

RON DESANTIS
Governor



JIM POPPELL
Secretary

LONG-RANGE PROGRAM PLAN

Florida, Department of the Lottery
Tallahassee, Florida
September 30, 2019

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Tallahassee, Florida 32399-1300

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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 the Department's mission, goals, objectives and measures for Fiscal Year 2020-21 through Fiscal Year 2024-25. 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 Jim Poppell, Secretary of the Lottery.

Any questions concerning this submission can be directed to the Florida Lottery's Budget Director, Jay Howard at 404-6599.

Sincerely,

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

Jim Poppell
Secretary of the Lottery

Florida Lottery

Long Range Program Plan

Fiscal Years 2020-21 through 2024-25

Jim Poppell, Secretary
September 30, 2019



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 enhance education, while enabling the people of Florida to play the best Lottery games available. To accomplish this, the Florida Lottery focuses on integrity, efficiency and effectiveness in its daily operations.

Integrity

It is essential to the Lottery's continued success that it serve with integrity in the execution of its statutory duties. Simply put, applying the approach of *doing the right thing every time* ensures continued confidence in the Lottery's games and its ability to remain a national leader among state lotteries.

One tangible way the Lottery will continue to ensure integrity of operations and communications is through our Responsible Gaming initiatives. In September 2018, we received certification for our responsible gaming initiative from the North American Association of State and Provincial Lotteries and the National Council on Problem Gambling – becoming the 13th lottery in the nation to receive this certification. While we have always been committed to protecting the interests of those who play our games, this certification further serves to emphasize that from the way we design and advertise our games, to the resources we offer our players, we are working to put responsible play at the heart of everything we do.



Maximize Contributions to Enhance Education (EETF)

The Lottery's mandate is to maximize funding to enhance public education. Since the Lottery's inception, more than \$35 billion has been generated for education. For Fiscal Year (FY) 2018-19 alone, contributions to education were approximately \$1.9 billion. The Florida Bright Futures Scholarship Program, supported by the Lottery's contributions, has helped more than 808,000 students pursue their academic goals for higher education.

The Lottery contributes monthly to the state's Educational Enhancement Trust Fund (EETF), which is appropriated annually by the Florida Legislature and distributed by the Florida Department of Education.

Retailer Recruitment

Within Business Development, the Lottery is taking a three-pronged approach aimed at increasing the retailer network. Implementation of training techniques for Sales Representatives to improve the success rate of recruitment efforts will begin in FY 2020. Large strides are also being made to breakthrough unaffiliated retailer corporations. Additionally, the Lottery is focused on increasing the retention of our retailers by introducing helpful tools that will aide in the maintenance of their Lottery sales and keep them on a track for success. All of these approaches are geared toward achieving the goal of increasing our retailer network.

Maximizing the Effectiveness

Proactively identifying opportunities to optimize Lottery operations in a manner that is consistent with Florida law and good business practices is critical to the Lottery's continued success. As a state agency mandated to function as much as possible as an entrepreneurial business enterprise, the fundamental importance of this principal cannot be overstated, and must resonate at every level within the organization.



Agency Objectives

The Florida Lottery has not only kept its promise as a committed partner to enhancing education by maximizing contributions, but it has also operated as a distinguished and outstanding partner with Florida's businesses.



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

To assist the Lottery in projecting the outcome of future performance in terms of annual contributions to the EETF and forecasting the operating requirements necessary to achieve its goals and objectives, the following Performance Projection table has been included to reflect annual performance targets.

Outcome: Annual Contributions to the EETF

Baseline FY 1997-98	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
\$801.68 M	\$1.86 Billion	\$1.88 Billion	\$1.90 Billion	\$1.95 Billion	\$1.98 Billion



Linkage to Governor's Priorities

Governor Ron DeSantis has identified several priorities of his administration:

1. Restore and Protect Florida's Environment
2. Improve Florida's Education System
3. Economic Development and Job Creation
4. Health Care
5. Public Safety
6. Public Integrity

Improve Florida's Education System

The Lottery supports the Governor's priorities with a focused approach, ensuring it operates efficiently and effectively to contribute to Florida's future success. Education is the key to success for all students and is an essential part of a thriving economy. From the first day of school through graduation, a student's future begins to take shape as they work to make their dreams come true. The Florida Lottery is proud to be a part of making these dreams a reality.

The Lottery has contributed more than \$1 billion annually for each of the past 17 fiscal years to benefit Florida students and schools statewide. Lottery contributions are instrumental to ensuring the future success of Florida's students. Florida's institutions of higher learning have benefited from \$9 billion that helps keep them running and affordable for Florida students.

Economic Development and Job Creation

The Lottery is statutorily charged with running as much as possible like an entrepreneurial business enterprise.

As a more than \$7 billion annual enterprise, it is paramount that the Florida Lottery embraces proven business principles designed to ensure sustainable growth.

Year after year, the Florida Lottery continues to reach sales milestones. FY 2019 was no exception, as we reached a record \$7.15 billion in sales which generated more than \$1.9 billion for the EETF. FY 2019 sales exceeded FY 2018 by more than \$450 million – a 6.7 percent increase. Since 1988, the Lottery has generated more than \$110 billion in sales and contributed over \$35 billion to education.

The Lottery's product distribution model is based on mutually beneficial relationships with Florida businesses. The model for developing and maintaining these relationships is driven primarily by customer service. During FY 2019, the Lottery contracted with over 13,000 retail locations statewide. These retailers help grow the Lottery's business and their own, which in turn



helps stimulate Florida's economy. Increased sales have resulted in an increase in annual retailer commissions of 33 percent more compared to FY 2014.

Lottery players also embrace and support a variety of retail store types, fostering the entrepreneurial spirit within the state. The Florida Lottery is dedicated to expanding its retail network, a strategy that lends itself to mutually beneficial relationships. With a goal of expanding the network, the Lottery will bolster its capabilities to continue a trend of increased sales and transfers to the EETF.

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 value for product development and prizes.

The Lottery has continued to improve upon its existing roster of top selling games, while also adding new products to reach infrequent play segments of the 18+ population to earn incremental discretionary entertainment dollars. In FY 2019, Scratch-Off sales exceeded \$4 billion for the third consecutive year, accounting for more than \$285 million in additional Scratch-Off revenue compared to a year ago. The Lottery also achieved all-time Scratch-Off sales records for the eighth consecutive year with \$4.94 billion in sales and broke its own industry record set last year with \$126.25 million in Scratch-Off sales in a single week. Additionally, when compared to 10 weeks of Scratch-Off sales above \$100 million in FY 2018, Florida had 14 weeks of Scratch-Off sales above \$100 million in FY 2019.

