

RICK SCOTT
Governor



JIM POPPELL
Secretary

LONG RANGE PROGRAM PLAN

September 29, 2017

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

Mike Hansen, Staff Director
Senate Committee on Appropriations
201 Capitol
Tallahassee, Florida 32399-1300

Dear Directors:

Pursuant to Chapter 216, Florida Statutes, the 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 the Department's mission, goals, objectives and measures for the Fiscal Year 2018-19 through Fiscal Year 2022-23. The internet website address that provides the link to the LRPP located on the Florida Fiscal Portal is <http://www.flalottery.com/openGovernment.do>.

Any questions concerning this submission can be directed to the Florida Lottery's Budget Manager, Travis Erven at 487-7777, extension 2383.

Sincerely,

A handwritten signature in blue ink that reads "Jim Poppell".

Jim Poppell
Secretary

JP/te
Enclosures

Florida Lottery

Long Range Program Plan

Fiscal Years 2018-19 through 2022-23

Jim Poppell, Secretary
9/29/2017



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.

Agency Goals

Chapter 24, Florida Statutes, provides that the central goal of the Florida Lottery is to ensure the people of Florida benefit from significant financial contributions to Florida education, while enabling the people of Florida to play the best lottery games available. To accomplish this objective, the Florida Lottery will focus on integrity, increasing contributions to Florida education, and maximizing the effectiveness of the Florida Lottery.

Integrity

As discussed in greater detail in this Long Range Program Plan (the Plan), the Florida Lottery has served to consistently increase contributions to education. During the 2016/2017 fiscal year alone over \$1.6 billion in contributions to education were made, with overall contributions since 1988 exceeding \$32 billion. It is essential to our continued success that the Florida Lottery serve with the utmost integrity in the execution of our statutory duties. Simply put, applying the approach of *doing the right thing every time* ensures both continued confidence in our games and that our agency is operated in a professional manner. Further, actively looking for opportunities to serve in a scrupulous and transparent way will ensure that the Florida Lottery remains a national leader among state lotteries.

Increasing Contributions to Florida Education

Past Florida Lottery long range plans have clearly expressed our understanding that a good education is the key to the success of both our citizens and our state. With this understanding in mind, Florida Lottery has consistently and successfully served to increase the amount of additional funds to enhance education. As part of this goal we believe that customers who play our games should do so responsibly. As such, the Lottery intends to put into place robust, proactive and sustainable educational enhancements to our compliance program we call “Play Responsibly.” This initiative



will include a significant increase in integrity for our retailers and incentives for our players to assist them with making educated game play choices.

Maximizing the Effectiveness of the Florida Lottery

The successful operation of any business relies heavily on its ability to manage itself in an effective and efficient fashion. Along this line, proactively identifying opportunities that optimize Lottery operations in a manner that is consistent with law and good business practices has been and continues to be critical to our continued success in increasing contributions to education. As a state agency charged with functioning as much as possible in the manner of an entrepreneurial business enterprise the fundamental importance of this principal cannot be overstated, and it must resonate at every level of our organization.

Agency Objectives

The Florida Lottery's mission is to maximize revenues for the enhancement of public education in Florida. With this focus, the Florida Lottery has not only kept its promise as a committed partner to improving education for Florida's students, but has also operated as a distinguished and outstanding partner with Florida's businesses.

To assist the Lottery in projecting the outcome of its future performance with regard to annual contributions to the Educational Enhancement Trust Fund (EETF), and forecasting the operating requirements necessary to achieve its goals and objectives, the following 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 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
\$801.68 M	\$1.72 Billion	\$1.71 Billion	\$1.73 Billion	\$1.76 Billion	\$1.78 Billion

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

	FY 2016-17		FY 2017-18
	Goal	Actual	Goal
Annual Transfers to EETF	\$1.508 Billion	\$1.66 ¹ Billion	\$1.67 Billion
Sales	\$5.70 Billion	\$6.16 Billion	\$6.3 Billion
Containing Executive and Administrative Costs to less than 5% of total Agency costs	<5%	3.42%	<5%
Administration Positions less than 13% of total Agency positions	<13%	12.7%	<13%

Throughout this document amounts reflected for 2016–17 FY are unaudited.



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 and Job Creation
3. Public Safety

Improving Education

The Florida Lottery supports the Governor’s priorities with a focused approach, ensuring its business operates efficiently and effectively to contribute a growing amount to the education system that supports the success of Florida’s future. Education is the key to success for all students and is essential to a thriving economy. From the first day of school 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.

