. Use new technology to make products more convenient to purchase.

In order to continue to operate as a successful business enterprise, the Lottery must ensure it has the tools and support necessary to maintain, as well as improve, its external operations. As previously discussed, the barriers to entering new trade styles have continued to involve resource commitment requirements on the part of the retailer. A smaller footprint in the retailer environment is required in order to sell products in a more convenient and less resource-demanding manner.

As with most industries, utilization of modern and available technology is a key component of sustainable growth. The Lottery continues to search for the most efficient tools available to provide appropriate selling tools to an increasing variety of trade styles. The wider the variety of tools authorized for use, the wider the variety of trade styles that can be incorporated into the distribution network.

The Lottery runs a number of second chance promotions throughout the year. Two notable second chance promotions this year were the Collect-n-Win and \$50,000 Jackpot. The Collect-n-Win promotion utilized a smart phone application that provided players with an easy and fun way to enter their tickets. The \$50,000 Jackpot promotion was the first to add a bonus entry feature in conjunction with a ticket dollar value weighted entry. Both of these second chance promotions used technology to improve playability and increase player fun.

The retailer terminals have been updated to ensure player awareness whenever a winning ticket is validated. With this update, the retailer terminals play a winning sound each time a winning Scratch-Off or Terminal game ticket is validated. The sound is fixed at the highest volume available on the terminal, and the retailer cannot adjust the level. The self service ticket checkers located at 54% of the retailer locations have been updated to provide players performing a ticket inquiry more information on the amount of the prize won.

The Lottery has begun its Invitation to Negotiate (ITN) process for the replacement of the Terminal Gaming System. The contract with the successful vendor will allow the Lottery to update its lottery terminals, gaming system technology and sales tools to better prepare for the future.



4. Use new technology to empower the sales force to assist existing retailers in maximizing their own revenue stream while at the same time helping to attract new retailers.

Customer satisfaction scores at the local retailer level are extremely encouraging and indicate the Lottery does a good job supporting its retailers. In order for that satisfaction in existing retail locations to continue to grow, the Lottery has implemented a Mobile Sales Tool (MST). The MST was designed to help sales representatives increase Lottery sales and service to retailers by creating efficiencies for the Lottery's sales representatives, including paperless sales presentations, accessing sales-related data while in a retail establishment or traveling to an account, improving route management, lowering fuel usage/costs, and improving Scratch-Off sales by allowing sales representatives to monitor inventory levels and place re-orders without traveling to every retailer. Improving sales and foot traffic in existing locations will also help attract new retailers who see the success Lottery retailers enjoy and want the same experience.

To further improve Lottery visibility, remotely updated window and counter-top jackpot signs will be installed at selected retailers.

The task before this business is one of paramount importance. The Lottery must assist the state in its pursuit of future greatness by enhancing the state's commitment to education. In light of that challenge, the Lottery ambitiously accepts the challenges presented to advocate for and implement this plan that we believe will promote sustainable growth.



List of Potential Policy Changes Affecting the Agency Budget Request or Governor’s Recommended Budget

The Department does not anticipate any policy changes that will affect the Lottery’s budget request or governor’s recommended budget.

List of Changes That Would Require Legislative Action

The Lottery is not anticipating proposing any changes that will require legislative action relating to Chapter 24.

List of All Task Forces, Studies, Etc. In Progress

The Florida Lottery conducts a comprehensive, ongoing marketing research program comprising several different types of studies. The purpose of these studies is to gain a better understanding of consumer behaviors and preferences, retailer sales performance and the financial impacts of game or program changes. This type of data helps improve the Lottery’s ability to increase sales and transfer more money to the EETF.

Retailer Satisfaction Survey – Customer satisfaction surveys are conducted about every two years to measure the Lottery’s approval rating among retailers and ensure the relationship is performing at its maximum efficiency. Our most recent retailer satisfaction study was delivered to the Sales staff in August 2013.

Game Revenue Forecasting and Prize Payout - This is an ongoing analysis of new games, particularly focusing on their possible impact on sales and return on investment. These analyses are conducted several times per year as new products are proposed.

Monthly Tracking Studies - Over 500 Florida general population adult residents are surveyed each month about the Lottery. Issues such as product play, Lottery integrity, advertising and education are assessed. The results of these studies indicate the general population is positive about the Lottery and its contribution to education.