Sales were driven by industry best-in-class Scratch-Off games, consisting of 37 new games that included a family of the top-performing Scratch-Off brand, GOLD RUSH. Other top performing products in the Scratch-Off lineup included the MONOPOLY™ JACKPOT and HOLIDAY BONUS families of games, as well as \$5 EXTRA PLAY (Scratch-My-Back), the \$50, \$100 and \$500 BLOWOUT game, featuring a unique prize structure that players responded very well to, and the LOTERIA® licensed property game. In FY 2019, the Lottery had the best-selling \$30, \$20, and \$2 games in the country with the \$30 game, \$15,000,000 GOLD RUSH SPECIAL EDITION, taking honors as the top-selling game in the industry with a single week of sales that exceeded \$29.5 million.

The Lottery's Terminal game sales increased \$165 million over the previous FY. In August of 2018, the evening draw time for the PICK Daily Games™ was changed from 7:57 p.m. EST to 9:45 p.m. EST. This created a longer sales window for the evening drawing and allowed retailers to capitalize on later evening foot traffic and incentivize PICK Daily Game sales. The Lottery's instant win Terminal games, Fast Play™, continued to expand with the introduction of \$5 price point tickets. In January 2019, the Lottery introduced a brand-new Draw game, JACKPOT



TRIPLE PLAY™ and its accompanying add-on feature, Combo. This \$1 add-on feature has proven very popular with JACKPOT TRIPLE PLAY players and has become the most played add-on feature offered by the Lottery. JACKPOT TRIPLE PLAY replaced the mid-level jackpot game, LUCKY MONEY™.

In addition to a very active year for game launches, the Lottery's Terminal game portfolio boasted seven different promotions such as FANTASY 5® Bonus Cash Fridays, Fast Play Replay Second Chance, and FLORIDA LOTTO®'s Lotto Cash promotion. Scratch-Off games were supported with the Pass Go, Collect \$20,000, Holiday Bonus, and Gold Rush Classic second chance drawings. Several retailer promotions throughout the year also provided added support towards the awareness of both Scratch-Off and Terminal Games.

Public Safety

Chapter 24 of the Florida Statutes requires that the Lottery have a Division of Security to promote and protect the integrity of, and the public's full faith and confidence in, its games, retailers and Lottery operations. This Division maintains the security and integrity of game drawings, employees, retailers, vendors, Lottery facilities, Lottery's access control, alarm monitoring, video imaging, and badging system.

Background investigations are conducted on all regular and Other Personal Services (OPS)/Intern employees, vendor employees, retailers, and major procurement vendors. This helps ensure that personnel employed by the Lottery or involved in Lottery business have been properly vetted to protect the integrity of Lottery operations and players.

Pursuant to Section 24.108, Florida Statutes, once every two years an independent firm conducts a comprehensive study and evaluation of all security operations within the Lottery. Additionally, the Division of Security received its initial accreditation from the Commission for Florida Law Enforcement Accreditation in 2016 and is set to receive reaccreditation in October 2019.

Scratch-Off ticket security is ensured through a comprehensive examination of security features at the vendor location during printing, packing, and delivery of Lottery tickets. Each new game is thoroughly tested, and the ticket security criteria scrutinized. Regular visits and inspections to vendor print locations are also conducted to ensure the security and integrity of all products. The Lottery employs an extensive system of internal controls and procedures to ensure the integrity of Draw games, including secure storage of ball 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. To accommodate and support the sale of POWERBALL® tickets, additional Draw game ticket security requirements have been implemented.



Internal controls are also in place for second chance drawings, which allow players to enter non-winning tickets, on the Lottery's website for prizes. Drawing security is also overseen by the Division of Security and witnessed by an accountant from an independent certified public accounting firm.

Lottery special agents conduct undercover and unannounced visits 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 players of age. Lottery crimes, fraudulent or questionable claims, and high-tier claims are also investigated to ensure security, honesty, accountability, and integrity is maintained. Ticket examinations and investigations are also reviewed in the Lottery's state of the art forensic laboratory.

With the help of Lottery special agents, security officers, and retailers, 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, Silver Alert, Blue Alert, and Missing/Endangered Child activations. When the Lottery receives an 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, and all other relevant information. Retailer employees and members of the public who are in the store are then able to view this information directly from one of the displays within the retail location. The Lottery's website is also updated to indicate an alert is in progress and provides a link to the FDLE MEPIC webpage. Amber Alert, Silver Alert, and Missing/Endangered Child notifications have played a role in successful resolution and recovery of the missing children and/or missing adults.

The Division of Security also acts in a support role at the State Emergency Operations Center in Emergency Support Function (ESF) 16 – Law Enforcement. The Division of Security participates in the coordinated mitigation and recovery efforts, with all state law enforcement, of the Florida Mutual Aid Plan that is implemented during and following disasters. The Division of Security is also responsible for the coordination of the agency's Continuity of Operation Plan to ensure a constant readiness level for any potential threat to Lottery operations.

Lottery special agents provide valuable lead information to local law enforcement investigators when the theft of any Lottery products is reported. Oftentimes, Lottery assistance to other law enforcement agencies leads to arrests for offenses such as burglary, armed robbery, fraud, and even murder.

Additionally, retailers and the general public benefit from having the perpetrators of these crimes reprimanded. Special agents assist retailers by providing important transaction information to local law enforcement in conjunction with the State Attorney's Office to submit appropriate paperwork for the filing of any criminal charges. Also, special agents work closely with retailers to provide critical ticket and transaction information when internal theft is suspected as well as



provide information about the Play Responsibly initiative which focuses on no underage play and retailer compliance.

The Information Security Management unit (ISM) is tasked with minimizing risk and ensuring business continuity by proactively limiting the potential impact of security threats to data and technology resources.

ISM performs several key functions:

- Enabling the safe operation of applications implemented on the Lottery's IT systems;
- Safeguarding Lottery technology assets and ensuring the confidentiality, integrity, and availability of information, data, and IT services; and
- Coordinating information security with physical security.

ISM is responsible for security on numerous application accounts and all network accounts. Also, Section 282.318, Florida Statutes, states that ISM shall develop and periodically update a comprehensive risk analysis and develop written internal policies and procedures to ensure the security of the data and information technology resources of the Florida Lottery.