As the Florida Lottery has grown into an industry leader, it remains a dependable contributor to education in Florida. More than a \$1 billion in each of the past 15 fiscal years has benefited Florida students and schools statewide, representing approximately six percent of the state's total education budget. While the Lottery was never intended to fully fund Florida's education system, Lottery contributions are far-reaching and crucial to ensuring the future success of students in Florida. Millions of K-12 students reap the benefits of Lottery dollars every school day, and over 750,000 bright minds have followed the beacon offered by Florida's Bright Futures Scholarship Program and other student financial aid to pursue opportunities in higher education at state colleges and universities. These institutions of higher learning have benefited from \$7.9 billion that help keep them running and affordable to Florida students.

Additionally, Lottery dollars have funded School Recognition and Merit Programs for improved schools, and have even helped build and renovate nearly 800 schools through the Classrooms First and Classrooms for Kids programs. In total, Florida's schools and students have received nearly \$32 billion in Lottery profits, including more than \$5 billion to Bright Futures Scholarships primarily funded by the Florida Lottery.

Economic Development and Job Creation

As a \$6.2 billion-per-year business focused on maximizing profits for the enhancement of Florida education, it is paramount that the Florida Lottery embraces proven business principles designed to ensure an enterprise with sustainable growth.



For the sixth straight year, the Lottery set a new all-time sales record in FY 2017 with fiscal year sales of \$6.2 billion. FY 2017 sales exceeded FY 2016 by more than \$90 million and the Lottery transferred \$1.66 to the EETF. The Lottery reached an impressive milestone at the close of Fiscal Year 2017 as total transfers to education by the Florida Lottery eclipsed \$31 billion since its inception in 1988.

The Florida Lottery's success was a result of its continued efforts to increase sales from existing types of top selling games and continuously revise its roster of games to achieve the highest consumer appeal. In FY 2017, Scratch-Off sales exceeded \$3.5 billion for the third consecutive year and \$4 billion for the first time in Florida Lottery history. The Lottery broke all-time Scratch-Off sales records for the sixth consecutive year and set an industry record for the highest single week of Scratch-Off sales in March of 2017 with \$105.23 million. Sales were driven by 41 new Scratch-Off games including the fifth \$25 game, \$10,000,000 WORLD CLASS CASH; MONOPOLY™, HOLIDAY MILLIONS, and GOLD RUSH DOUBLER families of games; as well as I LOVE LUCY®, YAHTZEE®, LOTERIA® and WHEEL OF FORTUNE® licensed property games. In FY 2017, the Lottery had the best-selling \$25, \$20, \$5, \$2 and \$1 games in the country as measured by average weekly sales through the first twelve weeks. Despite record Draw game sales of \$2.1 billion the previous year, which were driven by a record \$1.5 billion POWERBALL jackpot, this year's Draw game sales reached \$1.9 billion with little relief from jackpot games. The Lottery introduced two new daily Draw games and a multi-state Draw game in FY 2017. The new games, PICK 2™, PICK 5™ and CASH4LIFE™, generated over \$103.7 million in sales, resulting in approximately \$42 million in revenue for education.

To attract new players and build loyalty with current players, the Lottery offered a limited-time Raffle game and six Draw game promotions such as the Fantasy 5 College Football, Powerball Power Cruise, Grouper and EZmatch. Scratch-Off games were supported with Pass Go, Collect \$10,000 and Doubly Rich second chance drawings. Several retailer incentives promotions throughout the year also provided added support towards the awareness of both Scratch-Off and Draw Games.

The Lottery's product distribution model is based solidly on mutually beneficial relationships with various Florida businesses. The model for developing and maintaining these relationships is driven by customer service. During FY 2017, the Lottery contracted with over 13,000 retailers located throughout the state. These retailers help grow the Lottery's business as well as their own, which in turn help stimulate Florida's economy. Due to increased sales annual retailer commissions were 39% higher in FY 2017 compared to FY 2012. Florida Lottery customers often make multiple trips to retail locations, increasing the likelihood of making additional purchases of staple inventory. Florida Lottery customers also embrace and support a variety of retail store types, fostering the entrepreneurial spirit within the state.

Competitive procurement, contract drafting and monitoring, and process re-engineering are routine resources and techniques used by the Lottery to ensure 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 agency goals identified herein. Resources are evaluated at every opportunity to determine the return on investment and/or available alternatives. The Lottery utilizes best practices, contract renegotiations, performance monitoring and competitive procurement techniques to obtain the best values for product development and prizes.