Geo-Based Information Analysis - The Florida Lottery used MAPINFO, PRIMELOCATION, MapPoint, and a Geo-Location application to analyze sales and markets geographically. Examples include pilot testing the placement of terminals in areas shown as having considerable sales potential, analyzing district office locations in proximity to the customer base and assessing sales routes for efficiency purposes.

Sales Representatives’ Routes Analysis - The Florida Lottery uses MAPINFO and PRIMELOCATION to “Load Balance” the routes of the sales force. This is done on an as-needed



basis when a route is added or eliminated. This is also done to balance the number of retailers for each representative in order to service our retailers more efficiently.

Sales and Revenue Forecasting - Forecast studies include projections of Lottery product sales to determine announced jackpots for each drawing; triennial official forecasts for the State's Revenue Estimating Conference; quarterly forecasts of Scratch-Off game sales and prize expenses; and estimating the sales and revenue impacts of proposed legislative changes to Florida Lottery authorizations, mandates and budget.

Internet-based Player Panel Research - Various internet-based studies are conducted with players from a recruited panel. Studies can vary from the review of proposed advertising, new games and public policy. Overall results are generally positive and helpful in making final decisions about these issues.



Florida Lottery

Long Range Program Plan

Fiscal Years 2015-16 through 2019-20

Cynthia F. O'Connell, Secretary
September 30, 2014



Performance Measures and Standards – LRPP Exhibit II

LRPP Exhibit II - Performance Measures and Standards

Department: Florida Lottery	Department No.: 36
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Program: Lottery Operations	Code: 36010000
Service/Budget Entity: Lottery Operations	Code: 36010000

NOTE: Approved primary service outcomes must be listed first.

Approved Performance Measures for FY 2012-13 (Words)	Approved Prior Year Standard FY 2013-14 (Numbers)	Prior Year Actual FY 2013-14 (Numbers)	Approved Standards for FY 2014-15 (Numbers)	Requested FY 2014-15 Standard (Numbers)
Transfers to the State Educational Enhancement Trust Fund	\$1.206 B	\$1.497 B	\$1.206 B	\$1.206 B
Total Revenue in dollars	\$3.918 B	\$5.368 B	\$3.918 B	\$3.918 B
Operating Expense* as a Percent of Total Revenue	9.52%	8.40%	9.52%	9.52%
Percent of Respondents who are aware of the Lottery's Contribution to Education	65%	68%	65%	65%
Provide Executive Direction and Support Services for all Lottery Operations as measured by Percent of Total Agency Budget	6.2%	3.33%	6.2%	6.2%

**Includes Payments to Gaming Vendors and Retailer Commissions*



Florida Lottery

Long Range Program Plan

Fiscal Years 2015-16 through 2019-20

Cynthia F. O'Connell, Secretary
September 30, 2014



Performance Measures Validity and Reliability –
LRPP Exhibit IV

LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Florida Lottery
Program: Lottery Operations
Service/Budget Entity: Lottery Operations
Measure: N/A

Action (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

Data Sources and Methodology:

Validity:

Reliability:

Office of Policy and Budget – July 2014



Florida Lottery

Long Range Program Plan

Fiscal Years 2015-16 through 2019-20

Cynthia F. O'Connell, Secretary
September 30, 2014



Associated Activities Contributing to Performance
Measures – LRPP Exhibit V

LRPP Exhibit V: Identification of Associated Activity Contributing to Performance Measures		
Measure Number	Approved Performance Measures for FY 2014-15 (Words)	Associated Activities Title
1	Transfers to the state Educational Enhancement Trust Fund	Supervise and administer the operation of Lottery games
		Conduct market research and special studies
		Provide adequate and convenient availability of tickets to the public
		Advertise and promote Lottery games
		Conduct investigations of retailers, vendors and employees
		Pay prizes for winning tickets submitted to Lottery headquarters
		Keep the public informed of Lottery activities
		Compensate retailers in the form of incentives
2	Total revenue in dollars	Supervise and administer the operation of Lottery games
		Conduct market research and special studies
		Provide adequate and convenient availability of tickets to the public
		Advertise and promote Lottery games
		Conduct investigations of retailers, vendors and employees
		Pay prizes for winning tickets submitted to Lottery headquarters
		Keep the public informed of Lottery activities
		Compensate retailers in the form of incentives
3	Operating expense as percent of total revenue	Supervise and administer the operation of Lottery games
		Conduct market research and special studies
		Provide adequate and convenient availability of tickets to the public
		Advertise and promote Lottery games
		Conduct investigations of retailers, vendors and employees
		Pay prizes for winning tickets submitted to Lottery headquarters
		Keep the public informed of Lottery activities
		Compensate retailers in the form of incentives
4	Percent of respondents who are aware of the Lottery's contribution to education	Conduct market research and special studies
		Advertise and promote Lottery games
		Keep the public informed of Lottery activities
5	Executive direction and support services for all lottery operations as measured by percent of total agency budget	The Executive Direction and Administrative Support Activities contribute to this measure

DEPARTMENT OF THE LOTTERY			FISCAL YEAR 2013-14			
SECTION I: BUDGET			OPERATING		FIXED CAPITAL OUTLAY	
TOTAL ALL FUNDS GENERAL APPROPRIATIONS ACT			154,090,915			
ADJUSTMENTS TO GENERAL APPROPRIATIONS ACT (Supplementals, Vetoes, Budget Amendments, etc.)			4,202,391			
FINAL BUDGET FOR AGENCY			158,293,306			
SECTION II: ACTIVITIES * MEASURES			Number of Units	(1) Unit Cost	(2) Expenditures (Allocated)	(3) FCO
<i>Executive Direction, Administrative Support and Information Technology (2)</i>						
Supervise And Administer The Operation Of Lottery Games * Number of games administered			140	73,754.01	10,325,562	
Conduct Market Research And Special Studies * Number of studies conducted			53	12,123.09	642,524	
Provide Adequate And Convenient Availability Of Tickets To The Public * Number of tickets sold			1,786,957,924	0.05	97,514,053	
Advertise And Promote Lottery Games * Total gross annual sales			5,368,229,784	0.01	38,684,322	
Conduct Investigations Of Retailers, Vendors And Employees * Number of investigations conducted			5,057	553.68	2,799,937	
Pay Prizes For Winning Tickets Submitted To Lottery Headquarters * Number of prizewinners paid			143,300	6.40	916,731	
Keep The Public Informed Of Lottery Activities * Number of media releases and public education materials distributed			9,405,443	0.11	1,080,018	
Compensate Retailers In The Form Of Incentives * Number of retailers compensated			195	7,061.54	1,377,001	
TOTAL					153,340,148	0
SECTION III: RECONCILIATION TO BUDGET						
PASS THROUGHS						
TRANSFER - STATE AGENCIES						
AID TO LOCAL GOVERNMENTS						
PAYMENT OF PENSIONS, BENEFITS AND CLAIMS						
OTHER						
REVERSIONS					4,953,158	
TOTAL BUDGET FOR AGENCY (Total Activities + Pass Throughs + Reversions) - Should equal Section I above. (4)					158,293,306	

SCHEDULE XI/EXHIBIT VI: AGENCY-LEVEL UNIT COST SUMMARY

(1) Some activity unit costs may be overstated due to the allocation of double budgeted items.

(2) Expenditures associated with Executive Direction, Administrative Support and Information Technology have been allocated based on FTE. Other allocation methodologies could result in significantly different unit costs per activity.

(3) Information for FCO depicts amounts for current year appropriations only. Additional information and systems are needed to develop meaningful FCO unit costs.

(4) Final Budget for Agency and Total Budget for Agency may not equal due to rounding.



Glossary of Terms and Acronyms

PRIMELOCATION – A compendium of marketing data from leading market research firms

FTE – Full Time Equivalent

EETF – Educational Enhancement Trust Fund

ITVM – Instant Ticket Vending Machines, which sell Scratch-Off tickets

FSVM – Full Service Vending Machines, which sell both Scratch-Off and Terminal game tickets

MAPINFO – A comprehensive desktop mapping tool that enables the performance of complex geographic analysis

Operating Cost – Appropriations or expenditures that are not directly tied to sales

POS – Point of sale marketing materials to increase customer awareness

REC – Revenue Estimating Conference