ISM is also responsible for managing the Lottery's Computer Security Incident Response Team (CSIRT) and establishing an Information Security Awareness Program. The goal of the CSIRT is to mitigate, minimize, and control any damage resulting from IT-related incidents, provide effective guidance for response and recovery activities, and work to prevent future incidents from occurring.

Periodic internal vulnerability scans are performed on all Lottery-owned devices connected to the network. A vulnerability scan detects and classifies system weaknesses in computers, networks and communications equipment. The results are then evaluated and presented to Information Resources management.

To further minimize risk to the data information technology services, Security Information and Event Management (SIEM) and a log management device collect and correlate log and event data from security devices such as firewalls, intrusion detection/prevention systems, domain controllers, anti-virus, anti-spam, and anti-malware, with data from AIX servers.

All items identified above illustrate the Lottery's commitment to protecting its players and citizens of the state.



Trends and Conditions Statements

Accomplishments ⇒

- Since 1988, the Lottery has continued its efforts to maximize sales in support of generating more revenue for the EETF. Total contributions to education have exceeded \$35 billion.
- FY 2019 was the 17th consecutive year the Florida Lottery contributed more than \$1 billion to the EETF.
- In FY 2019, the Lottery achieved its eighth consecutive year of record sales with annual sales surpassing \$7 billion.
- The Lottery had record-setting transfers to the EETF of more than \$1.9 billion in FY 19, exceeding the Revenue Estimating Projection by 3 percent and the prior year actual transfers by more than 9 percent.
- In FY 2019, the Lottery set a new record for the highest all-time single week of Scratch-Off sales at \$126.25 million. Additionally, Scratch-Off sales exceeded \$100 million 14 weeks during the FY when compared to 10 weeks in FY 2018.
- Annual Scratch-Off sales more than doubled and have grown by \$2.9 billion since FY 2010, resulting in contributions to education increasing by approximately 138 percent.
- In FY 2019, total sales of Florida Lottery Scratch-Off games increased by 6.1 percent over FY 2018, accounting for approximately \$58 million in additional contributions to education.
- Additionally, in FY 2019, total sales of Lottery Draw games increased by 8.1 percent over FY 2018, accounting for more than \$107 million in additional contributions to education.
- In FY 2019, the Lottery had the top performing \$30, \$20, \$10, \$5, \$2 and \$1 games compared to all other U.S. Lotteries in FY 2019. \$15,000,000 GOLD RUSH SPECIAL EDITION and the GOLD RUSH CLASSIC family were each the top performing games at their respective price points and contributed more than \$1.2 billion million in Scratch-Off sales. Additionally, these games alone generated approximately \$221.7 million in contributions to the EETF.
- In FY 2018, the Lottery ranked second nationally in government transfers to its beneficiary (the EETF) and third in prizes paid to players. This means the Florida Lottery not only ranks among the best in the nation in generating funds for its beneficiary, but also that players enjoy the best games available with exceptional prize opportunities.



- In FY 2018, the Lottery had the top performing \$30 and \$2 games compared to all other U.S. Lotteries. FLORIDA 100X THE CASH and FLORIDA 10X THE CASH were each the top performing games in their respective price points and contributed over \$414 million in Scratch-Off sales. Additionally, these two games alone generated more than \$77 million in transfers to the EETF.
- The Lottery's flagship game, FLORIDA LOTTO[®], continues to be one of the strongest selling single-state lotto games in the nation, ranked second behind California in FY 2018.
- The Lottery's Cash Lotto game, known as FANTASY5, is also ranked second in the nation, with only slightly less in sales than New York's Cash Lotto game.
- After its first full year of participation in the CASH4LIFE[®] game, the Lottery rose to the rank of second in the nation in Bloc Lotto sales in FY 2018.
- The Lottery also maintained its rank of second in the nation for both total Scratch-Off sales and POWERBALL[®] sales in FY 2018.
- In FY 2018, the Lottery maintained its rank of third in the nation for total sales.
- In calendar year 2018, the Lottery maintained its rank of 10th among worldwide Lotteries for total sales and rose to 16th in total per capita sales, from 17th place in 2017.
- In calendar year 2018, the Lottery maintained its rank of fourth among worldwide Lotteries for Scratch-Off sales and rose to 5th place in Scratch-Off per capita sales, from 6th place in 2017.

Sources: LaFleur's 2017 and 2018 World Lottery Almanac, LaFleur's Magazine Vol.24 No.6, and LaFleur's Magazine Vol. 25 No. 6.



Lottery Operations

In FY 2019, the Florida Lottery realized growth from its continued efforts to engage the public. The Lottery achieved \$7.15 billion in sales revenue, up 6.7 percent from \$6.70 billion in FY 2018, and 16.2 percent compared to FY 2017. Contributions to the EETF for FY 2019 were \$1.9 billion. FY 2019 marks the 17th consecutive year that contributions to the EETF have exceeded \$1 billion.

The Florida Lottery, Headquartered in Tallahassee, has nine District Offices located throughout Florida. The District Offices provide prize payment services as well as sales and marketing support to more than 13,000 retail locations. The District Offices are located in Pensacola, Tallahassee, Jacksonville, Gainesville, Orlando, Tampa, Fort Myers, West Palm Beach, and Miami. (Figure 1)



Table 1 below represents a comparative statement of income and expenses for the past five fiscal years. The data demonstrates a steady increase in revenue since FY 2015. Total revenue reflects a significant increase from \$5.59 billion to \$7.15 billion, or 28.2 percent in FY 2019. When viewed over a longer time period, it is evident that the recent increases have now exceeded all previous sales levels. The Lottery's contributions to public education during this period have increased from \$1.50 billion to approximately \$1.9 billion, or 29 percent. Noteworthy is the fact the Lottery's operating costs, expressed as a percentage of revenue, are trending slightly down, and EETF contributions per FTE increased 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 does 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 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19*
Total Revenue	\$5,588.44	\$6,092.76	\$6,167.85	\$6,713.01	\$7,157.88
Total EETF Contributions	\$1,496.37	\$1,692.55	\$1,656.35	\$1,758.33	\$1,926.19
Total Operating Costs**	\$75.70	\$80.12	\$80.80	\$81.20	\$80.03
Total FTE's	420.00	420.00	420.00	418.50	418.50
Operating Costs as a Percent of Total Revenue	1.35%	1.32%	1.31%	1.21%	1.12%
EETF Contribution per FTE	\$3.56	\$4.03	\$3.94	\$4.20	\$4.58

**Data for FY 2018-19 is unaudited.*

***Department operations only.*



Table 2 illustrates 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 increasing slightly over the same period.