Public Safety

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 system. This division is responsible for maintaining the security and integrity of game drawings, employees, retailers, major service providers and Lottery facilities.

Background investigations are conducted on all Lottery regular and Other Personal Services (OPS)/Intern employees, vendor employees, retailers, and major procurement 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, at least once every two years the Florida Lottery engages 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.

Scratch-Off ticket security 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 the ticket security criteria scrutinized by the Lottery's Division of Security. The Department employs an extensive system of internal controls and procedures to ensure the integrity of lottery Draw 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 an employee of the Division of Security and an accountant from an independent certified public accounting firm. A number of additional Draw game ticket security requirements have been 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 Draw game entry vouchers on the Lottery's website for promotion prizes and merchandise. These drawings' security is also overseen by the Division of Security and witnessed by an accountant from an independent certified public accounting firm.

Lottery Special Agents proactively conduct unannounced visits, in an undercover capacity, to Lottery retailers across the state as part of the 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.

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. 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, 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.

Lottery Special Agents provide valuable lead information to local law enforcement investigators when retailers report theft of lottery tickets or where other crimes are involving lottery tickets. Often, multiple offenses are solved within their jurisdictions. Retailers benefit by getting the perpetrators of those crimes off the street; and books of tickets (that can potentially be re-activated and sold to players) are sometimes recovered in the process. 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 items identified above illustrate the Florida Lottery's commitment to protecting citizens and visitors of the 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 statutorily mandated it to maximize revenue contributions to Florida education.

The Lottery now offers a variety of Draw games, Scratch-Off games, and promotions. These have generated \$96.6 billion in revenues, \$56.4 billion in prizes and nearly \$32 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, and the insight of Florida's Governor and Legislature, the future looks bright for the Florida Lottery, its players and beneficiaries.

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

Accomplishments ⇒

- As a result of continued efforts to maximize sales to support the Lottery's mission of maximizing revenue for EETF, total transfers to education by the Florida Lottery are nearly \$32 billion since 1988.
- In FY 2016, the Lottery ranked 3rd in the nation for total sales.
- In FY 2016, the Lottery ranked 2nd highest in the nation for government transfers to its beneficiary (the EETF).
- The Lottery's FLORIDA LOTTO[®] game continues to be the strongest selling single-state lotto game in the nation.
- In FY 2016, the Lottery ranked 2nd in the nation and 4th in the world for total Scratch-Off sales.
- In FY 2016, the Lottery ranked 10th in worldwide lotteries for total sales and 18th for total per capita sales.

- In FY 2016, approximately 9% of national POWERBALL® sales came from Florida. Overall, Florida was 2nd in the nation in POWERBALL® sales.
- FY 2017 was the 15th consecutive year the Florida Lottery transferred in excess of \$1 billion to the EETF.
- In FY 2017, the Lottery achieved its sixth consecutive year of record sales with annual sales surpassing \$6.1 billion.
- In FY 2017, Florida set a new lottery industry record for the highest all-time single week of Scratch-Off sales at \$105.23 million.
- Scratch-Off sales have grown by \$2.17 billion since FY 2010, resulting in \$401 million in additional transfers to education.
- The Lottery had the top performing \$25, \$20, \$5, \$2 and \$1 games compared to all other U.S. Lotteries as measured by first twelve week average sales in FY 2017. \$10,000,000 WORLD CLASS CASH, \$5,000,000 GOLD RUSH DOUBLER, \$500,000 GOLD RUSH DOUBLER, and \$50,000 GOLD RUSH DOUBLER and \$10,000 GOLD RUSH DOUBLER, were each the top performing games in their categories and contributed over \$949 million in Scratch-Off sales. These five games alone generated more than \$175 million in transfers to the EETF.
- In FY 2017, total sales of Florida Lottery Scratch-Off games increased by more than 7% over FY 2016, accounting for more than \$53 million in additional transfers to education.
- In FY 2017, the Lottery's \$10, \$20 and \$25 price point Scratch-Off games contributed combined sales increases of more than 12%, or \$274 million, over the prior year. This equates to more than \$50 million in additional transfers to education.
- The Lottery's \$25 Scratch-Off game in 2017, \$10,000,000 WORLD CLASS CASH, generated over \$244 million in sales and more than \$45 million in transfers to education. The game was the top-selling Scratch-Off in the U.S. as measured by first twelve week average sales in FY 2017 and produced more than \$20.7 million in sales in a single week. \$10,000,000 WORLD CLASS CASH played a significant role in contributing to the Florida Lottery's industry record-setting milestone of over \$105 million in single week total Scratch-Off sales and two consecutive weeks over \$100 million in Scratch-Off sales.