Table 2

	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19*
Scratch-Off	\$3,724.00	\$3,954.70	\$4,243.60	\$4,652.30	\$4,937.78
Pick Family of Games™	\$639.46	\$671.41	\$672.96	\$698.23	\$709.26
LOTTO®	\$300.96	\$291.38	\$253.04	\$240.02	\$223.50
Fantasy 5®	\$287.80	\$296.31	\$275.66	\$264.42	\$258.41
Lucky Money™	\$103.20	\$84.88	\$89.44	\$74.19	\$41.85
Powerball®	\$375.06	\$602.00	\$434.26	\$474.03	\$459.39
Mega Millions®	\$147.37	\$149.95	\$147.38	\$220.62	\$416.97
Raffle	\$0.00	\$11.72	\$11.36	\$0.00	\$0.00
Cash4Life™	\$0.00	\$0.00	\$28.78	\$59.22	\$50.34
Fast Play™	\$0.00	\$0.00	\$0.00	\$17.78	\$20.96
Monopoly Millionaires™	\$5.48	\$0.00	\$0.00	\$0.00	\$0.00
Jackpot Triple Play™	\$0.00	\$0.00	\$0.00	\$0.00	\$32.78
Draw Game Sales	\$1,859.33	\$2,107.65	\$1,912.88	\$2,048.51	\$2,213.46
Total Ticket Sales	\$5,583.33	\$6,062.35	\$6,156.48	\$6,700.81	\$7,151.24

* Data for FY 2018-19 is unaudited.

In FY 2019, the PICK Daily Games™ evening draw time was extended from 7:57 p.m. EST to 9:45 p.m. EST to allow for more sales prior to the draw. The Fast Play line of instant win Draw games was expanded upon by introducing a \$5 price point with two \$5 games released during the year. In January 2019, a mid-level jackpot game, JACKPOT TRIPLE PLAY™, was introduced to replaced LUCK MONEY™, and the draw product sampler, GROUPER, received a product refresh. These new products and initiatives proved impactful on yearly Draw game sales.



The Lottery also continued to grow sales of its Scratch-Off games through innovative product implementation and marketing strategies. Industry leading best practices implemented by the Lottery continue to fuel incremental growth of Florida's instant game category, such as:

- Clear and defined product positioning with top prize amounts, number of play spots, and number of wins on a ticket consistent across each price point.
- Prize structures designed for large order quantities to produce games with significant top prizes and parameters that deliver play action and variety.
- Placement of prize call-outs on all games that includes insightful prize information relevant to the consumer.
- Establishment of a well-rounded game mix that is dominated by “Money Theme” products but also includes a healthy mix of “Extended”, “Gaming”, and “Numbers” themed games.
- Effective marketing of the product through proportionate advertising allocation.
- Six-week new game launch schedule that allows for three weeks of point-of-sale advertising in the market.
- Product placement initiatives focused on increased facings/footprint at the point-of-sale.
- Requirement for all retailers to achieve 100 percent new game activation within 72 hours of launch.

In FY 2019, the Lottery exceeded both its sales and EETF contribution forecasts adopted by the February 2019 Revenue Estimating Conference (REC) by 1.9 percent and 3.3 percent, respectively. The August 2019 REC forecasted a slight increase in growth for FY 2020, at a combined rate of 0.9 percent. The REC projected an increase in Scratch-Off of 5.0 percent and a decrease in Draw game ticket sales 8.4 percent for FY 2020.

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



Strategy for Sustainable Growth

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

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

Strengths ⇨

- Strong security protocols to protect the integrity of Florida Lottery games.
- Continued dedication to contributions to EETF.
- New state-of-the-art gaming system equipment, software and reporting systems.
- Game-related decisions 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 31-year reputation built on integrity and trust.
- Transparency, integrity, and responsible business practices, including internal controls of games, prize payments, and drawing activities.
- Potential and current Lottery retailers are well educated on the federal and state accessibility requirements relating to the Americans with Disabilities Act (ADA), resulting in a 93.1 percent compliance rate as of June 30, 2018.
- Scratch-Off sales in Florida have grown over 139 percent in the last 10 years.
- An employee base with extensive industry, product, and Lottery operations experience.
- Appropriately ensuring against operational disruptions in the event of a natural disaster through funding received in FY 2018 to enhance the disaster recovery systems.



Weaknesses ⇒

- A significant number of Florida Lottery employees are eligible for retirement, potentially resulting in a reduction to the organization's operational knowledge base. In 2020, 32 percent of the workforce will be eligible to retire according to recent calculations. Approximately 10 percent of the current FTE count began with the Lottery at start-up, which coincides with the number of years normally required for retirement based on years of service for that group.
- Florida ranks 24 out of 43 domestic Lotteries in retailer-to-population ratio, suggesting the continuing opportunity 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.
- Not fully tapping into retailer partner opportunities due to a one size, fits all retailer contract approach.
- Lack of real-time sales reconciliation for Scratch-Off products such as ticket-by-ticket accounting.

Opportunities ⇒

- The Florida Lottery recognizes the importance of promoting Responsible Play and has developed a strategic initiative aimed at generating greater public awareness. In FY 2018, the Florida Lottery became accredited by the North American Association of State and Provincial Lotteries (NASPL) and the National Council on Problem Gambling (NCPG) for its Responsible Gaming Program, which allows the Lottery to take a greater leadership position in the lottery industry to promote Responsible Play.
- Beginning in July 2019, the Sales Division continued its focus toward recruiting new retailers to grow the Lottery's retailer population and improve its minority business representation. Between July 2, 2019, and July 11, 2019, 514 new retailer applications were received - 362 were from minority-owned business.



- According to tracking study data, Lottery Scratch-Off and Draw games have a low perception of harmfulness with 77.5 percent of respondents agreeing that these forms of gambling are not harmful. When ranked among 17 different types of gambling, Scratch-Off and Draw games are considered the third and fourth, respectively, least harmful.
- The Lottery implemented a brand-new gaming system in April 2019. It included all new equipment and software, delivering ne modern functionality to the Lottery’s operations. The new functionality includes, new gaming servers, new gaming software, new retailer equipment, a new communications network, improved security, added anti-fraud measures, sales accounting, and mobile device support. The Lottery is continuing to utilize the new gaming system to create efficiencies.
- Utilize the Lottery’s website as a marketing tool to reinforce its commitment to integrity, increasing education contributions and playing responsibly.
- Effective October 1, 2019, the Lottery begins a new Scratch-Off contract which is projected to generate significant savings to education over the life of the contract. This contract will allow the Lottery to continue to offer best-in-class Lottery products, emphasize our responsible gaming initiatives, and maximize revenues in support of Governor DeSantis’ bold vision for education in our state. The Agency negotiated a cost savings through a reduced vendor commission structure while, at the same time, improving upon the services provided. The new Instant Ticket contract will accommodate the Lottery’s current and future growth opportunities as well as explore the latest innovations in business development and product distribution options available.
- Florida ranks 10th in total per capita sales among U.S. Lotteries and 16th among worldwide Lotteries, indicating an opportunity for sales growth.
- Florida ranks 24 out of 43 domestic Lotteries in retailer-to-population ratio, suggesting the continuing opportunity to emphasize retailer recruitment.
- The multi-state game CASH4LIFE® is moving from twice weekly drawings to daily drawing in July 2019. This change was adopted by participating lotteries, after industry gaming vendors assessed expanding the frequency of drawings as a low-risk way to increase sales by an estimated 15-20 percent. In addition to increasing brand awareness, this will allow players to have more days to play and chances to win. Retailers will also benefit from increased daily store traffic.
- Evaluate the Lottery’s bond floor to allow for more flexibility in setting prize payout percentages for Lottery games, thereby increasing sales and contributions to education.



- Ability to maintain a competitive advantage in the areas of distribution channel management; product development; product positioning; new market opportunities; and an expanded retailer network, particularly underrepresented minority retailers.
- Offering innovative, cutting-edge products to attract players to new play styles.
- Licensed-property Scratch-Off and Fast Play games with second chance drawings provide an opportunity for more players to win merchandise, cash and experiential prizes.
- The ability to generate high volume foot traffic in retail environments enable the Lottery to attract major corporate partnerships and reach broad audiences.
- Continuation of strategic partnerships provides an opportunity to expand the Lottery's 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 some efficiency for consumers.
- Hurricanes and natural disasters pose a threat to Florida annually; two major hurricanes made landfall in Florida in 2018 and 2019. These events can lead to power outages and retailer property damage that may impact the Lottery's ability to sell tickets and pay prizes in the short and long terms.
- The marketplace may evolve away from brick and mortar, causing the Lottery's traditional transaction environment to slowly erode.
- Unanticipated changes in market conditions and other economic factors can impact Lottery sales.
- If Alabama creates its own state lottery, this will increase competition for Lottery dollars.



Florida Lottery Operations as it Relates to Goals

Introduction

The Lottery is known industry-wide for its diligence toward operational integrity. The foundation of a successful Lottery requires ensuring public confidence in the fair and legitimate processes supporting the games. The Lottery must continue to prove to the public and all 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, public draw events, law enforcement cooperation, retailer monitoring efforts, compliance operations, retailer education and outreach.

The strategies required to maximize contributions are aggressive and impact the entire organization. At the same time, the Florida Lottery does and will continue to reinforce the message of playing responsibly.

The Lottery is persistent in searching for ideas and approaches to continuously provide entertaining products; and the present product line is under constant review and evaluation to ensure this objective is achieved. In addition, new and existing national resources are assessed as possible offerings or enhancement opportunities.

Increasing contributions to enhance education requires the 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 various viewpoints to ensure the Lottery is considering all stakeholders in its decision-making process. 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 that will result in cost savings is also important to achieving this goal. The Lottery has identified several 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 website, retailer portals, infrastructure updates, and enhancements to sales force mobility.

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 when modern technology and re-engineering efforts are appropriately applied. It is important to recognize the value opportunities inherent in upkeep associated with older equipment versus replacement with new or newer equipment. It also warrants noting that newer equipment often 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.

As mentioned in the Strategy for Sustainable Growth Opportunities section, the Lottery implemented a brand-new gaming system in April 2019. This system will deliver modern functionality to the Lottery operations. The Lottery is continuing to utilize the new gaming system to create efficiencies.

The phone system used by the Lottery at all offices was replaced with a single integrated phone system, utilizing current technology, providing enhanced features, and improving employee productivity and collaboration. The telephone systems at Florida Lottery Headquarters, District Offices, and the Orlando Data Center (ODC) are critical for Lottery staff to meet their daily business requirements.

The Lottery installed additional hardware and software to expand redundancy and availability of all processes and systems for disaster recovery capabilities at the ODC. To support the Lottery's business functions and maximize sales and contributions to the EETF, it is imperative that all support systems and business critical data is maintained at the highest possible level. These additional servers will give the Lottery sufficient resources to run all mission-critical applications, including the website, should it become necessary to run its operations out of the ODC for an extended period of time.

Lottery retailers undergo a thorough application process before receiving approval to sell Lottery tickets. To improve the application process's efficiency and the secure handling and tracking of data, the Lottery is in the process of digitizing and streamlining its current paper-based internal review process by implementing an Electronic Document Management System (EDMS). The EDMS will allow the Lottery to conduct a paperless workflow-based review process. The Lottery is also working on enhancing the application process for retailers by allowing them to complete applications electronically. Accelerating the retailer application review process will result in increased retailer revenue generation by enabling retailers to sell Lottery tickets earlier. In addition to improvements in the Retailer Contract business application process, the Claims Processing, Procurement, and Games Administration business units will also benefit from this system. The system will enable staff to complete daily tasks more efficiently and effectively, and give them access to critical information instantly, allowing decisions to be timelier and more accurate.

The Lottery is implementing an Enterprise/Web Content Management System (CMS) to improve processes for updating and managing the department's website. The website is an important



method for meeting the statutory requirement outlined in Section 24.1215, Florida Statutes, to keep the public informed about the significance of lottery funding to the state's overall system of public education. Of the 15.5 million average monthly visits to the Lottery's website, 71.7 percent are made through a mobile smart device. The CMS will allow the development team to respond to market demand through the creation of pages that are responsive to the device being used, improving the user's experience regardless of their technology. The goal is to provide players with a site, consistent in look, that contains relevant and accurate information in the most secure and efficient manner. More user-friendly customer interfaces through a device-agnostic mobile website with links to social media sites will increase player interaction.