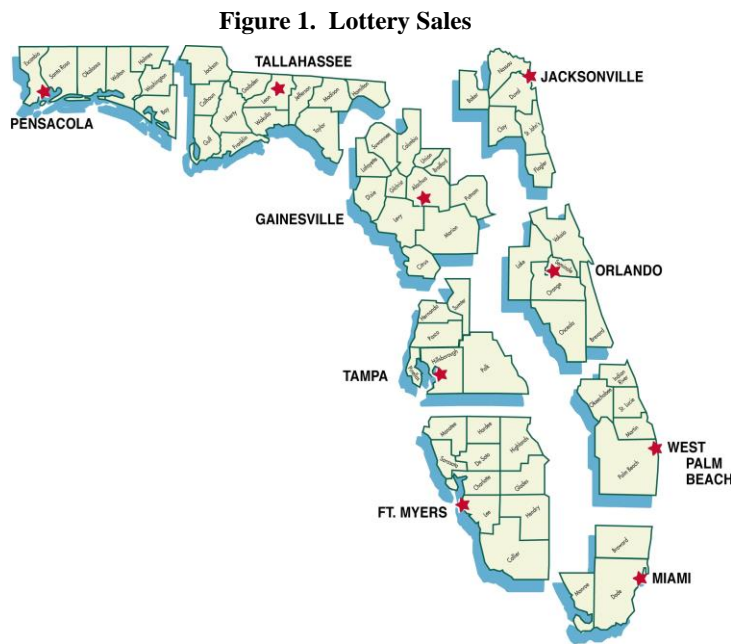
Sources: LaFleur's 2016 and 2017 World Lottery Almanac, LaFleur's Magazine Vol.24 No.6



Current Lottery Operations

During FY 2017, the Florida Lottery realized growth from its continued efforts to engage the public and capitalize on economic recovery. The Lottery achieved \$6.17 in total revenues, up 1.3% from \$6.09 billion in FY 2016, and 10.3% compared to FY 2015. Transfers to the Educational Enhancement Trust Fund for FY 2017 were approximately \$1.66 billion. FY 2017 marks the 15th 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 13,000 product distribution locations. The district offices are located in Pensacola, Tallahassee, Jacksonville, Gainesville, Orlando, Tampa, Fort Myers, West Palm Beach and Miami. (Figure 1)



During the last thirteen 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 below represents a comparative statement of income and expenses for the last five fiscal years. As depicted, the data demonstrates a steady increase in revenues since FY 2013. Total revenues reflect a significant increase in the last five years from \$5.02 billion to \$6.17 billion, or 22.7% in FY 2017. 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 period have increased from \$1.42 billion to approximately \$1.66 billion, or 16.9%). Noteworthy is the fact the Lottery's operating costs, expressed as a percentage of revenue, are trending down while EETF contributions per FTE decreased slightly from the prior period. 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 Draw game and Scratch-Off ticket vendor fees, retailer commissions, or prizes.

Table 1

Comparative Statement of Income and Expenses (Millions)

	FY 12-13	FY 13-14	FY 14-15	FY 15-16	FY 16-17*
Total Revenue	\$5,025.12	\$5,378.16	\$5,588.44	\$6,092.76	\$6,167.85
Total EETF Transfers	\$1,424.31	\$1,495.41	\$1,496.37	\$1,692.55	\$1,656.35
Total Operating Costs**	\$72.65	\$74.53	\$75.70	\$80.12	\$79.67
Total FTE's	423.00	420.00	420.00	420.00	420.00
Operating Costs as a Percent of Total Revenue	1.45%	1.39%	1.35%	1.32%	1.29%
EETF Contribution per FTE	\$3.37	\$3.56	\$3.56	\$4.03	\$3.94

**Data for FY 2016-17 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 continue to exceed the previous year with Draw Game products decreasing slightly over the prior period.