The Lottery has secured funding to consolidate its security tools and engage a Managed Security Service Provider (MSSP). The MSSP engagement will give the Lottery non-stop security monitoring of critical systems and data. The replaced tools will enhance end-point protection for Lottery users, expand vulnerability scanning, provide network protection through an Intrusion Prevention System (IPS), as well as cloud-based email protection. The goal is to increase the Lottery's security stance and to protect integrity.

2. Communications

Developing strong relationships with the media and creating new opportunities is an important variable to track in maximizing the effectiveness of the overall enterprise. The Lottery has made significant gains in communicating with media outlets, TV stations, blogs, journals and other emerging areas to disseminate information about winners, new game offerings, awards and new trends. Additionally, the Lottery has been equally as diligent communicating with its player-base over the past several years through the use of social media, allowing two-way communication between the Lottery and its players. The Lottery has built a significant following on Facebook, Instagram, Twitter, Snapchat, and YouTube, with more than 340,000 Facebook followers, 54,000 Instagram followers, 26,000 Twitter followers, 4,000 Snapchat followers, and 33,000 YouTube subscribers. Additionally, the Florida Lottery's YouTube channel, which allows players to view Florida Lottery drawings and commercials, has received more than 6.64 million views. The Lottery will continue to build its fan-base on existing social media platforms, while looking for emerging avenues that prove to be popular with its player-base.

The Lottery's website is designed to provide the public with easily accessible information about new game launches and promotions, the revenue growth, contributions to education, and a variety of reports in an efficient and cost-effective manner. The Lottery's long-term goal is to expand these efforts to provide existing and prospective retailers with access to everyday tools and services they need, including promotional information, forms, business aids, point of sale materials, and frequently asked questions. Currently in progress is a first-class website for player education, with a targeted launch date prior to the start of the 2020 session. The microsite, entitled "Players Guide", will serve as a transparent, all-encompassing tool for enlightening players on responsible play within their means. The Lottery will 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: continued support of Draw and Scratch-Off game second chance promotions as well as social media promotions, additional reporting on Scratch-Off game information and ticket availability statewide and exploring design opportunities to keep the website representative of the Lottery's goals and objectives.

3. Advertising

Core to the Lottery's advertising mission: Maximize the Florida Lottery brand awareness. The focus is on the excitement that comes around the moment of playing Lottery games. The goal is to win the hearts and minds of every Floridian by promoting not only the fun of playing, but also encouraging responsible play, and promoting contributions to Bright Futures scholarships and Education in Florida over the past 31 years. The foundation of the brand house consists of three core brand pillars: Play, Responsible Gaming, and Education.

1. **Positioning "Play" as Entertainment** – the play messaging focuses primarily on the excitement of play (rather than the dream-like state of winning). This reminds consumers that the Lottery is in fact a form of entertainment and should be played in a manner of fun.
2. **Responsible Gaming** – While encouraging customers to "play responsibly" has always been a part of Lottery messaging, there has been opportunity to increase awareness and education around this topic. Through advertising efforts, radio, digital/social, and Out-of-Home (OOH), the Lottery has been able to help educate consumers on: (1) how to play the Lottery in a way that is best suited for their individual financial circumstances, therefore encouraging consumers to play within their means (it is intended as a form of entertainment, and should be treated as such), and (2) no underage play. If you are under 18, you should not be playing the Lottery, no exceptions. Responsible Gaming education is part of everything we do, and while it stands as one of our pillars, it really does weave into every part of our messaging.
3. **Education Awareness** – In FY 18 the Lottery emphasized its contributions to education with the airing of a new Bright Futures video testimonial campaign, supported on all key channels (TV, social, radio, and OOH). The Lottery's website and social media were also used to grow engagement and encourage other Bright Futures Scholarship recipients to share their stories.

According to LaFleur's 2015, 2016, 2017, 2018 and 2019 World Lottery Almanac, for each respective year, the Lottery achieved exceptional net sales levels while operating within an advertising budget that was substantially less than most other state Lotteries.

The Lottery, as it does with all major expenditure items, constantly evaluates the impact and return on investment of all advertising funds used to support its products. The Brand department continues to test, learn, and optimize. It is a good exercise to understand what works, what does not, and why. As such, the Lottery worked with an independent third-party vendor to conduct a



Marketing Mixed Modeling (MMM) Study in 2018. The completed study analyzed media, messaging and sales data (among other detailed data) over the previous three years to understand the overall impact that marketing has on the Lottery's mission. This goes beyond a simple ROI analysis, which does not tell the full story. What is unique and valuable about an MMM study is its ability to account for things like health of the economy, natural disasters, jackpot levels, product mix, and retailer penetration. The study showed that the Lottery's paid marketing accounted for 9 percent of its FY 2017 annual sales. This is a tool the Lottery will continue to use in an effort to ensure the most effective mix of media is purchased and placed in market.

Strategic point-of-sale (POS) development and utilization are also part of the model that makes the Lottery effective. POS materials are a reliable form of consumer education and product awareness used by most successful consumer product providers. Appealing POS is a staple of the Lottery's sales tool. The most traditional forms are used statewide on a daily basis to assist retailers selling products in the distribution network. Traditional forms refer to hard copy printed POS that is placed in or around the brick and mortar stores to increase product awareness and keep players informed. The Lottery has discovered that while this standardized POS approach is desirable from a provider perspective, it is not always the most effective approach from the retailer perspective. In an ever-changing marketplace that is becoming more electronic and digital every day, working with only the current "traditional" printed POS provides undo constraints without the addition of new POS media opportunities that our retailers are experiencing with private partners.

The Lottery is continuously exploring new types of POS materials and positioning. In addition, a more sustaining message "Play Here" POS is being utilized on an on-going basis. 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. The Lottery is working closely with its corporate partners to provide specific POS pieces to meet their store's needs. The Lottery has expanded its media efforts to support POS messages via Gas Station TV and in-store digital video (where available). The Lottery will continue to assess and utilize the most effective and innovative forms of POS to capture the attention of consumers.

4. Product, Promotions and Sales

The Lottery's corporate sales team continues to strengthen relationships resulting in sales growth with chain partners, outpacing state-wide sales growth again in FY 2019 with increases of 10.38 percent in draw games and 7.08 percent in Scratch-Off games. Total sales growth for corporate chains was 8.52 percent versus the state overall at 6.72 percent, resulting in an incremental increase of \$313,687,773 in sales versus the prior fiscal year. The team's participation in retail events and conferences with our top chain partners continues to enhance business relationships and allows the Florida Lottery to have a platform for retailer engagement on a variety of topics. The Florida Lottery continues to be a top-rated vendor by Publix Supermarkets, our largest customer, and has been approved for, and is installing, merchandising upgrades that will result in additional facings and improved product presence that will lead to sales increases as well as



operational efficiencies for our customer. The team also continues to execute customized retailer promotions that seek to enhance product education at store level, thus driving sales and increasing earnings for our partner, and revenue for the Lottery. The performance trend is expected to continue in FY 2020 with the commencement of several projects impacting the Lottery's top 10 retail chain partners. For example, the Lottery has expanded into Walmart supercenters, and Publix has agreed to increase the Lottery footprint by adding additional facings which will drive revenue gains.

The Lottery must ensure it has the tools and support necessary to maintain and improve its external operations. As previously stated, the barriers to entering new trade styles continue to involve resource commitment requirements on the part of the retailer. A smaller footprint in the retail environment is required to sell products in a more convenient, less resource-demanding manner and is more relevant to players of today and tomorrow. Non-traditional trade styles (i.e. business types outside of the convenience, grocery, and liquor store outlets that have typically not considered being a Lottery retailer) become a more important source of potential retailer prospects as the Lottery seeks to expand its retailer universe.

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. Meeting this demand requires the ability to offer flexibility in selling methods to be better positioned for future growth. Redemption requirements and processes must also be evaluated and stream-lined in order to create efficiencies and meet the needs of both players and retailers.

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 continues to execute a number of second chance promotions throughout the year, with many having a social media tie-in, and with all promotions being web-based. Additionally, the Lottery continues to explore new ways of using technology to improve the playability of second chance promotions and further increase player fun and engagement; such as scanning tickets for promotion entry, play-for-fun digital games, coupon distribution and redemption. These efforts will benefit players, retailers, and the Lottery's contributions to enhance education.

Customer satisfaction scores at the retail level are extremely encouraging and indicate the Lottery does a good job of supporting its retailers. In fact, the latest retailer customer satisfaction survey results were the highest scores ever received. The previously implemented Mobile Sales Tool (MST) continues to have a positive impact in retailer satisfaction. The MST was designed to: help increase sales and service to retailers by creating efficiencies for the Lottery's sales representatives, including paperless sales presentations; access sales-related data while in a retail establishment; improve route management, lowering fuel usage/costs; and improve Scratch-Off sales by allowing the sales force 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. These efficiencies also allow sales representatives to allocate more time to visiting prospective retailers and reviewing store inventory levels to ensure they are appropriate for each location. This prevents lost sales and excess inventory in stores. The Lottery continues to improve the capabilities available to its sales staff through the MST and by moving additional back office capabilities to the mobile devices.

Both the Lottery and our retail partners will benefit from enhanced tools such as Retailer Wizard, Sales Wizard, and Performance Wizard as they become available. Retailer Wizard is a tool that will provide retailers with information such as sales, upcoming launches and other pertinent Lottery information. Sales Wizard is a tool that the Lottery Sales Representatives use to perform daily duties such as ticket ordering, sales presentations etc. Performance Wizard allows for our management staff to track important sales information such as inventories, trends and other important information necessary to run day to day sales operations. The information and efficiencies garnered from these tools will lead to informed business decisions that maximize sales and earnings for our retailers and result in maximum transfers to the EETF.

Conclusion

It is clear from the summary provided above that the Florida Lottery is a strong, vibrant part of the infrastructure that supports education in Florida. The Lottery must continue to assist the state in its pursuit of future greatness by helping enhance its commitment to education.

The Lottery ambitiously accepts the challenges presented to implement this plan. It looks forward to both pursuing and achieving sustainable growth while continuously reinforcing its commitment to do so in a manner consonant with the dignity of the state and welfare of its citizens.



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 the 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, sales performance, and the financial impacts of game or operational changes. This type of data allows the agency to identify areas for improvement in their product portfolio and promotional offerings that will enable the Lottery to maximize its contributions to the EETF.

Monthly Tracking Studies - Monthly Tracking Studies are conducted to assess opinions, interactions, and preferences among Florida’s 18+ general population including product play, product awareness, advertising, and education funding. A sample of 6,000 Florida residents per year are used, and surveys are spread out evenly by week, month, and quarter. The sample is also demographically aligned to Florida’s population in accordance with the U.S. Census Bureau’s decennial census and the American Community Survey population estimates for the state. By utilizing this type of ongoing research, the Florida Lottery can track shifts in its player demographic landscape as well as identify areas of opportunity and improvement for the Lottery’s product portfolio. An additional key benefit is the ability to add special modules on a quarterly basis that can capture initial player reactions to new products, services and policies. These studies also play a vital part in monitoring the public’s understanding of the Lottery’s mission, their perception of the Lottery as a whole and their awareness of the Lottery’s educational contributions and support of the Florida Bright Futures Scholarship Program.

Reminding players to Play Responsibly has become a refreshed focus for the Agency and research questions have been added to the Tracking Study to gauge awareness of the Lottery’s latest Play Responsibly advertising and marketing initiatives.



Internet-based Player Panel Research - In addition to Monthly Tracking Studies, the Lottery conducts internet-based studies with respondents that are recruited to the player panel, the Flamingo Forum. The questionnaire topics for these can vary in content from possible new products and promotions, to new services, to advertising, and even more in-depth looks into player satisfaction among many other subjects. This panel community creates a symbiotic relationship by providing the Lottery with a readily available forum with which to concretely test new ideas while helping keep devoted players engaged and letting their voices be heard on a variety of different subjects. The Lottery continues to make Market Research a priority to identify opportunities for growth and improvement with the goal of maximizing revenue contributions to education.

Other Special Studies – The Lottery’s use of Special Studies, which include both qualitative and quantitative research, has increased substantially in recent years. In FY 2018, the Lottery worked with its Market Research Contractor to conduct two focus groups to explore new game concepts and services, a Retailer Satisfaction study that allows the sales staff to evaluate their service performance in relation to retailers, and a special study that served as an in-depth dive into new game concepts. The Lottery also completed a special advertising study which helped to understand what types of advertising concepts resonate with Florida’s citizens the most.

Game Revenue Forecasting and Prize Payout Monitoring - The Lottery provides ongoing analyses of new games, game changes, and promotions throughout the year that focus on possible impacts to sales and the return on investment. As the product portfolio continues to evolve, forecasting continues to be an integral part of product planning and allows product managers to make informed decisions when creating annual product plans.