Table 2

	FY 12-13	FY 13-14	FY 14-15	FY 15-16	FY 16-17*
Scratch-Off	\$3,028.53	\$3,417.14	\$3,724.00	\$3,954.70	\$4,243.60
Pick Family of Games™	\$568.68	\$597.40	\$639.46	\$671.41	\$672.96
LOTTO®	\$352.38	\$349.11	\$300.96	\$291.38	\$253.04
Fantasy 5®	\$281.49	\$288.24	\$287.80	\$296.31	\$275.66
Lucky Money™	\$89.50	\$79.48	\$103.20	\$84.88	\$89.44
Powerball®	\$654.26	\$469.29	\$375.06	\$602.00	\$434.26
Mega Millions®	\$16.70	\$167.57	\$147.37	\$149.95	\$147.38
Raffle	\$12.88	\$0.00	\$0.00	\$11.72	\$11.36
Cash4Life™	\$0.00	\$0.00	\$0.00	\$0.00	\$28.78
Lucky Lines	\$8.58	\$0.00	\$0.00	\$0.00	\$0.00
Monopoly Millionaires™	\$0.00	\$0.00	\$5.48	\$0.00	\$0.00
Draw Game Sales	\$1,948.47	\$1,951.09	\$1,859.33	\$2,107.65	\$1,912.88
Total Ticket Sales	\$5,013.00	\$5,368.23	\$5,583.33	\$6,062.35	\$6,156.48

* Data for FY 2016-17 is unaudited.

In Fiscal Year 2017, the Lottery introduced Pick 2™ and Pick 5™ to its daily games and re-named Cash 3™ and Play 4™ to Pick 2™ and Pick 4™ to make up the Pick Family Games. Cash4Life™ was also added to the line of Draw Games in February of 2017. In Fiscal Year 2017, the Lottery exceeded both its sales and EETF transfer forecasts adopted by the December 2016 Revenue Estimating Conference (REC) by 3.4% and 4.5%, respectively. The August 2017 REC forecasted a slight increase in growth for FY 2017 at a combined rate of 1.6%. The REC projected a slight increase in Scratch-Off (1.7%) and Draw Game ticket sales in FY 2019 (0.7%).

The Lottery is constantly pursuing a comprehensive and aggressive strategy to out-perform the projections of the REC with regard to sales and transfers to education. Though attainable, this comprehensive and aggressive strategy will require a thoughtful approach consistent with responsible play.

Strategy for Sustainable Growth

Being mindful of both our obligations under Florida law and the goals identified above, the management team evaluated the strengths, weaknesses, opportunities, and threats for the Lottery. This evaluation is the basis for the strategy the Lottery believes will promote the efficiency and effectiveness of the Lottery and lead to the sustainable growth the State of Florida requires for the world class education system envisioned by Governor Scott.

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

Strengths ⇨

- Strong security protocols that serve to protect the integrity of Florida Lottery games.
- Game-related decisions are made by an experienced design team based on extensive market knowledge and research.
- National reputation and recognition as one of the most efficient lotteries with a 29-year reputation built on integrity and trust.
- The Lottery's contracted vendors for the gaming system, Scratch-Off ticket printing and market research, are industry leaders.
- Transparency, integrity and responsible business practices, including internal controls of games, prize payments and drawing activities.
- 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 93.1% compliance rate as of June 30, 2017.
- The Florida lottery is recognized for industry best practices for vendor diversity initiatives and activities.
- The Florida Lottery has a large number of employees who have extensive industry, product and Lottery operations experience.

Weaknesses ⇨

- In the near future, a significant number of Florida Lottery employees will be eligible for retirement, potentially resulting in a reduction to our operational knowledge base.

- Florida ranks 11th in total per capita sales among U.S. lotteries and 18th among worldwide lotteries, indicating an opportunity for sales growth.
- Florida ranks 28 out of 44 domestic lotteries in retailer-to-population ratio, suggesting the continuing need to emphasize retailer recruitment.
- Reliance on the unpredictable jackpot rollovers of POWERBALL® and MEGA MILLIONS® to drive Draw game sales. Jackpot fatigue from players has become increasingly difficult to combat as players have shown less interest in participating at lower jackpot levels.
- Reduced Retailer Incentive funding impacts the ability to create new opportunities to reward top-selling retailers.

Opportunities ⇨

- Utilize the Lottery's website as a marketing tool to reinforce our commitment to integrity, increasing education contributions and playing responsibly, maximizing our effectiveness, and creating more efficient player interactions related to lottery games.
- Analysis of the Draw game portfolio indicates opportunity for increasing the product mix to include games that offer quicker satisfaction.
- Enhancements for both multi-state jackpot games, POWERBALL® and MEGA MILLIONS®, are planned for FY 2018. The changes are intended to generate more excitement for the games and increase sales.
- Continue to exercise flexibility in setting prize payout percentages for Draw games, thereby increasing Draw game sales and contributions to Florida education.
- 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.
- Offering 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.