Sales and Revenue Forecasting - Forecast studies include: projections of Lottery product sales to determine announced jackpots for each drawing of the Lottery’s two Florida specific bi-weekly jackpot games; official forecasts for the state’s Revenue Estimating Conference occurring three times per year; quarterly forecasts of Scratch-Off game sales and prize expenses; and estimating the sales and revenue impacts of proposed legislative changes to Lottery authorizations, mandates and budget.

Brand Strategy Research – On an as-needed basis (minimum of every three years), the Lottery conducts consumer research to confirm that brand positioning is relevant, impactful, drives action and improves overall brand sentiment. This research can be conducted using both traditional (consumer focus groups) and non-traditional (creative workshop labs) methods, based on research vendor capabilities and specificity of learning goals.

Security Evaluation

The Lottery requests funding every other fiscal year to contract with an independent firm to conduct a comprehensive security evaluation of the Department as required by Section 24.108(7)(a), Florida Statutes. Section 24.108(7)(c), Florida Statutes, requires the security evaluation be conducted at least once every two years. Funding for this evaluation was received



in Fiscal Year 2019-20; therefore, the Department will be requesting funding for this audit again in the Fiscal Year 2021-22 Legislative Budget Request.

As we look forward to FY2020, the Florida Lottery will continue to place an emphasis on improving its Market Research initiatives in order to support the Florida Lottery as one of the top Lottery's in the nation.



Florida Lottery

Long Range Program Plan

Fiscal Years 2020-21 through 2024-25

Jim Poppell, Secretary
September 30, 2019



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

Approved Performance Measures for Fiscal Year 2019-2020	Approved Prior Year Standard FY 2018-19	Prior Year Actual FY 2018-19*	Approved Standards for FY 2019-20	Requested FY 2020-21 Standard
Transfers to the State Educational Enhancement Trust Fund	\$1.801B	\$1.926B	\$1.801B	\$1.856B
Total Revenue in Dollars	\$6.891B	\$7.166B	\$6.891B	\$7.393B
Operating Expense** as a Percent of Total Revenue	9.52%	8.11%	9.52%	9.52%
Percent of Respondents Who are Aware of the Lottery's Contribution to Education	65%	62%	65%	65%
Executive Direction and Support Services for all Lottery Operations as Measured by Percent of Total Agency Budget	6.20%	3.34%	6.20%	6.20%

* All amounts included for Fiscal Year 2018-19 are unaudited

**Includes payments to Gaming Vendors and Retailer Commissions

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Assessment of Performance for Approved
Measures – LRPP Exhibit III

LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

Department: Florida Lottery

Program: Lottery Operations

Service/Budget Entity: Lottery Operations

Measure: Percent of Respondents Who are Aware of the Lottery's Contribution to Education

Action:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards | |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
65%	62%	-3%	-3%

Factors Accounting for the Difference:

Internal Factors (check all that apply):

- | | |
|--|--|
| <input type="checkbox"/> Personnel Factors | <input type="checkbox"/> Staff Capacity |
| <input type="checkbox"/> Competing Priorities | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify) |

Explanation:

External Factors (check all that apply):

- | | |
|--|--|
| <input type="checkbox"/> Resources Unavailable | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change | <input type="checkbox"/> Natural Disaster |
| <input type="checkbox"/> Target Population Change | <input checked="" type="checkbox"/> Other (Identify) |
| <input type="checkbox"/> This Program/Service Cannot Fix the Problem | |
| <input type="checkbox"/> Current Laws Are Working Against the Agency Mission | |

Explanation: Though the Lottery supported its education message with multi-media, including television, print, website, education-specific collateral materials and participation in various education-related events during the fiscal year; the performance measure result depends on responses from both players and non-players to survey questions. It is possible that external factors outside of the Lottery's control, such as media attention on non-Lottery education issues and other topics affecting the state, may have contributed to a lower awareness among Floridians.

It is worth noting that the outcome measure actual performance results increased from 61% in FY 2017/18 to 62% in FY 2018/19, which is a strong overall awareness level.

Management Efforts to Address Differences/Problems (check all that apply):

- | | |
|------------------------------------|--|
| <input type="checkbox"/> Training | <input type="checkbox"/> Technology |
| <input type="checkbox"/> Personnel | <input checked="" type="checkbox"/> Other (Identify) |

Recommendations: The Lottery will continue to convey its education message with a multi-media campaign, including television, radio, website, print, outdoor and point-of-sale advertising, education-specific collateral materials, public relations initiatives, increased social media presence and participation in various education-related events/programs throughout the State to heighten awareness of the Lottery's contributions to education.

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Performance Measure 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: #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 standard with the forecast amount adopted by the August 2019 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 standard with the forecast amount adopted by the August 2019 Revenue Estimating Conference.

Validity:

Reliability:

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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 2019-20	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 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

ADA - Americans with Disabilities Act

CSIRT - Computer Security Incident Response Team

EDMS - Electronic Document Management System

EETF – Educational Enhancement Trust Fund

ESF – Emergency Support Function

FDLE – Florida Department of Law Enforcement

FTE – Full Time Equivalent

MEPIC - Missing Endangered Persons Information Clearinghouse

MST – Mobile Sales Tool

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

OPS – Other Personal Services

POS – Name given to marketing and advertising materials that are placed in optimal retail sales areas.

REC – Revenue Estimating Conference - The Office of Economic and Demographic Research (EDR) is a research arm of the Legislature providing official information with respect to anticipated state and local government revenues for the state planning and budgeting system

SCRATCH-OFF TICKET – A Lottery game in which the player scratches off an opaque latex coating to determine immediately if a cash prize or free ticket is won. Scratch-Off top prizes can reach the multi-million dollar level. Scratch-Off tickets are also known in the industry as instant tickets.

SECOND CHANCE DRAWING – A promotion offered which allows players to win additional moneys by entering non-winning Scratch-Off tickets or promotional tickets on the Lottery's website resulting in randomly selected winners drawn in a secure, audited computerized drawing held at Lottery headquarters.

SIEM – Security Information and Event Management

TERMINAL GAME (DRAW GAME) – Any game in which the player's number selection is entered into a gaming terminal and immediately recorded at the Lottery Headquarters computer site. POWERBALL, MEGA MILLIONS, FLORIDA LOTTO, CASH4LIFE, LUCKY MONEY, FANTASY 5, PICK 5, PICK 4, PICK 3 and PICK 2 are the Lottery's ten Terminal games.