- 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 ⇒

- The marketplace continues to evolve as a primarily cashless based transaction environment. As a cash-only business, Lottery transactions lack convenience and efficiency for consumers.
- Relying on outdated information technology to satisfy key organizational functions.
- Not appropriately ensuring against operational disruptions in the event of a natural disaster.
- Unanticipated changes in market conditions.

Florida Lottery Operations as they Relate to Our Goals

Introduction

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 on 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, Draw Events, Law Enforcement Cooperation, Retailer Monitoring, Compliance Stings, retailer education and outreach and other various stakeholder communication efforts.

The strategies required to achieve the objective of maximizing contributions are aggressive and will impact the entire organization, requiring concentrated efforts by the various functional units within the business. At the same time, the Florida Lottery has been and will continue to reinforce the message for customers to play responsibly.

While the Florida Lottery is a mature lottery by industry measure, the Lottery is persistent in searching for innovative ideas and approaches to continuously provide the desired products. The present product line is under constant review and evaluation. In addition, new and existing national resources are assessed for new offerings or enhancement opportunities.

Increasing contributions to Florida education requires use of available research to support game development and marketing efforts. The Lottery accesses research information from multiple internal and external sources to stay informed of changes in the market environment. The collection of data represents the various viewpoints desired to ensure the Lottery is considering all stakeholders in its efforts. As such, the Lottery must stay diligent in utilization of market data when evaluating product line and distribution model changes. In addition, continuing to evaluate processes and procedures to identify cost savings due to efficiencies is also important to achieving this goal. The Lottery has identified other areas within the agency that have processes that would benefit from modernization and re-engineering, such as mobile Apps and mobile versions of the Lottery's websites, retailer portals, updating infrastructure, and enhancements to sales force mobility.

FY 2017 was the best year in sales for the Florida Lottery, with \$6.16 billion in sales. Now in its 29th year of operation and with the new brand fully incorporated throughout more than 13,000

retailers that sell Florida Lottery products, the Lottery can continue to launch products that appeal to its players and help increase sales. In sum, record sales were a big part of FY 2017 and have helped sustain our brand.

The Lottery also 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 may offer opportunities for efficiency if modern technology and reengineering efforts are appropriately applied. As a 29-year old business, it is important for the Lottery to understand the value opportunities inherent in upkeep associated with older equipment vs. replacement with new or newer equipment. It also warrants noting that newer equipment often times has a smaller footprint and power consumption, provides increased capabilities and has an overall lower total cost of ownership.

1. Information Technology

Recently, effective use of existing technology and re-engineering efforts have allowed the Lottery to make significant improvements in data storage, resource utilization, and security.

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 upgraded the web servers and associated technology to provide the ability to handle heavier traffic volume and provide new product offerings.

The Lottery continues to experience a growth in sales volume and business data needs, resulting in greater data traffic volumes on our network links. To accommodate this growing data need, the Lottery expanded the capacity of its backbone network data links to My Florida Network (MFN), the Lottery's Orlando Data Center, and the Lottery's District Offices. The Lottery is now migrating over to the new MFN-2 network offerings, which will provide additional bandwidth expansion opportunities.

The Lottery's network provides the underlying communications infrastructure for all Lottery equipment and applications, including access to administer, monitor and audit the Gaming systems, Internal Control Systems, Prize Payment system, Business Intelligence and Sales Reporting, management of the public web site, and all financial and accounting systems. The Lottery upgraded its backbone network equipment in all offices to current technology.

The Lottery recently migrated to Office 365, a set of cloud services available on a subscription basis from Microsoft. The services include the core Office functions; email, shared calendar, document management, team collaboration, mobile access, instant messaging, and online meetings. The Lottery also upgraded to a newer technology system to archive emails to improve automating file locating, collection and centralizing email archiving into one repository. Content is stripped of duplication, and retention and expiration policies can be applied where necessary.

The new automated system creates a centralized database that users and administrators can use to search and retrieve any email that is being retained within established retention and expiration policies.

The Lottery's mission to sell tickets, process claims and pay prizes is dependent on the success of its critical business applications. The Lottery is in the process of upgrading our critical back office servers, which will increase reliability and speed by using next generation server technology. The new servers are superior in all categories of computing.

The Lottery currently uses a document archival storage system for critical data scanned by Retailer Contracting, Claims Processing and Finance. The HQ system duplicates the scanned information immediately to the backup system in Orlando, which is essential for maintaining player Prize Payment information. The Lottery is replacing this equipment with a solution that will provide the same functionality of the existing system, but utilizes improved technology to provide the Lottery with a more robust and secure solution for timely archiving and encrypting of critical scanned data for the duration of its mandated retention periods.

The Lottery has an increasing demand to provide an enterprise solution for the growing storage needs of the Lottery's user-based business data. To meet storage needs and provide adequate space for future anticipated storage growth, the Lottery upgraded the capacity of this Storage Area Network by purchasing additional disks to fully populate the existing enclosure as well as installing a second fully populated disk enclosure. This upgrade allows for more manageable, scalable, and efficient storage of essential data.

The network firewalls located in Lottery HQ, District Offices, and the Orlando Data Center (ODC) are being retired. These firewalls secure and encrypt all of the data between Lottery offices. These firewalls provide critical protection against any unwanted external access to our information, keeping the Lottery secure against threats to our systems. The Lottery is replacing the existing firewalls with next generation firewalls which utilize up to date technology to provide advanced protection for the increasing capacity of the statewide network. The installation of these new firewalls will provide the essential network security and reduce the potential for a significant loss of data and/or productivity resulting from unavailability of critical business functions.

2. Communications

Building new media opportunities is also an important variable to track in maximizing the effectiveness of our enterprise. The Florida Lottery has taken a significant step in communicating with its player-base using social media. This allows two-way communication between the Lottery and players. Since our last report, we have built a significant following on Twitter, Instagram and Facebook. The Lottery currently has more than 20,000 Twitter followers, 23,000 Instagram followers and 208,000 Facebook fans. Additionally, the Florida Lottery YouTube page which allows players to view Florida Lottery commercials, has received more

than 2.6 million views. 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.

Enhancing website experience for our customers is also a key part to building on our effectiveness. 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 Lottery's 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: expanded posting of Lottery drawings and video content to YouTube, continued support of Draw and Scratch-Off second chance promotions as well as social media promotions, enhancements to the Flamingo Followers program (E-coupons, email, text alerts, etc.), additional reporting on Scratch-Off game information and availability statewide, and exploring design opportunities that will keep the website aligned with the Lottery's goals and objectives.

3. Advertising

The Lottery, as it does with all 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 inform the consumer public to increase "Branding." The "Branding" effort concentrates on the consistent repetition of an image or product name. This is an effort to associate certain desirable qualities with the brand in the minds of consumers and to differentiate our product from other products in an increasingly competitive market. 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. It also warrants noting that according to LaFleur's 2015 and 2016 World Lottery Almanac, for each respective year, the Florida Lottery was able achieve exceptional net sales levels while operating within an advertising budget that was substantially less than that of the majority of other state lotteries.

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.

Strategic Point-of-Sale development and utilization are also part of the model that currently makes the Florida Lottery effective. Point-of-Sale (POS) materials are a reliable form of

consumer education and product awareness used by most successful consumer product providers. It is no surprise that POS is a staple of the Florida Lottery's sales tools. The most traditional forms are used statewide on a daily basis to assist retailers selling products in the 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. The Lottery is continuously exploring new, more attention-getting types of POS materials and positioning. In addition, more sustaining message "Play Here" POS pieces are being produced. 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 is working closely with corporate partners to provide specific POS pieces to meet their store's needs. The Lottery must continue its efforts to assess and utilize the most effective and innovative forms of POS to capture the attention of consumers frequenting that type of location.

4. Sales

The Lottery's Corporate sales team continues to strengthen relationships as evidenced by receipt of two "Vendor of the Year" awards from Top 10 selling retailers (Wal-Mart and RaceTrac), and sales growth in corporate stores outpaced overall Lottery sales growth again in FY 2017. Corporate retailers' ticket sales grew by over 3% compared to 1.5% for the Lottery as a whole. Corporate growth was a contributing factor in the Lottery's newest record sales year, achieving sales of \$6.16 billion in FY 2017. Further, certain Second Chance promotions have had specific corporate retailer prizes, thereby allowing the Lottery to support our retailer network by incorporating web-based promotions.

The Lottery must ensure it has the tools and support necessary to maintain as well as improve its external operations in order to continue to operate as a successful business enterprise. 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 that is more relevant to the players of today and tomorrow.

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 methods to an increasing variety of trade styles. To meet the demands from a variety of trade styles in the retailer distribution network requires the Lottery to offer flexibility in selling methods to be better positioned for future growth.

While the Lottery seeks to increase ticket sales through improved technology in retail environments, today's Lottery players are also seeking an interactive experience. The Lottery website has become more robust, and player participation in web-based Second Chance drawings has steadily increased. The Lottery has increased the number of Second Chance promotions held throughout the year, with many having a social media tie-in, and all of these promotions being web-based. The Lottery continues to explore new ways to use technology to improve the

playability of Second Chance promotions and further increase player fun and involvement, thus providing a stronger commitment between players, retailers, the Lottery and contributions to education.

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. The efficiencies gained also allow lottery sales representatives to allocate time to visiting prospective retailers. Sales Representatives are also able to review store inventory levels to ensure they are appropriate for each location. This prevents lost sales as well as preventing excess inventory in the stores. The Lottery continues to improve the capabilities available to our mobile sales staff through the MST and by moving additional back office capabilities to the mobile devices.

Conclusion

It is clear from the summary provided above that the Florida Lottery is a viable, vibrant part of the infrastructure that supports education in Florida. The task before our business is one of paramount importance - the Lottery must continue to assist the state in its pursuit of future greatness by enhancing the state's commitment to education.

The Lottery ambitiously accepts the challenges presented to advocate for and implement this plan. We look forward to both pursuing and achieving sustainable growth while continuously reinforcing our commitment to do so in a principled manner.

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

No policy changes that will affect the Lottery’s budget request or governor’s recommended budget are anticipated.

List of Changes Which Would Require Legislative Action

The Lottery has no changes that will require legislative action relating to Chapter 24.

List of 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 satisfaction and 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.

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.

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.

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.

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.

Florida Lottery

Long Range Program Plan

Fiscal Years 2018-19 through 2022-23

Jim Poppell, Secretary
September 29, 2017



Exhibit II: Performance Measures and Standards

LRPP Exhibit II - Performance Measures and Standards

Department: Florida Lottery	Department No.: 36
-----------------------------	--------------------

Program: Lottery Operations	Code: 3601000
Service/Budget Entity: Lottery Operations	Code: 3601000

NOTE: Approved primary service outcomes must be listed first.

Approved Performance Measures for FY 2017-18 (Words)	Approved Prior Year Standard FY 2016-17 (Numbers)	Prior Year Actual FY 2016-17 ¹ (Numbers)	Approved Standards for FY 2017-18 (Numbers)	Requested FY 2018-19 Standard (Numbers)
Transfers to the State Educational Enhancement Trust Fund	\$1.206 B	\$1.66 B	\$1.206 B	\$1.721 B
Total Revenue in Dollars	\$3.918 B	\$6.17 B	\$3.918 B	\$6.459 B
Operating Expense* as a Percent of Total Revenue	9.52%	8.30%	9.52%	9.52%
Percent of Respondents who are aware of the Lottery's Contribution to Education	65%	59%	65%	65%
Provide Executive Direction and Support Services for all Lottery Operations as measured by Percent of Total Department Budget	6.20%	3.42%	6.20%	6.20%

¹All amounts included for Fiscal Year 2016-17 are unaudited.

*Includes payments to Gaming Vendors and Retailer Commissions



Florida Lottery

Long Range Program Plan

Fiscal Years 2018-19 through 2022-23

Jim Poppell, Secretary
September 29, 2017



Exhibit III: Performance Measure Assessment

Florida Lottery

Long Range Program Plan

Fiscal Years 2018-19 through 2022-23

Jim Poppell, Secretary
September 29, 2017



Exhibit IV: Performance Measure Validity and Reliability

LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Florida Lottery

Program: Lottery Operations

Service/Budget Entity: Lottery Operations

Measure: #1 – Transfers to the State Educational Enhancement Trust Fund

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:

The requested change to the performance measure standard is to align the measure with the forecast amount adopted by the August 2017 Revenue Estimating Conference.

Validity:

Reliability:

LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Florida Lottery

Program: Lottery Operations

Service/Budget Entity: Lottery Operations

Measure: #2 – Total Revenue in Dollars

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:

The requested change to the performance measure standard is to align the measure with the forecast amount adopted by the August 2017 Revenue Estimating Conference.

Validity:

Reliability:

Florida Lottery

Long Range Program Plan

Fiscal Years 2018-19 through 2022-23

Jim Poppell, Secretary
September 29, 2017



Exhibit V: Identification of Associated Activity
Contributing to Performance Measures

LRPP Exhibit V: Identification of Associated Activity Contributing to Performance Measures

Measure Number	Approved Performance Measures for FY 2017-18 (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 Department Budget	The Executive Direction and Administrative Support Activities contribute to this measure



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 Draw 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

OPS – Other Personal Services

POS – Point of sale marketing materials to increase customer awareness

REC – Revenue Estimating Conference

